ASX ANNOUNCEMENT

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)

24 August 2017

FY17 APPENDIX 4E AND FINANCIAL REPORT

Please find attached for release to the market, copies of Flight Centre Travel Group Limited's:

- Appendix 4E for the year ended 30 June 2017; and
- 2017 Annual Report (including the Directors' Report, the Financial Report, the Directors' Declaration and the Audit Report)

APPENDIX 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF	JUNE 2017 $'000	JUNE 2016 $'000	CHANGE $'000	CHANGE %
Total transaction value (TTV)[1]	20,109,171	19,305,173	803,998	4.2%
Revenue	2,677,336	2,641,775	35,561	1.3%
Net profit before tax	325,445	345,043	(19,598)	(5.7%)
Net profit after tax	230,773	244,556	(13,783)	(5.6%)

[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 30 June 2017	AMOUNT PER SECURITY CENTS	100% FRANKED AMOUNT CENTS
Interim dividend	45.0	45.0
Final dividend[2]	94.0	94.0
30 June 2016		
Interim dividend	60.0	60.0
Final dividend[3]	92.0	92.0

[2] Final dividend of 94.0 cents per share for the year ended 30 June 2017 was declared on 24 August 2017. The record date for determining entitlements to the final dividend is 15 September 2017. The payment date for the final dividend is 13 October 2017.

[3] Final dividend of 92.0 cents per share for the year ended 30 June 2016 was declared on 25 August 2016. The record date for determining entitlements to the final dividend was 16 September 2016, with payment on 14 October 2016.

NET TANGIBLE ASSETS	JUNE 2017 $	JUNE 2016 $
Net tangible asset backing per ordinary security	9.47	8.90

CONTROL GAINED OVER ENTITIES

On 2 February 2017, FLT acquired assets and liabilities of Travel Tours Group (TTG), for cash consideration of INR189,800,000 ($3,714,000) and 7.39% shareholding scrip in the resulting combined FCM India business. 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), foreign exchange (Forex), and wholesale.

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 24 October 2016, FLT gained effective control over 100% of Shenzhen Sunny Holiday International Travel Agency Co. Ltd. through the share purchase agreement (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.

CONTROL GAINED - SUBSEQUENT TO YEAR END

On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,340,000. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future revenue and profit-related targets.

On 31 July 2017, FLT announced it would acquire 100% of Travel Managers Group (TMG), for an initial cash payment of $8,371,000, with a working capital adjustment to be made. TMG is a New Zealand based leisure-focused group that provides systems and support services to a network of more than 180 individual brokers. TMG also operates a 22-shop franchise network, which includes 12 TravelSmart shops and 10 non-branded stores. The acquisition has not yet completed.

On 31 July 2017, FLT announced it would acquire 100% of Executive Travel Group (ETG), for an initial cash payment of $11,171,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future profit-related targets. ETG is New Zealand's largest independent corporate travel management company. The acquisition has not yet completed.

CONTROL GAINED - SUBSEQUENT TO YEAR END (CONTINUED)

On 1 August 2017, FLT acquired 75% of Les Voyages Laurier du Vallon (LDV), a Quebec City-based travel company, for $11,478,000, with a working capital adjustment to be made within the next 30 days. A rolling put and call option is in place over the remaining 25% and can be exercised after 31 July 2019. LDV was acquired to strengthen FLTs presence in Quebec.

On 2 August 2017, FLT acquired 100% of Olympus Tours for $27,757,000. Olympus is a leading Mexico-based destination management company (DMC) which provides transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.

On 4 August 2017, FLT announced it would acquire 100% of Travel Partners for $3,500,000. The deal also includes additional performance-related payments that the owner will be entitled to if the business achieves future growth targets. Travel Partners is a Sydney-based business with a strong sales force of home-based or mobile travel agents. The acquisition has not yet completed.

DETAILS OF JOINT VENTURES AND ASSOCIATES

INVESTMENTS IN JOINT VENTURES	2017	2016
Pedal Group Pty Ltd	50.0%	50.0%
Buffalo Tours	58.5%	49.0%
Employment Office Australia Pty Ltd	0.0%	50.0%

On 10 April 2017 FLT invested an additional $23,764,000 to increase its shareholding in Buffalo Tours (Singapore) Pte Ltd to 58.5% (2016: 49%) and its investment in Buffalo Tours (Hongkong) Limited to 58.5% (2016: 49%). Although the transaction has changed FLT's interest in Buffalo Tours, the overlying shareholder agreement has not changed and as a result the principal of joint control remains in place.

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.

INVESTMENTS IN ASSOCIATES	2017	2016
Ignite Travel Group Limited	49.0%	-
Biblos America LLC	24.1%	-
3mundi	25.0%	-

On 28 June 2017, FLT invested $3,097,000 in 3mundi for a 25% share of the equity. 3mundi is a travel and technology company with operations in France, Switzerland and Spain. FLT will initially invest in a 25% interest in the Paris-based business, with additional put and call agreements in place which if exercised, will result in FLT increasing its holding to 100% in the future. FLT does not have control, and as such, FLT's investment in 3mundi is accounted for as an associate using the equity method in the consolidated financial statements.

On 11 April 2017, FLT invested $9,355,000 in Biblos America LLC (Bibam) for a 24.1% share of the equity. Bibam is an Argentina based travel and technology group with a strong presence in the on and offline leisure, corporate and wholesale sectors. FLT's investment in Bibam is accounted for using the equity method in the consolidated financial statements.

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.

COMPLIANCE STATEMENT

The report is based on the consolidated financial report which has been audited. Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

Signed:

G.F. Turner
Director

24 August 2017

OPEN UP THE WORLD FOR THOSE WHO WANT TO SEE

2017 // FLT ANNUAL REPORT

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)
CORPORATE DIRECTORY

Directors G.F. Turner
G.W. Smith
J.A. Eales
R.A. Baker
C.L. Kelly (resigned 2 August 2016)

Secretary D.C. Smith

Principal registered office and place of business in Australia
275 Grey Street, South Brisbane QLD 4101
+61 7 3170 7979
ABN 25 003 377 188

Share register
Computershare Investor Services Pty Ltd
117 Victoria Street West End QLD 4101

Auditor
Ernst & Young
111 Eagle Street Brisbane QLD 4000

Stock exchange
FLT shares are listed on the Australian Securities Exchange.

www.fctgl.com

KEY DATES 2017/18

August 24, 2017
2016/17 full year results released

September 15, 2017
2016/17 final dividend record date

October 13, 2017
2016/17 final dividend payment date

November 9, 2017
Annual General Meeting

February 22, 2018*
2017/18 half year results released

March 23, 2018*
2017/18 interim dividend record date

April 13, 2018*
2017/18 interim dividend payment date

**Dates are subject to change*

This financial report covers the consolidated financial statements for the consolidated entity consisting of FLT and its subsidiaries. The financial report is presented in Australian currency.

FLT is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report.

The financial report was authorised for issue by the directors on 24 August 2017. The directors have the power to amend and reissue the financial report.

FLT endorses the ASX's Corporate Governance Principles and Recommendations and complies in all areas, apart from amalgamating the Remuneration and the Nomination Committee. Further information on FLT's compliance with the Corporate Governance Principles and Recommendations can be found on the company's website, www.fctgl.com/investor-and-media/governance/corporate-governance.

CONTENTS

CHAIRMAN'S MESSAGE

GARY SMITH

I'm pleased to present the Flight Centre Travel Group's annual report to shareholders for the 2017 fiscal year (FY17).

While our company wasn't able to deliver a record FY17 profit, it was successful in achieving a number of key targets, including topping $20billion in total transaction value (TTV) and growing online leisure sales beyond $1billion for the first time.

These sales statistics, achieved in a relatively subdued trading climate, highlight the strength of the company's offerings across multiple channels and multiple sectors and the ongoing relevance of its distribution models to customers and to its suppliers.

On another positive note, FLT also achieved several important strategic objectives by:

- Increasing productivity, which has allowed us to grow sales without significantly expanding our cost base
- Developing its three core business units across five major geographies, through operational enhancements and, in some cases, acquisitions; and
- Expanding its unique product ranges - in addition to distributing products for suppliers, FLT now has a number of ranges of its own that turn over hundreds of millions of dollars

Underlying PBT for the 12 months to June 30 2017 was down compared to the prior year, although within the range that we outlined when we first released guidance at our Annual General Meeting in November 2016.

Results were adversely affected by a combination of factors, some cyclical and some that are under our direct control.

The main cyclical factors experienced during the year were airfare price deflation and currency movements. This deflation, driven primarily by an influx of capacity globally was positive for our customers and led to strong ticket sales growth in Australia, but the significant year-on-year price movements that we saw for much of FY17, also slowed revenue and TTV growth and, ultimately, profit growth.

TRANSFORMATION PROGRAM

In light of the challenging business environment, the company has strongly focused on identifying growth and improvement opportunities leading in to FY18, as outlined in Graham Turner's column.

Our aim is to deliver profitable and scalable growth and to extend our long record of success, which now includes 21 years of TTV growth in 22 years as a listed entity.

Profit historically followed a similar trajectory to TTV but has stagnated or decreased since FY14. This is despite solid growth in some key sectors, particularly corporate travel, and in some key regions like Europe and the Americas, which generated 20% and 10% of group profit respectively during FY17.

During FY17, FLT initiated a Business Transformation program headed by chief operating officer Melanie Waters-Ryan and with a goal of returning the company to its traditional profit growth trajectory.

This program, which is covered in detail in Melanie's column within this report, aims to grow revenue and reduce cost growth over the next three to five years and is already starting to deliver benefits.

We are also starting to see returns on some of the other investments that have been made in recent years. These investments have delivered a range of benefits, from improving productivity to delivering new revenue growth pipelines.

PEOPLE

While the company is successfully growing online sales – both in leisure and corporate travel – it remains a person-to-person business.

Its people are its greatest asset and are at the heart of its success.

Accordingly, FLT will continue to invest in its people and is initiating strategies to improve retention, to improve health and financial wellbeing and to create a brightness of future within the organisation.

Pleasingly, the company was this month recognised as an Employer of Choice at the Australian Business Awards. This honour is bestowed on organisations that have developed leading workplaces that maximise the full potential of their workforce through practices that demonstrate effective employee recruitment, engagement and retention.

The company's is also taking positive steps to enhance its gender diversity record.

Several programs are now in place to help women progress within the organisation and a senior executive within our Peopleworks business in Australia has taken on responsibility for developing new programs and for removing any potential career roadblocks to advancing.

About 75% of our staff and about 50% of our leaders are women and we believe we can significantly increase this percentage in the future and play a proactive role in developing leaders who can progress to the highest levels within the company, which is where female representation is currently lower.

In addition, our company is playing an active role in encouraging diversity externally. For example, our Campus Travel brand, in conjunction with Virgin Australia, recently announced a new travel grant program aimed at helping female academics and university employees progress their careers in fields where women have traditionally been under-represented, specifically science, technology, engineering and mathematics.

BOARD COMPOSITION

We are also committed to diversity at Board level and expect to appoint a female director to replace Cassandra Kelly, who resigned during FY17, within the next few months.

The company has identified a high calibre candidate, with vast experience and a skill-set that complements the current Board.

While we cannot reveal her identity, I am pleased to report that our preferred candidate has now agreed to join us and we expect to formally announce her appointment as a non-executive director (NED) at our Annual General Meeting in November.

With the addition of a new female Board member, FLT's Board will consist of:

- Graham "Skroo" Turner, as managing director
- Three NEDs – Rob Baker, John Eales and the new appointment; plus
- Myself as non-executive chairman

In relation to Board skills, the company believes its directors, including the new appointment, have a suitable mix of talent and experience to oversee the company and deliver value to shareholders.

This experience and expertise is complemented by external resources.

For example, a digital advisory board was established during FY17 to provide additional capabilities and oversight in the digital area globally, which is one of our major growth engines in the near-term. In addition to our chief digital officer, Atle Skalleberg, this board also includes Boston-based travel technology specialist Hugh Crean and Nicolas Brusson, the CEO of tech innovator BlablaCar.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company takes its CSR obligations very seriously and is taking steps to expand the focus on this important area throughout the company and to raise awareness of key issues.

One of these issues is Responsible Travel.

As you may recall, FCTG WorldWise was created during FY16 with a view to enhancing the social, economic and environmental impact we have, in addition to better understanding the positive and negative impacts that travel can have on wildlife.

During FY17, FLT adopted a Responsible Travel Charter and this charter has become the blue print to help our customers and our people make responsible travel choices in four specific areas - social, economic, environment and wildlife.

To help us achieve our objectives through providing guidance, we have become a member of or formed affiliations with several expert groups and bodies including The UN Global Compact (UNGC), ReThink Orphanages and the International Institute for Peace through Tourism (IIPT).

The Flight Centre Foundation, which started in Australia in 2008, remains a key element in our overall CSR platform and has continued to expand its reach globally.

Since its inception, the foundation has now donated $10.5million to its chosen charities and causes. Globally, the company donated about $2.9million during FY17.

FLT's workplace giving program in Australia also continues to prove popular with our people, with about 30% donating from their monthly pay packets. FLT matches these donations dollar-for-dollar.

CONCLUSION

In conclusion, I would again like to thank our 20,000 people globally for their efforts during FY17 and for the contribution they will make to our success during FY18.

Looking forward, it is difficult at this early stage to anticipate market conditions, but we feel we are strongly positioned to improve on our FY17 achievements.

We will continue to focus on the clear growth and improvement opportunities we see within our business and aim to deliver improved returns to our shareholders as we start to benefit from the investments made in recent years and as our new initiatives start to gain traction.

Once again, thank-you for your ongoing support. We look forward to updating you on our progress during the year.

YEAR IN REVIEW – FINANCE

ADAM CAMPBELL

CHIEF FINANCIAL OFFICER

FLT achieved a $329.5million underlying PBT[1] during FY17, excluding the one-off $4.1million loss incurred on exiting the Employment Office investment during the 1H.

The underlying result was:

- At the top of FLT's revised FY17 guidance ($300million-$330million); and
- Within the range that FLT initially targeted ($320million-$355million)

This initial guidance, which was issued in November 2016, was subsequently amended after challenging 1H trading conditions slowed top and bottom-line growth during the period.

Underlying 2H PBT increased 4.7% - after a 22.4% 1H decrease - to finish 6.5% lower than the $352.4million underlying PBT achieved in superior trading conditions during FY16.

Statutory PBT was $325.4million, 5.7% lower than the $345million result achieved during the prior corresponding period (PCP). Net profit after tax (NPAT) was $234.5million (underlying) and $230.7million (statutory) (FY16: $246.7million and $244.6million respectively).

Factors that affected bottom-line results included:

- Significant airfare deflation in key markets. This low-fare environment started to normalise in Australia during the 2H as FLT started to track against similar low fares
- Currency fluctuations, which affected overseas result translation into Australian dollars and led to unrealised losses on some forward exchange contracts (FECs)
- Political uncertainly, which contributed to soft first quarter trading globally; and
- Underperformance in Asia, the Middle East and the UK-based touring businesses

TTV[2] reached a record $20.1billion and topped the $19.3billion sales milestone achieved in FY16 by $804million or 4%, despite deflation and adverse currency movements.

At like-for-like exchange rates, FY17 TTV would have increased 7% compared to FY16.

Revenue increased marginally (up 1.3%) to $2.7billion, which led to a 13.3% income margin (FY16: 13.7%).

This income margin reduction was largely driven by business mix changes, specifically:

- Corporate travel growth - the company won a number of large and high profile accounts in Australia that are low touch and trade on relatively low margins; and

FIVE-YEAR SUMMARY	FY17	FY16	FY15	FY14	FY13
TTV	$20,109m	$19,305m	$17,598m	$16,049m	$14,259m
Income Margin	13.3%	13.7%	13.6%	14.0%	13.9%
EBITDA[2]	$402.1m	$413.9m	$417.0m	$378.4m	$395.2m
PBT (statutory)	$325.4m	$345.0m	$366.3m	$323.8m	$349.2m
NPAT (statutory)	$230.8m	$244.6m	$256.6m	$206.9m	$246.1m
Earnings per share	228.5c	242.4c	254.7c	205.8c	245.6c
Dividends per share	139.0c	152.0c	152.0c	152.0c	137.0c
ROE	16.2%	18.2%	20.2%	18.8%	24.0%

1. Underlying PBT excludes the $4,066,000 loss incurred on exiting Employment Office investment.

2. EBIT, EBITDA and TTV are non-IFRS measures and are unaudited. For reconciliation of EBIT, refer to note A1 Segment Information. EBIT represents adjusted EBIT.

- Strong growth in e-commerce, which is heavily weighted towards simple and lower margin airfare transactions.

Rapid growth in the Travel Money business, which generated more than $1billion in TTV, has also adversely affected income margin in recent years.

Other financial highlights included:

- Modest underlying expense growth as network growth slowed and as FLT successfully focussed on productivity enhancement, its key global strategy.
- Continued balance sheet strength, with FLT holding $530.1million in company cash and investments ($1.5billion total cash and investment portfolio) and just $55.9million in debt at year-end, leading to a $474.3million positive net debt position.
- Strong operating cash flow, highlighted by a $295.4million inflow over the year; and
- A $140.4million shareholder return ($1.39 per share fully franked), via the 45 cents interim dividend and the 94 cents final dividend that was declared today. The combined payments represent a 60% return of underlying NPAT to shareholders, in line with FLT's dividend policy.

Capital expenditure (cap-ex) increased $6million, as the company invested in its system and network and moved head offices in several locations. FLT has made use of landlord contributions to fund fit out costs, reducing cash expenditure (cash cap-ex decreased $16.9m).

The increased cap-ex in recent years led to a $9million increase in depreciation and amortisation expense during FY17.

While FLT's sales growth and global profits were predominantly generated organically, the company completed seven small acquisitions during FY17, as outlined below.

Since year-end, FLT has also acquired or agreed to acquire:

- In-destination businesses BHMA, a small but rapidly growing hotel management group, and Olympus Tours, a Mexico-based destination management company (DMC) that will operate alongside Asia-based DMC Buffalo Tours as a key part of the Travel Experiences Network (TEN)
- New Zealand's Travel Managers Group and the Sydney-based Travel Partners Group, businesses with strong home-based or independent contractor networks
- New Zealand corporate business Executive Travel; and
- Les Voyages Laurier du Vallon (LDV), a Quebec-based company with leisure, corporate and Meetings, Incentives, Conferences and Events (MICE) businesses

Company cash was used to fund these acquisitions.

SEGMENTED RESULTS AND RESULT DRIVERS

Key result drivers during FY17 included:

- Solid sales growth in each of the four major geographic regions as FLT surpassed its $20billion global TTV target
- Record profit in the UK (in local currency) and the USA, strong earnings growth in Canada, Mainland China and South Africa and 2H recovery in Australia and New Zealand, with both businesses comfortably surpassing their profit contributions during the PCP; and
- Successful execution of key strategies, particularly productivity and online sales growth, with FLT achieving its target of exceeding $1billion in online leisure TTV

AUSTRALIA & NEW ZEALAND

In Australia/New Zealand, sales increased in both leisure and corporate travel, with the company achieving record ticket volumes and record room nights. The Australian corporate business benefitted from a strong year of account wins and grew top and bottom-line results in a relatively subdued trading climate. The Australian leisure business, which generated about half of FLT's global profit, recorded a slight profit decrease, with international airfare price deflation significantly impacting results and preventing the company from fully benefiting from its strong ticket volume growth. International ticket sales in Australia increased 10.5%, well above the 4.1% outbound travel growth rate (Source: Australian Bureau of Statistics).

Profits were also adversely affected by a reduced contribution from Travel Money, which generated almost $1 billion TTV, and the investment in online meta-search brands BYOJet and Aunt Betty, which sell ultra low cost airfares.

AMERICAS

The Americas business generated about 10% of FLT's profit during FY17, thanks to the record US profit and Canada's strong turnaround. In the corporate sector, the Canada and US businesses delivered another year of solid profit and sales growth, while the Mexico business contributed a small profit. Corporate TTV in the USA topped $US1billion for the first time, consolidating the business's position as FLT's largest by sales outside Australia. In leisure travel, e-commerce player StudentUniverse, FLT's first foray into the US youth and online sectors, performed strongly in its first full year.

Ignite (49% interest)	Sunny	Buffalo (58.5%)	Travel Tours	Nordics & Germany	3Mundi (25%)	Bibam (24.1%)
• Emerging business specialising in creation & distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers & rewards programs	• Small Shenzhen-based travel agency that is licensed to sell outbound travel to Chinese nationals • Will allow FLT to expand its presence in key market sectors on Mainland China	• Asia-based DMC operated in conjunction with Vietnam's Thien Minh Group • FLT increased its equity from 49% to 58.5% during FY17 which included acquiring 58.5% interest in Buffalo Tours Vietnam	• Bengaluru-based (Bangalore) travel group with interests in foreign exchange, the MICE sector and in leisure, corporate and wholesale travel • Strengthened and diversified FLT's India business	• Corporate travel businesses in five key European countries • Gave FLT company-owned businesses in Sweden, Denmark, Norway, Finland & Germany	• Travel & technology company with corporate travel operations in France & Switzerland, plus technology hub in Spain	• Travel & tech groupwith strong presence in on & offline leisure, corporate & wholesale sectors • Owns & operates the Biblos brand & e-commerce player Avantrip • FCM licensee in Argentina

Leisure losses in Canada and elsewhere in the US decreased as the company successfully focussed on improving productivity.

While the company is decreasing its traditional leisure footprint in the Americas, FLT is opening lower cost micro-stores in large US malls and centres, including Long Island (New York), Annapolis (Maryland) and Tysons Corner (Virginia). Another micro-store is due to open next month in America's largest mall, King of Prussia (Pennsylvania).

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

FLT's EMEA businesses generated almost 20% of group profit, despite the adverse currency movements which significantly impacted profit translation from the large UK business.

Although the UK business delivered a record GBP27.6million PBT, about 9% higher than FY16, the FY17 result translated to a $AU46.3million profit, 10% lower than the $51.5million PBT achieved during FY16.

The South Africa business, which expanded into Namibia, topped its FY16 results, while the small UAE business made a reduced profit contribution.

In line with its strategy of becoming Truly Global, FLT significantly expanded on Continental Europe and now has an equity presence in 10 European countries – the UK, Ireland, Holland, Germany, Sweden, Denmark, Finland, Norway, France and Switzerland.

ASIA

In Asia, the company recorded solid TTV growth in local currency and delivered a modest profit, underpinned by the Mainland China business. The Singapore, India and Hong Kong businesses achieved modest losses.

Within this region, the company developed the foundations for stronger future growth by:

- Merging its Singapore and Hong Kong-based management teams to create a regional team to oversee Singapore, Malaysia and Greater China; and
- Acquiring Travel Tours, which bolstered FLT's leadership ranks in India and strengthened the leisure and product areas, and Sunny, which has given FLT a platform to tap into new sectors on Mainland China, the world's second largest aviation market

OTHER, INCLUDING THE TRAVEL EXPERIENCE NETWORK (TEN)

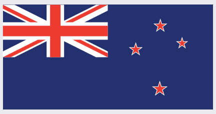
Within the TEN, tour operators Top Deck and Back-Roads, which together contributed about $9million to group PBT during FY16, recorded a $1million loss during FY17. Contributing factors included operational issues within Top Deck, which have now been rectified, and unrealised FEC losses, following the British pound's rapid depreciation during the year.

The Buffalo Tours DMC performed strongly and has now been expanded, with FLT recently increasing its ownership of the business.

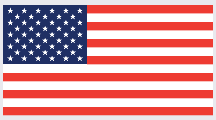
The company has invested significantly in the TEN during the past three years and has earmarked the business as a key feature growth vehicle, as outlined in Melanie Waters-Ryan's column.

GLOBAL RESULTS[2]

AUSTRALIA
TTV: $10.6b,
up 5% in AUD
EBIT: $242.9m
Businesses: 1547



NEW ZEALAND
TTV: $1.1b,
up 10% in AUD
(up 7% in local currency)
EBIT: $17.1m
Businesses: 205



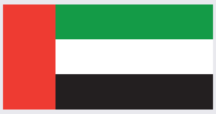
USA & MEXICO
TTV: $3.1b,
up 2% in AUD
(up 6% in local currency)
EBIT: $24.7m
Businesses: 281

CANADA
TTV: $1.2b,
up 1% in AUD
(up 4% in local currency)
EBIT: $7.6m
Businesses: 223

UNITED KINGDOM
TTV: $1.9b,
down 11% in AUD
(up 8% in local currency)
EBIT: $44.8m
Businesses: 283

EUROPE
TTV: $170m,
up 170% in AUD
EBIT: ($1.9m)
Businesses: 20

SOUTH AFRICA
TTV: $547m,
up 11% in AUD
(up 8% in local currency)
EBIT: $12.9m
Businesses: 199



UNITED ARAB EMIRATES
TTV: $92m,
down 12% in AUD
(down 9% in local currency)
EBIT: $1.0m
Businesses: 13

INDIA
TTV: $571m,
up 36% in AUD
(up 40% in local currency)
EBIT: $0.1m
Businesses: 128

GREATER CHINA
TTV: $281m,
up 5% in AUD
(up 8% in local currency)
EBIT: $0.0m
Businesses: 42

SOUTH EAST ASIA
TTV: $209m,
up 8% in AUD
(up 13% in local currency)
EBIT: ($1.8m)
Businesses: 19

STRATEGIC UPDATE & BUSINESS TRANSFORMATION

MELANIE WATERS-RYAN

CHIEF OPERATING OFFICER

STRATEGIC UPDATE

FLT is successfully executing its key global strategies, which include enhancing productivity in the short-term.

TTV per person, FLT's productivity metric, increased globally and within each of its key divisions during FY17 as the benefits of previous strategic investments were realised.

Longer term plans are also gaining momentum and are designed to deliver growth in three key sectors:

1. Leisure travel retailing, which is comfortably FLT's largest sector by sales globally
2. Corporate travel, which now accounts for a third of the company's overall business
3. The TEN, a new and rapidly expanding business pillar.

In the leisure sector, FLT is developing a unique offering across multiple channels to allow customers to transact and interact with the company's brands when and how they want. These key channels include:

- Lower cost, lower touch online and 24/7 contact centre offerings
- Flagship stores in CBDs and super regional shopping centres and smaller community shops. Specialist teams, targeting high growth sectors, are also located within some of these stores and shops; and
- High-touch channels, specifically travel expos and independent contractor offerings

Within the Australian shop network, flagships and specialist teams are expected to drive shop-based TTV growth in the short to medium-term. Within the community network, the focus will be on improving performance and growing profits, rather than physical expansion.

FLT has enhanced its e-commerce capabilities and platforms globally, which has led to record sales online through an expanding network of online travel agency (OTA) brands, apps and blended offerings, plus continued growth in business that originated online but was completed via other channels.

Key contributors include StudentUniverse, flightcentre.com.au, which is growing strongly, Aunt Betty and BYOJet, which is now in Australia, New Zealand, Singapore and the UK.

Further online sales growth is expected, with e-commerce identified as one of the key initiatives within FLT's new business transformation program.

The company has also strengthened its presence in the home-based/independent contractor sector, a rapidly growing part of the travel industry, by recently agreeing to buy established networks in both New Zealand (Travel Managers) and Australia (Travel Partners).

FLT's expanding portfolio of manufactured leisure products continues to prove popular, with several unique start-up ranges now entrenched as multi-million dollar per year product lines.

In addition to private airfares, which FLT gains exclusive access to, these products include:

- Journeys and Escapes, which together generated more than $150million in TTV in Australia during FY17, plus an additional GBP55million in the UK, and;
- Flight Centre brand's popular Captain's Airfare Packages, which deliver value added bonuses to customers who choose to add them on to airfare deals.

Other recent additions include GET LUXE, a package range that has been introduced in Australia. The packages are offered in conjunction with Ignite Travel, a business that FLT invested in during FY17, and include exclusively sourced flights, accommodation and other bonus inclusions (Luxe Ups).

In corporate travel, FLT has continued to consolidate its position as one of the world's largest and most successful travel management companies.

During FY17, the corporate travel brands generated $6.6billion in TTV (8.7% growth on a constant currency basis), while the foundations were laid for further future growth through technology and system enhancements and geographic expansion into some of the world's largest business travel markets.

The business has now entered 12 new equity invested countries in the past three years, more than doubling its geographic footprint.

During the past three years, FLT has created the TEN as its third key business pillar by investing in tour operators, DMCs and hotel management businesses.

This investment is expected to create benefits that are aligned to FLT's strategic objectives, including greater control over the customer experience, the ability to create unique products to sell via FLT's global sales network and margin and revenue opportunities through vertical integration and external B2B sales of the in-destination products.

During FY17 and in FY18, FLT delivered on its expansion strategy within this sector by:

- Moving to create a global DMC network, through the Olympus acquisition and the increased investment in Buffalo Tours; and
- Securing BHMA, its first hotel management investment. BHMA operates 14 Thailand properties and has another 19 signed properties under development and due to open in Thailand and Vietnam

Olympus, which operates in the key Americas markets of Mexico, the Dominican Republic and Costa Rica, will operate alongside the Asia-based Buffalo Tours business to provide transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.

Olympus's revenue streams include:

- Wholesale - selling tours, transfers, day trips, excursions and group/incentive services through third party travel agencies including FLT
- In-destination sales - direct sales of tours, transfers and other products to travellers, via hotel service desks and airport representation; and
- Retail and online sales - direct sales to travellers via Olympus's travel agencies and website, which is transactable in two languages

BHMA's properties range from individual villas and apartments to boutique hotels and resorts.

The company is taking on larger properties, including a 265-room hotel in Bangkok, and is poised to expand its foot-print into Vietnam (Hoi An and Danang) during FY18.

Revenue includes a combination of pre-opening fees and royalties and fees that are payable monthly after the property opens. The ongoing fees are linked to the property's performance and include base fees (tied to gross operating revenue), incentives (tied to gross operating profit) and marketing and license fees (tied to gross room revenue).

BUSINESS TRANSFORMATION PROGRAM

In addition to executing its key strategies during FY17, FLT launched its business transformation program.

A specialist team with senior representation in the areas of information technology, mergers and acquisitions, e-commerce, air, land and corporate finance has now been formed to oversee key initiatives that have been introduced to deliver tangible TTV and margin benefits over the next three to five years.

Various high level goals are now in place.

These goals, which will be monitored and amended as FLT finetunes its strategies, as market conditions change and as the company's business mix shifts, currently include:

- 7% average total transaction value (TTV) growth per annum in constant currency over the next three years
- Stronger returns from FLT's existing network through scalable and profitable growth, tight cost control and the removal of all current loss-making businesses; and
- A return to a 2% net margin - profit before tax (PBT) as a percentage of TTV - within three to five years. A 2% net margin during FY17 (Actual: 1.64%) would have delivered a $402million PBT (Actual: $329.5million)

While this transformation program is in its infancy, significant progress is already being made and some benefits are expected during FY18.

As part of these initiatives, FLT is globalising its air, land and IT businesses, executing strategies that will improve performance in its established businesses and growing productive new models.

In line with its goal of improving performance in or divesting of all current loss-making businesses, the company has already pivoted or closed some businesses including:

- The Canada leisure business, which now has a smaller shop network backed by an emerging network of independent contractors
- US-based wholesaler GOGO, which was downsized during FY17
- The Singapore leisure offering, which has pivoted to a 'direct' (phone and email) model, rather than a shop-based model, and various ancillary businesses, which have now been closed
- Student Flights in South Africa and New Zealand, where the brand has been integrated into Flight Centre as a product line
- Corporate Traveller in parts of Europe and Asia, where the FCM brand will be the primary focus; and
- Travel Money in the USA, which has also been closed

In Australia, no significant network changes are likely in the short-term, given the high profitability levels, although some shops will be closed and teams will be relocated to better locations. A small number of shops with sub-standard profit and sales histories are also being filtered to ensure they meet key performance metrics, with a view to either improving results in the short-term or closure.

COSTS

As part of its longer term strategic evolution, FLT has invested significantly in systems, platforms and in growth initiatives that should drive future returns. These investments saw FLT's overall cost base increase by an average of $150million per year between FY07 and FY16, including $700million growth in the three years between FY13 and FY16.

While cost increases are inevitable, given FLT's person-to-person focus, growth is starting to moderate and the company is initiating strategies to curb future growth of costs.

The company's focus on its current underlying cost base will include:

- Lowering occupancy costs through better negotiations, slower network growth and, where appropriate, reducing the number of physical sites. FLT will also proactively relocate teams if lease terms are unacceptable
- Growth in lower cost models, including OTA and independent contractor offerings
- Outsourcing some functions to lower cost centres, as the company has already done in Indonesia and the Philippines
- Increasing productivity via system enhancements; and
- Streamlining head office support structures, which has already led to a number of support roles in Australia and within FLT's Global businesses being made redundant.

For FY18, FLT aims to keep underlying cost growth under $100million, well below its medium-term average.

OUTLOOK

GRAHAM TURNER

CHIEF EXECUTIVE OFFICER

After growing top and bottom-line results during the FY17 2H, FLT has started FY18 with solid momentum, which should lead to reasonable first quarter growth.

The FY17 first quarter was, however, a subdued trading period as a result of the US and Australian elections and the UK's Brexit referendum, which led to the Pound's significant devaluation. Airfare deflation also impacted 1H FY17 growth, as outlined elsewhere in this report, with FLT advertising some of the cheapest international airfare deals it has ever offered during FY17. While these offers contributed to the strong ticket volume growth that FLT achieved in markets like Australia, the overall market growth rate (Australian outbound travel) of just over 4% was fairly subdued by historical standards, pointing to some ongoing consumer uncertainty.

In terms of airfare pricing, FLT currently expects a more normal trading environment during FY18 in Australia, with modest decreases or increases in average fares, rather than steep declines across the board.

It is, of course, impossible to predict future fares with any degree of certainty, as we have seen in recent years.

In addition to a more favourable pricing climate, other FY18 growth opportunities include:

- Improved leisure results, as FLT expands into new and highly scalable sectors, moves to reduce leisure losses in parts of the Americas and Asia and enhances its network by closing some shops and relocating teams to superior locations
- Ongoing corporate market-share growth globally, as FLT continues to win accounts across multiple sectors and expands into important new international markets
- A stronger contribution from the TEN as a result of improved performance from the touring businesses and as the new acquisitions are integrated; and
- The corporate business's strong product suite, which complements its people offering, is also leading to rapid growth in auto-fulfilled (touch-less) transactions. This increased auto-fulfillment allows FLT to grow TTV without growing its cost base.

FLT also expects net margin improvement, with income margins starting to level off after FY17's decline and leaner cost margins as transformation initiatives gain momentum.

We expect further modest shifts in income margin during FY18, as our business mix continues to evolve and as we grow in various lower revenue margin sectors, including:

- Multi-national corporate, which is typically high volume and lower margin
- Online, which is heavily weighted towards simple airfares, and
- FX, which we service through the Travel Money business

In terms of network growth, sales team and sales staff numbers are likely to remain relatively flat during FY18, after increasing by 1.8% and circa 1% respectively during FY17, as the company focuses on network enhancements and productivity improvements.

As outlined in Melanie Waters-Ryan's column, growth is expected in some sectors and in some lower cost models, along with some closures or changes in strategic direction in some locations.

In Australia, sales staff numbers are expected to decrease through natural attrition during the 1H as new in-store systems are embedded. These systems should be fully deployed by early in the 2018 calendar year.

While top and bottom-line growth is expected during FY18, given the obvious growth opportunities that we see and the investments we are starting to see returns on, it is too early to gauge likely trading conditions and to provide specific FY18 guidance, given the volatile trading cycle in recent years and after just one full month's trading.

FLT will provide a further update on its FY18 expectations at its Annual General Meeting in November.

We look forward to updating you on our progress and thank you for your ongoing support as shareholders.

WORLDWIDE TOP PERFORMERS

HALL OF FAME:
PUNAM PATHAK
CANADA

TOP BDM WORLDWIDE:
JULIE MCLEAN
AUSTRALIA

TOP WHOLESALE CONSULTANT:
EMMA BULL
NEW ZEALAND

TOP RETAIL SPECIALIST CONSULTANT:
CLAUDIO MARTINOLI
UNITED KINGDOM

DIRECTORS' AWARD:
ALI ZACHER
UNITED KINGDOM

HALL OF FAME:
TOD HORTON
AUSTRALIA

DIRECTORS' AWARD:
EMMA JUPP
USA

HALL OF FAME:
FIONA TAYLOR
AUSTRALIA

TOP RETAIL LEISURE CONSULTANT:
TRUDY LAGERMAN
USA

DIRECTORS' AWARD:
ALLISA O'CONNELL
AUSTRALIA

TOP CORPORATE:
MARINA XIA
ASIA

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Travel Group Limited (FLT) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The following persons were FLT directors during the financial 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)

PRINCIPAL ACTIVITIES

The group's principal continuing activities consisted of travel retailing in both the leisure and corporate travel sectors, plus in-destination travel experience businesses including tour operators, hotel management, destination management companies (DMCs) and wholesaling.

There were no significant changes in the nature of the group's activities during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There was no significant change in the group's state of affairs during the year.

REVIEW OF OPERATIONS – OVERCOMING OPERATIONAL RISKS

A review of operations, operational risks and details of FLT's outlook for 2017/18 are included on pages 2 to 11 of this report, along with comprehensive details on FLT's strategies for dealing with risks and growing its business.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the group's operations and the expected results of operations has been included in the Strategic Update column on pages 7 to 9 and Outlook column on pages 10 to 11 of this report.

DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

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

	2017 $'000	2016 $'000
Final ordinary dividend for the year ended 30 June 2016 of 92.0 cents (2015: 97.0 cents) per fully paid share	92,873	97,817
Interim ordinary dividend for the year ended 30 June 2017 of 45.0 cents (2016: 60.0 cents) per fully paid share	45,466	60,537
	138,339	158,354

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

DIVIDENDS

On 24 August 2017, FLT's directors declared a fully franked 94.0 cents per share final dividend on ordinary shares for the 2017 financial year. The total amount of the dividend is $95.0million. The combined interim and final dividend payments represent a $140.5million return to shareholders, 61% of FLT's statutory NPAT.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

ACQUISITIONS SUBSEQUENT TO YEAR END

On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,340,000. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future revenue and profit-related targets.

On 31 July 2017, FLT announced it would acquire 100% of Travel Managers Group (TMG), for an initial cash payment of $8,371,000, with a working capital adjustment to be made. TMG is a New Zealand based leisure-focused group that provides systems and support services to a network of more than 180 individual brokers. TMG also operates a 22-shop franchise network, which includes 12 TravelSmart shops and 10 non-branded stores. The acquisition has not yet completed.

On 31 July 2017, FLT announced it would acquire 100% of Executive Travel Group (ETG), for an initial cash payment of $11,171,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future profit-related targets. ETG is New Zealand's largest independent corporate travel management company. The acquisition has not yet completed.

On 1 August 2017, FLT acquired 75% of Les Voyages Laurier du Vallon (LDV), a Quebec City-based travel company, for $11,478,000, with a working capital adjustment to be made within the next 30 days. A rolling put and call option is in place over the remaining 25% and can be exercised after 31 July 2019. LDV was acquired to strengthen FLTs presence in Quebec.

On 2 August 2017, FLT acquired 100% of Olympus Tours for $27,757,000. Olympus is a leading Mexico-based destination management company (DMC) which provides transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.

On 4 August 2017, FLT announced it would acquire 100% of Travel Partners for $3,500,000. The deal also includes additional performance-related payments that the owner will be entitled to if the business achieves future growth targets. Travel Partners is a Sydney-based business with a strong sales force of home-based or mobile travel agents. The acquisition has not yet completed.

No other material matters have arisen since 30 June 2017.

ENVIRONMENTAL REGULATIONS

The group has determined that no particular or significant environmental regulations apply to it.

DIRECTORS' REPORT CONTINUED

INFORMATION ON DIRECTORS

DIRECTOR	EXPERIENCE AND DIRECTORSHIPS	SPECIAL RESPONSIBILITIES	DIRECTORS' INTERESTS IN SHARES OF FLT AS AT DATE OF THIS REPORT ORDINARY SHARES
G.W. Smith BCom, FCA, FAICD Age: 57	FLT director since 2007. Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered Accountant. Director of Tourism Events Queensland and Michael Hill International Limited (from Nov-12).	Independent non-executive chairman Remuneration & nomination committee member Audit and risk committee member	15,000
J.A. Eales BA, GAICD Age: 47	FLT director since 2012. Director of Palladium Group (from Mar-10), Magellan Financial Group (from Jun-17), Australian Rugby Union Limited (from Apr-10), Executive Health Solutions (from Jun-15) and FujiXerox-DMS Asia Pacific (from Jan-14). Co-founder of the Mettle Group in 2003, which was acquired by Chandler MacLeod in 2007.	Independent non-executive director Remuneration & nomination committee chairman Audit and risk committee member	3,000
R.A. Baker FCA, GAICD, BBus (Accountancy) Age: 59	FLT director since 2013. Former audit partner of PricewaterhouseCoopers, with experience in the retail, travel and hospitality sectors. Chairman of Goodman Private Wealth Ltd (from Oct-14), advisory board member and Audit and Risk Committee member for the Catholic Development Fund, Archdiocese of Sydney (from 2011), and chairman of the Audit and Risk Committee of the Australian Catholic University Limited (from May-15). Appointed director and chairman of RightCrowd Limited (from Aug-17).	Independent non-executive director Remuneration & nomination committee member Audit and risk committee chairman	2,500
C.L. Kelly BEc(Hons) Age: 43	FLT director from 2014 until her resignation on 2 August 2016. Co-founder and chair of corporate advisory firm Pottinger, Pottinger Analytics and technology company Atomli, deputy chairwoman of Treasury Corporation of Victoria, chairwoman of Allpress International, director of UNSW Foundation Limited and The Resolution Project. Extensive experience in executive management and advisory roles for major corporations and governments in both Australia and overseas. Areas of expertise include strategic growth, cross border mergers and acquisitions, leadership, finance, risk and compliance; and governance and stakeholder management.	Independent non-executive director Remuneration & nomination committee member Audit and risk committee member	400
G.F. Turner BVSc Age: 68	Founding FLT director with significant experience in running retail travel businesses in Australia, New Zealand, USA, UK, South Africa, Canada and Asia. Director of the Australian Federation of Travel Agents Limited (from Sept-05).	Managing Director	15,244,494

No directors held interests in share rights, options or performance rights during the year (2016: nil).

SKILLS AND EXPERIENCE

The current mix of skills and experience represented by the directors during the period, is as follows:

	G.W. SMITH	J.A. EALES	R.A. BAKER	C.L. KELLY	G.F. TURNER
Core industry	√	√	√	√	√
Senior executive	√		√	√	√
Finance/Capital Markets			√	√	
Audit/Accounting	√		√		
Legal*					
Regulatory/Public Policy	√			√	
International markets	√	√		√	√
Strategy/Risk Management	√	√	√	√	√
Governance	√	√	√	√	
Marketing/Communications	√	√			√
Technology/IT				√	

* For expertise in areas not listed above, the directors seek expertise within FLT and externally where appropriate.

COMPANY SECRETARY

The company secretary, Mr D.C. Smith (B.Com, LLB) joined FLT in 2002, and was appointed as company secretary in February 2008. Mr Smith has over 20 years legal experience. Mr Smith is also the general manager of mergers & acquisitions with FLT. Prior to joining FLT, Mr Smith held positions with Wilson HTM, Blake Dawson (now Ashurst) and Clayton Utz.

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2017 and the number of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		COMMITTEE MEETINGS			
			AUDIT & RISK		REMUNERATION & NOMINATION	
	A	B	A	B	A	B
G.W. Smith	14	15	4	4	2	3
J.A. Eales	15	15	4	4	3	3
R.A. Baker	15	15	4	4	3	3
C.L. Kelly	0	0	0	0	0	0
G.F. Turner	15	15	*	*	*	*

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*

OVERVIEW

JOHN EALES

REMUNERATION AND NOMINATION COMMITTEE CHAIRMAN

ON behalf of FLT's board, I am pleased to introduce your company's remuneration report for FY17.

FLT owes much of its success to its willingness to take a considered, long-term and fit-for-purpose view in its business outlook. In keeping with this approach, the company has created a unique remuneration framework that is purpose-built to suit its short and long-term goals, rather than adopting and implementing conventional programs that are neither aligned to neither its philosophies nor its strategic objectives.

This overall framework, which is regularly reviewed and refined, delivers a strong alignment between FLT's shareholders and executives by:

- Tying pay to performance, thereby ensuring that FLT's people are rewarded financially and reasonably when desired outcomes are achieved and shareholder value is created
- Delivering ownership opportunities, within key businesses and across the company as a whole, to ensure longer term alignment between KMP and shareholder interests; and
- Encouraging key people to pursue long-term careers with the company.

INCENTIVES BUILT INTO TARGETED PACKAGES, NOT ANNUAL BONUSES

FLT's remuneration framework is, and has always been, built around an incentive structure that rewards executives for building businesses that can deliver year-on-year profit growth.

Within FLT, STIs should not be perceived as annual bonuses that are available to executives in a good year. Rather, incentives are a key part of every executive's monthly pay and are built into the targeted packages that are offered at the start of each year.

Accordingly, every executive will earn an STI component in any given year, although the percentage will vary depending on the actual outcomes achieved.

If the executive surpasses his or her targets, he or she will earn more than 100% of the STIs and earnings will be above the targeted package for the year. Conversely, if the executive misses his or her targets for the year, STIs will be less than 100% and earnings will be below the targeted package.

REMUNERATION REPORT GLOSSARY

- **BOS:** Business ownership scheme
- **CEO:** Chief executive officer
- **CFO:** Chief financial officer
- **COO:** Chief operating officer
- **EBIT:** Earnings before interest and tax
- **EGM:** Executive general manager
- **ESP:** Employee Share Plan
- **FLT:** Flight Centre Travel Group Limited
- **FY17:** The 2017 fiscal year
- **LTRP:** Long Term Retention Plan
- **KMP:** Key management personnel
- **KPIs:** Key performance indicators, the basis for FLT's STIs
- **NEDs:** Non-executive directors
- **PBT:** Profit before tax
- **RNC:** FLT's Remuneration and Nomination Committee
- **SBP:** Share based payments
- **SEOP/SEPRP:** FLT's Senior Executive Option Plan and Senior Executive Performance Rights Plan, both of which expired during FY15
- **STIs/LTIs:** Short-term incentives/long-term incentives
- **Targeted Packages:** The packages KMP are offered at the beginning of each year and consisting of base pay, superannuation and targeted STI earnings

BALANCING STIS AND LTIS

Achieving the right balance between STIs and longer term rewards has been a priority in recent years and new programs have been introduced, including the LTRP, to deliver a more appropriate mix.

As outlined within this report, the LTRP is not a conventional LTI.

It is a hybrid program that first and foremost aims to serve as a retention tool, but secondly creates a firm longer term alignment between KMP and shareholder interests because it gives key executives tangible and immediate ownership of the company.

This program, which is now in its third year, operates alongside the BOS program, which also serves as an LTI for key executives

While the LTRP gives executives ownership of the company as a whole, executives' participation in the BOS program delivers a longer term incentive to grow and improve the individual businesses that they run.

REMUNERATION OBJECTIVES

In simple terms, the company's remuneration objectives are to ensure:

- Key people are attracted and retained - the four executives (excluding directors) who are classed as KMP in this report and who are continuing their careers within FLT have an average tenure with FLT of more than 21 years and an average age of 48, as illustrated in Table 1
- Its people are recognised and rewarded appropriately for their achievements in growing the business, helping the company achieve its long-term strategic objectives and creating shareholder value
- Incentive structures are simple and transparent. To this end, STIs are strictly tied to measureable and reliable outcome-based KPIs. By ensuring the right outcomes are rewarded, we ensure that our people benefit when our company and our shareholders benefit; and
- Our people have the opportunity to invest in their company through long-term share ownership, which ensures they adopt the behaviours and implement the strategies that deliver long-term wealth creation for shareholders, rather than simply focussing on short-term performance

Another important consideration is to ensure that shareholders accept and understand our remuneration structures.

In this regard, we proactively engage with industry bodies, special interest groups and other key stakeholders, listen to their feedback and amend our structures where appropriate.

Generally, shareholders have responded positively to our remuneration system and the policies, beliefs and governance structures that underpin it.

During the past 12 years, the largest vote against our remuneration report represented just 5.85% of our issued capital (2007) and the average over the past three years has been less than 0.6%.

UNDERSTANDING THE DIFFERENCES

While external feedback is generally positive, we acknowledge that our system differs from conventional programs in various ways as a result of our desire to create structures that are aligned to our specific objectives and philosophies.

For example:

- Our use of STIs as part of targeted packages, rather than as an annual bonus that is only available to executives in a good year, to drive the right outcomes
- We use profit - either underlying PBT or EBIT - as the basis of our STIs, which is aligned to our goal of delivering year-on-year earnings growth to benefit all stakeholders
- Our LTI, the LTRP, does not have performance hurdles attached to it. As outlined previously, the LTRP is primarily designed to be a retention tool and it is, to date, achieving this objective; and
- We do not cap incentive outcomes for KMP or for our sales people

Uncapped incentives does not, however, mean our KMP have uncapped earning potential.

Structures, governance processes and natural curbs are in place to ensure that rewards are aligned to shareholders' interests and to prevent salaries from reaching unacceptable levels.

TABLE 1: KMP TENURE - SUCCESSFULLY DEVELOPING AND RETAINING KEY PEOPLE

EXECUTIVE	AGE	TENURE	FIRST FLT ROLE	CURRENT FLT ROLE
Adam Campbell	42	10 years	Risk & Audit	Chief Financial Officer
Chris Galanty	43	20 years	Flight Centre Putney (UK)	EGM - Europe, Middle East and South Africa
Dean Smith	50	21 years	Flight Centre Elizabeth Street (Victoria)	EGM - The Americas
Melanie Waters-Ryan	50	30 years	Flight Centre Queen Street (QLD)	Chief Operating Officer

These structures, processes and curbs are outlined elsewhere in this report and include:

- Regular reviews by the RNC and its supporting operational committees. The RNC has the power to amend targets during the course of a year; and
- The use of decelerator mechanisms to slow KMP earnings growth if FLT exceeds its "stretch" profit targets

As outlined in the following pages, executive earnings are also naturally capped by their businesses' relative maturity. Given their size, these businesses are unlikely to achieve a level of extraordinary profit growth, which would be needed to deliver extraordinary earnings growth.

FY17 OUTCOMES AND FY18 EXPECTATIONS

During FY17, key executives whose STIs were tied solely to global profit did not earn their targeted STIs or, therefore, their targeted packages because FLT did not achieve its global profit target.

The CEO, CFO and COO were awarded 80% of their STIs, which was the minimum that was in place within their targeted packages for FY17. These floors are important because it gives the executives a level of certainly around how much he or she will be paid in any given year and decreases the risk of key people leaving the company during tough years.

Conversely, Chris Galanty and Dean Smith, the heads of our businesses in EMEA and the Americas respectively, both earned more than their targeted packages in local currency because the majority of their STIs were tied to their business's profits, which reached record levels during FY17.

Paid and Payable Remuneration to executives and directors increased during the year. The major movements were in STIs for both Chris and Dean, as expected given their success, and in Board pay, with chairman and NED fees both increased to bring them closer in line with other comparative listed entities.

Total or statutory remuneration also increased during the year because of:

- The increase in Paid and Payable Remuneration outlined above
- Increased BOS Multiplier Provisions, payments that may be made in the future; and

Increased provisions relating to other equity-settled plans, specifically the LTRP. About 165,000 rights have now been issued in relation to the LTRP for FY16 and FY17, including almost 85,000 last year.

Given that executive salaries were benchmarked during FY16, a similar exercise was not undertaken during FY17, although the CFO's salary was increased to bring it closer into line with industry peers. A further increase will take place during FY18.

Looking ahead to FY18, similar remuneration structures for KMP are again in place with:

- KMP STI structures unchanged, although the targets have obviously been increased; and.
- Targeted packages for KMP also unchanged, with the exception of the increase that will apply to the CFO

At a broader level, the RNC will continue to monitor all of the company's key remuneration structures to ensure they are achieving their objectives. The RNC has already indicated it will review the LTRP at the completion of its third year (FY18) and, while modifications to this plan are possible, it is encouraging to see that it is achieving its primary objective of helping us to retain key executives globally.

CONCLUSION

While FLT will inevitably adjust its overall system from time to time, the company believes its remuneration structures:

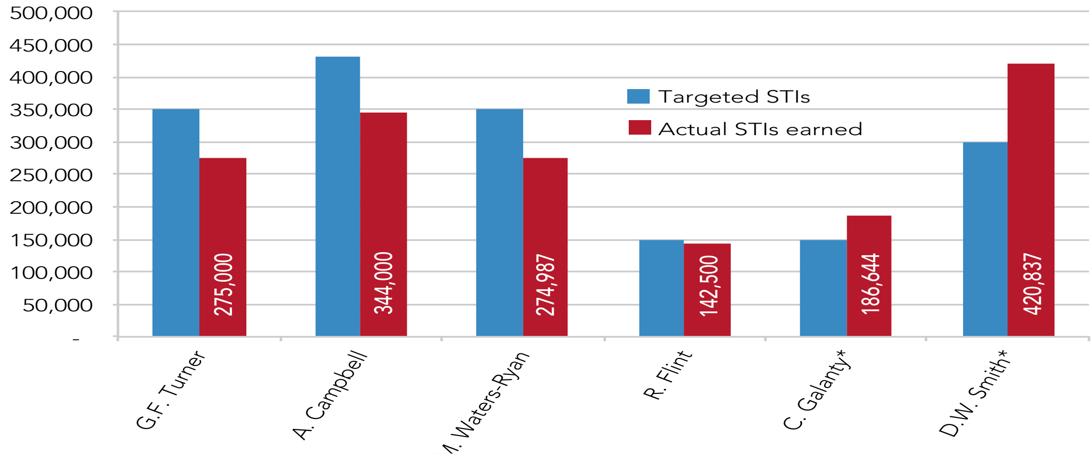
- Are tied to its objectives and tailor-made to complement its key strategies
- Continue to fulfil their objectives; and
- Deliver tangible benefits to key stakeholders particularly its people and its shareholders

Pay for performance remains at the forefront of this system and ensures that our people benefit to a reasonable degree when shareholders benefit.

STIs, which are outcome-based, quantitative and constantly monitored, are a key part of our overall business but we are balancing these and strengthening executives' longer term focus through new initiatives like the LTRP, the ESP and, in some cases, the BOS Multiplier program.

I thank-you for your ongoing support of FLT.

TABLE 2: ACTUAL STIS VS TARGETED STIS



** Amounts are expressed in GBP for Mr Galanty and in USD for Mr Smith. Other amounts are in AUD*

COMPANY VISION, PURPOSE AND PHILOSOPHIES

For our company to survive, grow and prosper for the next 100 years and beyond, we must clearly define and live by our vision, purpose and philosophies. We must protect and further develop our company culture and philosophies. Our culture must be robust and independent, with the ability to outlive our current and future leaders.

OUR VISION

'To become the world's most exciting and profitable travel retailer, personally delivering amazing experiences to our people, our customers and our partners.'

OUR PURPOSE

'To open up the world for those who want to see.'

OUR VALUES

1 OUR PEOPLE

Our company is our people. We care for our colleagues' health and wellbeing, their personal and professional development and their financial security. We believe that work should be challenging and fun for everyone and through work we contribute to our community.

2 OUR CUSTOMER

We recognise that our customers always have a choice. We care about personally delivering amazing travel experiences. This is provided with honesty, integrity and a great attitude. It is the key to our company's success. The key measure of whether we really are personally providing our customers with an amazing experience, an amazing product and a very caring service is they will return again and again.

3 BRIGHTNESS OF FUTURE

We believe our people have the right to belong to a Team (family), a Village, an Area (tribe) and Nation (hierarchy) that will provide them with an exciting future and a supportive working community. They also have the right to see a clear pathway to achieving their career goals. Promotion and transfers from within will always be our first choice.

4 TAKING RESPONSIBILITY

We take full responsibility for our own successes or failures. We do not externalise. We accept that we have total ownership and responsibility, but not always control. As a company we recognise and celebrate our individual and collective successes.

5 EGALITARIANISM AND UNITY

In our company, we believe that each individual should have equal privileges and rights. In all our countries and all our businesses there should be no 'them and us'.

FLIGHT CENTRE TRAVEL GROUP™

OUR BUSINESS MODEL

1 OWNERSHIP

We believe each individual in our company should have the opportunity to share in the company's success through outcome-based incentives, profit share, BOS (franchises) and Employee and Leadership Share Schemes. It is important that business leaders and business team members see the business they run as their business.

2 INCENTIVES

Incentives are based on measurable and reliable outcome-based KPIs. We believe that 'what gets rewarded, gets done'. A reward for producing the needed outcome. If the right outcomes are rewarded, our company and our people will prosper.

3 OUR STANDARD SYSTEMS – ONE BEST WAY

In our business there is always 'one best way' to operate. These are standard systems employed universally until a better way is shown. This improved way becomes the 'one best way system'. We value common sense over conventional wisdom.

4 FAMILY, VILLAGE, TRIBE

Our structure is simple, lean, flat and transparent, with accessible leaders. Our business model is being one of the world's best and biggest small business operators. There is a maximum of 4 and sometimes 5 layers. The village is an unfunded, self-help support group that forms an integral part of our structure.

- Family (Teams – min 3, max 7 members) Villages (min 3, max 7 Teams).
- Tribe (Areas – min 10, max 20 Teams).
- Nations/Brands (min 8, max 15 Areas).
- Regions/States/Countries.
- Board and senior leadership team.

5 PROFIT

A fair margin resulting in a business profit is the key measure of whether we really are providing our customers with an amazing experience, an amazing product and a very caring service – an experience they genuinely value and will pay us for.

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED

FLT's remuneration report outlines the company's executive reward framework and includes director and KMP remuneration details. This report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration, including service agreements
3. LTIs: BOS return multiples on redemption
4. Share-based compensation; and
5. Loans to KMP

Information in this remuneration report has been audited in accordance with section 308(3C) of the *Corporations Act 2001.*

1 PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The following section outlines FLT's remuneration policy and the philosophies that underpin it. Information is presented in a question and answer format and falls under six broad categories:

i. Remuneration philosophies and structures
ii. Alignment with shareholder wealth and value creation
iii. Director remuneration
iv. Executive (KMP) remuneration
v. Executive LTIs; and
vi. Remuneration governance

1i) REMUNERATION PHILOSOPHIES AND STRUCTURES

WHAT IS FLT'S REMUNERATION PHILOSOPHY?

In line with its belief in common sense over conventional wisdom, FLT has a simple remuneration system that is aligned with its core philosophies and shareholders interests.

The reward framework is in line with market practice and aims to ensure overall reward is:

- Market competitive, which allows the company to attract and retain high calibre people
- Aligned with participants' interests, reflecting responsibilities and rewarding achievement and shareholder value creation
- Acceptable to shareholders
- Transparent – clear targets are set and achievements against these targets are measurable; and
- Tied to the company's longer term objectives, capital management strategies and structures

The company also aims to ensure that remuneration for key executives includes a mix of STIs and LTIs to ensure a strong alignment between executive and shareholder interests for both the short and long-term.

All executives (excluding NEDs) have the security of fixed income, plus additional variable income (STIs), that they earn as part of their monthly pay.

FLT's STI program is not a conventional annual bonus scheme. It is tailor-made to align with the company's goals and objectives and delivers monthly STI payments as a normal part of KMP monthly earnings.

This reflects the company's strong belief in the value of incentives, a belief that is underlined in its core philosophies.

Measurable and reliable outcome-based KPIs are used as the basis of these STIs and the company's overall remuneration systems globally. If the right outcomes are rewarded, the company, its people and its shareholders will benefit.

FLT's philosophies also underline its belief in the importance of providing its people with ownership opportunities and the chance "to share in the company's success through outcome-based incentives, profit share, BOS and Employee Share Plans".

Accordingly, ownership opportunities are built into the company's remuneration structures to encourage FLT's people to behave as long-term stakeholders in the company and to adopt the strategies, disciplines and behaviours that create longer term value.

REMUNERATION REPORT – AUDITED (CONTINUED)

1i) REMUNERATION PHILOSOPHIES AND STRUCTURES (CONTINUED)

WHAT ARE THE KEY COMPONENTS OF FLT'S REWARD FRAMEWORK?

Executive remuneration includes a combination of:

- Fixed pay
- STIs that are built into monthly earnings - not annual bonuses
- BOS returns; and
- LTIs, which may include share-based compensation and, in some cases, BOS return multipliers (variable)

The company refers to fixed pay and STIs as targeted packages or targeted earnings.

Additional detail on each of these components is included in Table 3

TABLE 3: THE KEY COMPONENTS OF FLT'S REWARD FRAMEWORK

Fixed Pay

Fixed pay typically includes base pay (retainer), which is the largest component of fixed pay, Long Service Leave (LSL) provisions and employer superannuation contributions.

Given that KMP earn STIs and other LTIs are in place, fixed pay represents a fraction of an executive's overall earnings.

FLT does not guarantee increases to annual base pay or retainers for executives or for its people at other levels.

Other payments, including LSL accruals, are made in accordance with relevant government regulations. Superannuation contributions are paid to a defined contribution superannuation fund.

STIs

FLT's use of STIs difers from many other companies in that all of its people are incentivised and earn STIs as part of their overall remuneration packages.

STIs are paid monthly to all KMP and are based on measurable achievements against predetermined KPIs or targets (variable).

To ensure transparency, quantifiable targets for STIs are set at the start of each year, which means that each employee knows what he or she needs to achieve to earn all or part of his or her targeted STIs.

FLT does not guarantee its executives will earn the full STI component of their targeted remuneration package or, therefore, the annual salary package an executive will earn.

STIs are reviewed and targets can be amended during the course of any given year (see remuneration governance section).

Payments are adjusted during the course of the year if necessary, which allows the company to "claw-back" over payments or "top-up" under payments.

BOS returns

In line with FLT's belief in the importance of leaders taking ownership of the businesses they run, eligible executives may be invited to invest in unsecured notes in their individual businesses. In return for this investment, BOS participants receive a variable return that is tied to the individual business's performance.

In basic terms, a BOS participant who has invested in a 10% interest in his or her business is entitled to 10% of the business's profit as a return on his or her investment. The executive is exposed to the business's risks, as neither FLT nor any of its group companies guarantees returns above face value.

In accordance with the BOS prospectus, the board, via its RNC, can review and amend a BOS note if an individual return exceeds 35% of the BOS note's face value in any 12-month period. In addition, FLT can redeem the BOS note at face value at any point.

BOS Multiplier Program

As an incentive for senior executives to remain in their roles long-term, key executives may also be invited to participate in a BOS Multiplier program, as outlined in section 3 of this report. Under this performance related program, invited senior executives are entitled to BOS return multiples of 5, 10 and up to 15 times the BOS return in the last full financial year before their BOS note is redeemed.

Provisions for these future payments are taken up annually and the amounts are shown in the salary tables in section 2. These provisions can be positive or negative as the company adjusts accruals to meet its anticipated future needs.

Share-based compensation

In line with the company's strong belief in creating ownership opportunities for its people, share-based compensation is available to KMP and other employees (excluding directors).

Programs include the ESP, which was offered to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK during FY17, and the LTRP, which was offered to various senior executives.

REMUNERATION REPORT – AUDITED (CONTINUED)

1ii) ALIGNMENT WITH SHAREHOLDER WEALTH CREATION

HOW DOES FLT ALIGN EXECUTIVE REMUNERATION WITH SHAREHOLDER WEALTH CREATION?

FLT has a simple reward system that ties KMP earnings to financial results achieved and, at the same time, rewards executives for creating longer term shareholder value. Pay-for-performance is integral to this system.

KMP are incentivised within the STI structure to improve key financial results year-on-year and are rewarded according to their achievements against pre-determined KPIs that are both measurable and outcome-based.

For KMP, KPIs are strictly tied to year-on-year growth in either FLT's overall profit or within its key geographic divisions. This means that senior executives' interests are tied to the company's success.

If the company or the key geographic divisions' results exceed expectations, KMP incentive earnings will typically exceed the targeted earnings that were set at the beginning of the year. Conversely, if the company or the key geographic divisions' results are below expectations, KMP incentive earnings will typically fall below targeted earnings for the year.

Table 2 highlights the correlation between results achieved and STIs received during FY17. As FLT did not achieve its global PBT growth target, the three KMP whose STIs were tied to global PBT (Graham Turner, Melanie Waters-Ryan and Adam Campbell) did not earn their targeted packages (fixed pay plus STIs).

Table 4 below illustrates FLT's achievements in the areas that drive shareholder wealth during the past five years:

	FY17	FY16	FY15	FY14	FY13
Profit before income tax	$325.4m	$345.0m	$366.3m	$323.8m	$349.2m
Underlying profit before income tax[1]	$329.5m	$352.4m	$366.3m	$376.5m	$343.1m
Profit after tax	$230.8m	$244.6m	$256.6m	$206.9m	$246.1m
Interim dividend	45.0c	60.0c	55.0c	55.0c	46.0c
Final dividend	94.0c	92.0c	97.0c	97.0c	91.0c
Earnings per share (basic)	228.5c	242.4c	254.7c	205.8c	245.6c
Share price at 30 June	$38.30	$31.58	$34.11	$44.45	$39.33

1 Underlying PBT for the period 2016/17 excludes $4.1m relating to the loss on disposal of investment in Employment Office.

Underlying PBT for the period 2015/16 excludes $11.0m ACCC fine refund, $6.3m NZ building sale income, and ($24.7m) impairment charge.

Underlying PBT for the period 2014/15 was previously reported as $363.7m, which excluded $2.6m PBT for the first year results of Topdeck from date of acquisition, 27 August 2014 until 30 June 2015. This has been updated to no longer exclude the results of Topdeck as this business has now been operating in both periods.

Underlying PBT is a non-IFRS measure and is unaudited

FLT exceeded its targets during FY13, performed in line with expectations during FY14 and finished below expectations in FY15, FY16 and FY17. The impact on KMP earnings during each period is outlined in Table 5 below.

Table 5

KMP STIs are tied to FLT's underlying PBT globally and/or the PBT generated by key geographic divisions.

In simple terms, this means that overall executive remuneration will typically be:

- Broadly in line with targeted earnings in years where results are in line with expectations (FY14 for KMP who are incentived on FLT's global results)
- Above targeted earnings in years where results are above expectations and shareholders benefit from higher than expected dividends and EPS (FY13); and
- Below targeted earnings when results and ultimately shareholder returns are below expectations (FY15, FY16 and FY17)

REMUNERATION REPORT – AUDITED (CONTINUED)

1ii) ALIGNMENT WITH SHAREHOLDER WEALTH CREATION

HOW DOES FLT'S REMUNERATION SYSTEM BENEFIT BOTH ITS EMPLOYEES AND ITS SHAREHOLDERS?

For executives and employees in general, benefits include:

- Clear targets and structures for achieving rewards are in place
- Achievement, capability and experience are recognised and rewarded; and
- Contribution to shareholder wealth creation is rewarded because STIs are based on the company's profit or the profit its key geographic divisions achieve and additional LTIs are in place to reward executives for developing businesses that deliver sustainable growth

For shareholders, benefits include:

- A clear short and long-term performance improvement focus, as year-on-year profit growth is a core component of FLT's remuneration system. KMP must deliver reasonable year-on-year growth to maintain consistent earnings.
- A focus on sustained growth in shareholder wealth, as outlined above; and
- The ability to attract and retain high calibre executives

1iii) DIRECTOR REMUNERATION

HOW ARE NEDS REMUNERATED?

To preserve their independence, NEDs receive fixed fees that reflect the positions' demands and responsibilities. FLT's RNC reviews and benchmarks these fees annually.

Fees are determined within an aggregate directors' fee pool, which is periodically recommended for shareholder approval. The pool currently stands at $850,000 per annum, as approved by shareholders on 31 October 2013.

During FY17, FLT paid 71%, (FY16: 77%) of this pool to its NEDs excluding the remuneration paid to Graham Turner, who is an executive director.

This decrease was brought about by Cassandra Kelly's resignation during FY17. The company expects to appoint a female director to replace Ms Kelly during FY18.

The fees paid to individual NEDs – in the order of $170,000 for directors and $250,000 for the chairman – were increased during FY17 to bring them closer in line to listed peers but remain below the median for ASX 50-100 companies of $172,900 and $349,578 respectively (Source: CGI Glass Lewis 2016).

NEDs are not eligible to participate in the ESP or BOS program, did not participate in the SEOP or the SEPRP and are not included in the LTRP.

HOW ARE CHAIRMAN'S FEES DETERMINED?

The chairman's fees are determined independently and are benchmarked against comparable roles in other listed entities. The chairman does not attend discussions relating to his remuneration.

1iv) EXECUTIVE KMP REMUNERATION STRUCTURES

WHAT ARE KMP STIS BASED ON?

During FY17, KMP STIs were based on:

- FLT's Underlying PBT for the CEO, CFO and COO. Given that FLT did not achieve its global PBT growth target, these executives earned less (80% of STIs) than they were targeted to earn in STIs; and
- Both divisional PBT and FLT underlying PBT for the leaders of FLT's businesses in the Americas (Dean Smith), New Zealand, Asia and the UAE (Rob Flint) and the UK, Europe and South Africa (Chris Galanty)

No executives were remunerated on external factors.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT – AUDITED (CONTINUED)

Additional details on KMP STI earnings are included in Table 2, while FLT's broader STI structure is outlined in Table 6 below.

TABLE 6: STI SUMMARY – KMP

Participants:	As is the case for FLT employees in general, all KMP (excluding NEDs) earn STIs as part of their monthly remuneration. The amount earned is tied to performance and will vary.
Award Type:	Cash paid monthly, based on outcome-based and quantitative KPIs.
Performance conditions:	KMP STIs are strictly tied to the company's PBT (underlying) or the profit achieved within its key geographic divisions.
Structure:	In basic terms, KMP receive a small percentage of the company's PBT or the PBT achieved within its key geographic divisions. For an executive to achieve his or her targeted STIs, the company or the relevant division must achieve a predetermined target for the year.
Limits:	STIs are intended to represent 50% of targeted packages for most KMP, but will vary in any given year because they are tied to actual results achieved. If FLT achieves stronger than anticipated underlying PBT growth, executives will typically exceed their targeted STI earnings. Conversely, earnings will typically be below target in years when FLT does not achieve its underlying PBT growth target. To help ensure key executives are retained during challenging trading periods, when profit-related earnings are likely to be below expectations, KMP are guaranteed to earn approximately 80% of their targeted STIs in any given year. While KMP STIs are theoretically uncapped, several factors will curb an executive's earning potential. Firstly, FLT's maturity means it is unlikely to achieve extraordinary underlying PBT growth. Secondly, decelerator mechanisms are in place to slow an executive's salary growth if the company or his or her business exceeds pre-determined 'stretch profit' targets.
Deferral:	Not applicable
Clawback:	KMP STIs are based on full year targets but are paid monthly. Adjustments are made during the course of the year to claw-back over-payments or to top-up under-payments.
FY17 Outcomes:	Given that FLT did not achieve its underlying PBT growth target, the three KMP whose STIs were solely based on global profit growth (CEO, CFO and COO) did not earn their targeted STIs. Chris Galanty and Dean Smith exceeded their targeted earnings, given that their businesses exceeded expectations and delivered record profits.

WHAT PERCENTAGE OF OVERALL REMUNERATION IS FIXED FOR FLT EXECUTIVES?

All employees earn a mix of fixed and at risk remuneration. As employees progress through the ranks and in years where FLT achieves stronger than expected profit growth, the balance of this mix typically shifts to a higher proportion of at risk rewards.

Accordingly, a significant portion of KMP remuneration is at risk and tied to the company's performance.

DOES THE AMOUNT OF "AT RISK" EARNINGS VARY FROM YEAR-TO-YEAR?

Each year, executives are offered a targeted package built around base pay, superannuation and variable STIs.

Base pay and superannuation will typically represent at least 50% of KMP's targeted earnings.

Targeted earnings are not, however, guaranteed and are based on achieving the measurable outcome-based KPIs that underpin FLT's STI programs.

For example, Graham Turner's targeted package of $750,000 for FY17 was built upon:

- Fixed pay of $400,000 (base pay and superannuation). This represented about 53% of targeted earnings; and
- $350,000 in STIs, based on the company achieving a $350 million underlying PBT

Given that FLT did not achieve this target, the CEO earned $275,000 in STIs and a greater portion (59.3%) of his earnings for the year were fixed.

Had FLT exceeded its target, Mr Turner would have earned more than expected or targeted in STIs and a smaller portion of his FY17 salary would have been fixed.

As illustrated above, actual remuneration for KMP in any given year may be higher or lower than the executive's targeted package, which means fixed remuneration may also be higher or lower than 50%.

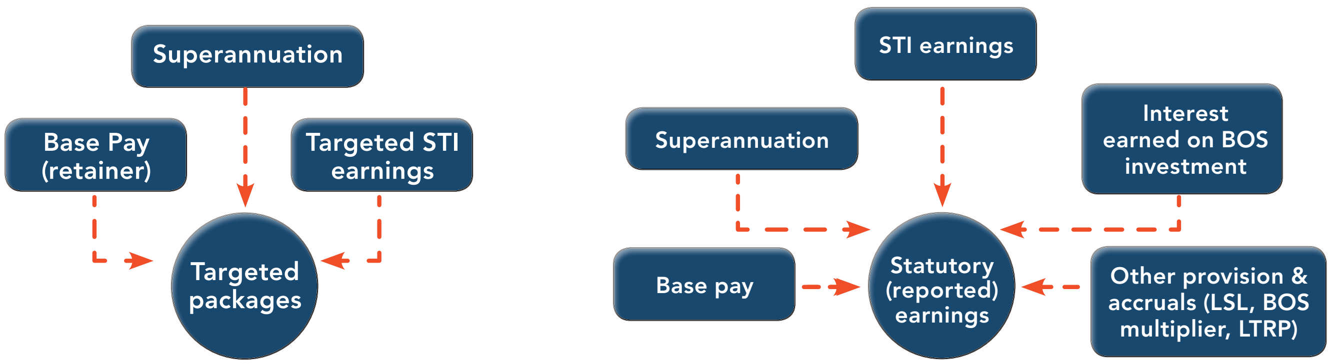
REMUNERATION REPORT – AUDITED (CONTINUED)

HOW DO THE TARGETED PACKAGES THAT KMP ARE OFFERED DIFFER FROM OVERALL EARNINGS DISCLOSED IN THIS REPORT?

Targeted packages will differ from actual earnings for three main reasons:

1. KMP may earn additional income that is not factored into the targeted packages that are offered at the beginning of each year. For example, interest earned on the executive's BOS investment
2. Statutory earnings may include other accruals and provisions. For example, BOS Multiplier accruals and LSL provisions. These amounts can be positive or negative; and
3. STI earnings can exceed or fall short of the targeted amount

The diagrams below illustrate the differences between FLT executives' targeted packages and statutory or reported earnings.



ARE NON-FINANCIAL KPIS USED?

No KMP are currently rewarded on non-financial KPIs.

HOW DOES FLT LIMIT EXECUTIVE STIS?

While KMP STI earnings are theoretically uncapped, structures, governance processes and natural curbs are in place ensure that executive earnings are aligned to shareholders' interests.

Effectively, KMP earn a small percentage of global profit or a percentage of their geographic division's profit. As outlined previously, this percentage is calculated in such a way that the executive will earn his or her profit-related STI target if FLT or the executive's business achieves its pre-determined profit growth target.

For example, an executive who was targeted to earn $40,000 in profit-related STIs if FLT achieved a $400million PBT could be offered a 0.01% share of FLT's audited profit result for the year.

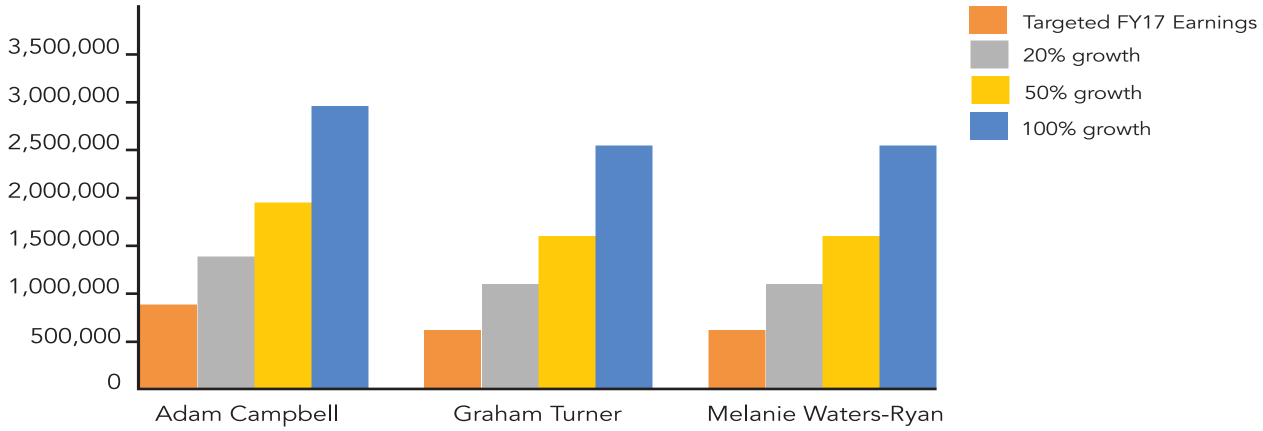
If the company significantly exceeds its profit goal and reaches "stretch" targets, decelerator mechanisms will kick-in to slow the executive's earnings growth. For FY18, a decelerator will apply if an executive earns 150% of his or her targeted package.

A number of other factors will also limit earnings growth for KMP:

- Firstly, STIs are tied to results achieved by businesses that are now reasonably mature and are, therefore, limited by the relevant business's earning potential; and
- Secondly, the percentage of profit the executive earns under his or her KPIs is relatively small. In a year of normal profit growth, executive STIs will not significantly increase.

REMUNERATION REPORT – AUDITED (CONTINUED)

The graph below shows the impact various profit growth scenarios would have had on Adam Campbell's, Graham Turner's and Melanie Waters-Ryan's targeted earnings for FY17. Had FLT managed to double underlying PBT, targeted earnings would have been $3,030,000, $2,625,000, and $2,645,000 respectively.



As outlined above and based on the median total remuneration for an ASX 50-100 CEO of $2.9million (Source: CGL Glass 2016), Mr Turner would still have earned less than average remuneration had FLT managed to double its PBT during FY17.

As outlined in greater detail elsewhere in this report, the RNC also has the discretion to adjust KPIs during the course of the year if earnings exceed targeted packages and are not aligned to the company's and its shareholders' interests.

1v) EXECUTIVE LONG TERM INCENTIVES (LTIS)

WHAT IS THE LTRP?

The LTRP is a retention plan that was introduced during FY16 to provide equity-based compensation with a focus on retention of FLT's key executives globally and long-term shareholder alignment. This scheme has replaced the SEOP and SEPRP, both of which expired in FY15.

The LTRP aims to:

- Encourage retention of key executives for the long term
- Enhance the level of ownership among FLT's key executives to strengthen the alignment to shareholder interests; and
- Balance the company's use of STIs and ensure that executive interests are aligned with shareholder interests over the long-term

REMUNERATION REPORT – AUDITED (CONTINUED)

A summary is included below.

LTRP summary

Participants:	Key executives globally, including KMP apart from Graham Turner and NEDs.
Award Type:	Annual share grant of Base Rights to help retain and attract key people, ensure executive interests are aligned with shareholder interests for the long-term, balance the company's use of STIs and create a strong 'ownership' culture.
Performance conditions:	As the program is a retention plan, no result-related performance conditions or hurdles are in place. Executives must remain employed by FLT to receive shares that are granted under the plan.
Structure:	The Base Rights granted during the plan’s first three years (FY16-FY18) will vest on 30 June 2018. All subsequent Base Rights granted will vest three years after the respective grant date. The vesting is conditional on the executive remaining employed with FLT. In addition, Matched Rights are linked one-for-one to the granted Base Rights and will vest at a later date to further encourage key executives to build longer term careers with the company (continuous employment). Matched Rights for the plan's first three years (FY16-FY18) will vest on 30 June 2020. Matched Rights granted from FY19 onwards will vest three years after the applicable grant date. The vesting is conditional on the executive still holding the corresponding Base Rights previously issued under the LTRP (i.e. executive has not sold the shares received from the base rights) and the executive remaining employed with FLT. Participants can receive up to 12 annual share grants through to 2027. Shares can be bought on market or issued, as is the case for the ESP. Provisions are in place for a change of control or other material changes in company structure. The Board, via its RNC, can also “alter, modify, add to or repeal any provisions of the LTRP’s rules in any way it believes is necessary or desirable to better secure or protect the company’s rights”. Subject to some conditions, the committee can, at any time, “amend, add to, revoke or substitute all or any of the provisions of the LTRP rules”.
Limits:	Participants can receive up to 15% of their targeted earnings in shares under the plan.
Deferral:	Not applicable.
Clawback:	Not applicable.
FY17 Outcomes:	Shares were granted to 45 key executives globally during FY17.

HOW IS THE LTRP STRUCTURED?

As illustrated in the table above, two sets of share rights will be granted to the executives who are eligible to participate in the scheme, with the board’s full discretion.

Subject to conditions, the Base Rights will vest three years after the grant date and can be exercised by the eligible executives at a time of their choice up to 30 June 2030.

Upon exercise, each Base Right will provide the executive with a fully paid FLT ordinary share with attached voting and dividend rights. Prior to exercise, these rights are not eligible for dividend or voting rights. All KMP (excluding directors) have been granted share rights under this scheme on 1 January 2016 and these share rights will vest on 30 June 2018.

For each Base Right granted, the eligible executive also received a matching share right (Matched Right) which will vest on 30 June 2020 provided the executives are still employed by FLT and retain their initial share rights (or the associated FLT shares), which the Matched Rights relate to.

The Matched Rights granted to the five KMP under the LTRP on 1 January 2016 will vest on 30 June 2020. The executives can then choose to exercise the vested matched rights at a time of their choice up to 30 June 2030.

Upon exercise, each Matched Right will provide the executives with a fully paid FLT ordinary share with attached voting and dividend rights.

REMUNERATION REPORT – AUDITED (CONTINUED)

ARE PERFORMANCE HURDLES IN PLACE FOR THE LTRP?

Given that the LTRP is primarily a tool to help retain key executives for the long-term, no result-related performance hurdles apply. Shares can be granted to participants each year while they remain part of the program and while they remain part of FLT.

While FLT will consider including performance hurdles in the plan when it is reviewed in the future (end of FY18), the company believes the current structure is achieving its objectives.

The plan is now in its third year and all participating executives remain with the company, with the exception of three executives whose roles became redundant.

The company also believes that the absence of future performance hurdles, which are often included in traditional LTI plans and may or may not be achieved, ensures that executive interests are fully aligned with shareholder interests - both immediately and into the future.

Like any other shareholder, the executives gain tangible and visible ownership immediately, rather than the possibility of a longer term reward, and see the same short-term benefits (excluding dividends and voting rights) as any other shareholder sees, while also being motivated as an owner to deliver longer term value.

ARE OTHER LTIS IN PLACE?

FLT recognises that its senior executives are integral to its success and are likely to be targeted by competitors globally.

Accordingly, in some cases FLT offers an additional LTI that is aligned to the company's BOS structures and is designed to lock a small group of key executives into senior roles at specific locations for the medium to long-term. Three KMP have been included in this BOS Multiplier program initially, as outlined in section 3. Under this program, each participating executive becomes entitled to a one-off BOS return multiplier upon the BOS note's redemption if the participant remains in his or her role, or an equivalent or more senior position, for between five and 15 years.

1vi) REMUNERATION GOVERNANCE

HOW IS EXECUTIVE REMUNERATION MONITORED TO ENSURE FLT ACHIEVES ITS REWARD OBJECTIVES?

FLT's RNC, which includes the company's NEDs, oversees and monitors executive remuneration and provides specific recommendations on remuneration and incentive structures, policies and practices and other employment terms for directors and senior executives.

In making its recommendations, the RNC considers:

- External benchmarks against ASX-listed companies, other global travel companies and retailers in general
- Targeted earnings being aligned with targeted PBT growth; and
- Three-five years' salary data for the position to ensure earnings are aligned with results over the longer term

The committee can adjust KPIs if actual earnings are likely to excessively exceed targeted packages or if a material change occurs within the business. For example, the committee can normalise earnings by excluding unforeseen items or an acquired business's contributions for the purposes of calculating STIs. During FY17, STIs were based on underlying earnings, which did not include the $4.1m loss FLT incurred on exiting the Employment Office joint venture

The committee can also alter or amend the company's share and retention plans. For example the RNC can "alter, modify, add to or repeal any provisions of the LTRP's rules in any way it believes is necessary or desirable to better secure or protect the company's rights". Subject to some conditions, the committee can, at any time, "amend, add to, revoke or substitute all or any of the provisions of the LTRP rules".

Under the LTRP, amendments can be made if the company is subject to a takeover bid or if the company's capital is consolidated, subdivided, returned, reduced or cancelled.

The RNC will review the LTRP after three years to ensure it is achieving its objectives and that it remains relevant and appropriate

The RNC is supported by local committees that operate within FLT's key geographic divisions. These local committees generally meet quarterly and include the local EGM, CFO and HR (Peopleworks) leader.

REMUNERATION REPORT – AUDITED (CONTINUED)

GIVEN THAT A LARGE PORTION OF OVERALL REMUNERATION IS AT RISK IN THE SHORT TERM, WHAT SAFEGUARDS ARE IN PLACE TO BALANCE THE USE OF STIS AND ENSURE KMP PROTECT AND GROW SHAREHOLDER VALUE FOR THE FUTURE?

Executive STIs are tied to FLT's underlying profits, which are subject to rigorous internal and external checks and reviews.

STI payments are made monthly, based on how the company is tracking against its full year target, and are adjusted - clawed back or topped up - during the course of the year if required.

In addition to earning STIs, executives are also rewarded for adopting strategies that deliver long-term growth, as future STIs and BOS interest are dependent on the business achieving ongoing profit growth.

To further encourage long-term thinking and to ensure key people are focussed on building businesses that can deliver sustainable returns for the future, KMP (excluding directors) have been included in the new LTRP. This will create a stronger sense of ownership and a clear alignment with shareholders' long-term interests.

As outlined previously, the RNC proactively monitors earnings and can alter STIs, in addition to having discretion to amend, add to, revoke or substitute elements of the LTRP in certain circumstances.

2 DETAILS OF REMUNERATION

The following tables outline KMP remuneration details for the company and consolidated entity consisting of Flight Centre Travel Group Limited and the entities it controlled for the year ended 30 June 2017. Board and KMP are as defined in AASB 124 *Related Party Disclosures* and are responsible for planning, directing and controlling the entity's activities.

BOARD OF DIRECTORS

Non-Executive Directors

G.W. Smith – chairman

J.A. Eales

R.A. Baker

C.L. Kelly[2]

Executive Director

G.F. Turner

OTHER GROUP KMP

M. Waters-Ryan – COO

A. Campbell – CFO

C. Galanty – EGM - Europe, Middle East and Africa

D.W. Smith – EGM - The Americas

R. Flint – EGM – Asia and New Zealand[1]

1 A restructure of the overall Asian leadership function took place in June 2017 and as a result R. Flint finished with FLT effective 1 July 2017.

2 C.L. Kelly resigned effective 2 August 2016.

PARENT ENTITY

With the exception of C. Galanty and D.W. Smith, the executives listed above were also Parent Entity executives.

SERVICE AGREEMENTS

No fixed-term service agreements are in place with FLT's directors or KMP. Senior executives are bound by independent and open-ended employment contracts that are reviewed annually.

The company does not pay sign-on bonuses and requires KMP to provide at least 12 weeks written notice of their intention to leave FLT. Termination payments are assessed on a case-by-case basis and are capped by law. If the terminated senior executive has a BOS note (refer to note D2), FLT will also be required to repay the BOS note's face value and any applicable one-off BOS multiplier payments (refer to section 3) to the executive, in line with the redemption rules that apply to the BOS program generally. FLT is not bound, under the terms of any executive's employment contract, to provide termination benefits beyond those that are required by law.

As is the case for all employees, KMP employment may be terminated immediately for serious misconduct.

REMUNERATION REPORT – AUDITED (CONTINUED)

KMP

The following table shows the remuneration actually paid and payable to KMP in respect of performance for the year ended 30 June 2017. Remuneration amounts are determined in accordance with the *Corporations Act 2001's* requirements and are set out in the table below and in conjunction with the table on page 31 of this report.

NAME	PAID AND PAYABLE REMUNERATION				TOTAL PAID AND PAYABLE REMUNERATION
	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS[1]	
	CASH SALARY AND FEES $	SHORT TERM INCENTIVE[2] $	BOS INTEREST[3] $	SUPERANNUATION $	$
NON-EXECUTIVE DIRECTORS					
G.W. Smith					
2017	230,384	-	-	19,616	250,000
2016	183,761	-	-	17,457	201,218
J.A. Eales					
2017	155,251	-	-	14,749	170,000
2016	137,761	-	-	13,087	150,848
R.A. Baker					
2017	155,251	-	-	14,749	170,000
2016	137,446	-	-	13,057	150,503
C.L. Kelly (resigned 2 August 2016)[4, 6]					
2017	12,478	-	-	1,185	13,663
2016	137,761	-	-	13,087	150,848
EXECUTIVE DIRECTORS					
G.F. Turner					
2017	380,384	275,000	-	19,616	675,000
2016	380,692	275,000	-	19,308	675,000
OTHER GROUP KMP					
R. Flint[5]					
2017	350,384	142,500	137,949	19,616	650,449
2016	330,692	100,000	154,991	19,308	604,991
M. Waters-Ryan					
2017	400,397	274,987	539,753	19,616	1,234,753
2016	380,705	274,987	521,209	19,308	1,196,209
A. Campbell (appointed 4 August 2015)[6]					
2017	430,384	344,000	-	19,616	794,000
2016	264,025	233,333	-	19,308	516,666
A. Flannery (changed roles 4 August 2015)[6]					
2017	-	-	-	-	-
2016	47,038	37,500	-	3,046	87,584
C. Galanty					
2017	335,775	313,352	658,271	-	1,307,398
2016	407,786	217,117	750,576	-	1,375,479
D.W. Smith					
2017	530,331	557,958	283,854	-	1,372,143
2016	549,279	381,861	304,861	-	1,236,001
TOTAL KMP COMPENSATION (EXCLUDING LONG TERM BENEFITS)					
2017	2,981,019	1,907,797	1,619,827	128,763	6,637,406
2016	2,956,946	1,519,798	1,731,637	136,966	6,345,347

[1] No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2016: nil).

[2] STI includes minimum floor incentive amounts agreed annually.

[3] BOS interest shown above does not take into account financial liabilities (principal repayments) that may relate to this investment.

[4] C.L. Kelly resigned effective 2 August 2016.

[5] R. Flint finished with FLT effective 1 July 2017.

[6] For KMP who were appointed or resigned during the period, the amounts disclosed reflect the relevant service period served.

REMUNERATION REPORT – AUDITED (CONTINUED)

NEDs receive fixed fees for service, do not receive STIs or LTIs and do not participate in the BOS or BOS Multiplier program. No components of their remuneration are at risk.

		LONG-TERM EMPLOYEE BENEFITS		SHARE- BASED PAYMENTS		
NAME	TOTAL PAID AND PAYABLE REMUNERATION $	LONG SERVICE LEAVE[1] $	BOS MULTIPLIER PROVISION[2] $	EQUITY SETTLED PLANS[3] $	TOTAL REMUNERATION $	PERCENTAGE PERFORMANCE RELATED[4] %
TOTAL NON EXECUTIVE DIRECTORS COMPENSATION						
2017	603,663	-	-	-	603,663	-
2016	653,417	-	-	-	653,417	-
EXECUTIVE DIRECTORS						
G.F. Turner						
2017	675,000	(28,064)	-	-	646,936	43
2016	675,000	(37,900)	-	-	637,100	43
OTHER GROUP KMP						
R. Flint						
2017	650,449	402	-	123,650	774,501	36
2016	604,991	(6,446)	-	27,467	626,012	41
M. Waters-Ryan						
2017	1,234,753	14,418	999,000	132,482	2,380,653	76
2016	1,196,209	11,044	545,000	29,429	1,781,682	75
A. Campbell (appointed 4 August 2015)[5]						
2017	794,000	18,740	-	136,173	948,913	36
2016	516,666	3,534	-	32,850	553,050	42
A. Flannery (changed roles 4 August 2015)[5]						
2017	-	-	-	-	-	-
2016	87,584	(216)	-	-	87,368	43
C. Galanty						
2017	1,307,398	-	1,269,353	132,482	2,709,233	83
2016	1,375,479	-	624,010	29,429	2,028,918	78
D.W. Smith						
2017	1,372,143	-	531,093	138,075	2,041,311	67
2016	1,236,001	-	250,260	29,429	1,515,690	62
TOTAL KMP COMPENSATION						
2017	6,637,406	5,496	2,799,446	662,862	10,105,210	
2016	6,345,347	(29,984)	1,419,270	148,604	7,883,237	

[1] Long Service Leave (LSL) includes amounts accrued during the year. LSL provisions are linked to overall executive remuneration (which consists of the short-term benefits noted above) and, therefore, vary from year to year. Movements are based on total salary which is dependent on performance during the year. Negative amounts are sometimes recognised, as provisions naturally adjust after periods of stronger than anticipated growth.

[2] BOS Multiplier program provisions are linked to profit and, therefore, vary from year to year. Information on the BOS program is included in 3.

[3] Share-based payments represent amounts expensed in relation to rights granted under the LTRP in 2016 and 2017, and D.W.Smith's and A. Campbell's include matched shares under the ESP (refer section 4).

[4] Performance related percentage calculated as the sum of the STI and BOS interest, and BOS Multiplier divided by total remuneration.

[5] For KMP who were appointed or resigned during the period, the amounts disclosed reflect the relevant service period served.

REMUNERATION REPORT – AUDITED (CONTINUED)

To encourage key executives to continue in their roles for the long-term, various KMP are in line to earn multipliers on their BOS returns (upon redemption) if they achieve certain longevity targets. The targets for participating KMP are outlined in section 3.

DETAILS OF REMUNERATION PAID AND FORFEITED: CASH BONUSES AND SHARE RIGHTS

For each incentive and grant of rights, the percentage of the available bonus or grant that was paid, or that vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. No rights will vest if the conditions are not satisfied, hence the minimum value of the right yet to vest is nil. The maximum value of the rights yet to vest has been estimated as the amount of the grant date fair value that could be expensed.

	INCENTIVES	
OTHER GROUP KMP	PAID %	FORFEITED %
R. Flint	95	5
M. Waters-Ryan	79	21
C. Galanty	100	-
D.W. Smith	100	-
A. Campbell	80	20

	MAXIMUM TOTAL OF GRANT YET TO VEST $			
	YEAR GRANTED			
OTHER GROUP KMP	2016		2017	
	BASE	MATCHING	BASE	MATCHING
R. Flint	91,374	82,730	94,888	85,086
M. Waters-Ryan	97,901	88,639	101,666	91,164
C. Galanty	97,901	88,639	101,661	91,163
D.W. Smith	97,901	88,639	101,671	91,168
A. Campbell	78,321	70,912	116,577	104,535

Base Rights: Vesting date for both 2016 and 2017 grants is 30 June 2018. Therefore, no rights have vested and, therefore, none have been exercised. Additionally, no rights have been forfeited for the above KMP.

Matching Rights: Vesting date for both 2016 and 2017 grants is 30 June 2020. Therefore, no rights have vested and, therefore, none have been exercised. Additionally, no rights have been forfeited for the above KMP.

The minimum total value of grants yet to vest is nil for both base and matching rights, for each KMP listed above.

3 LTIS: BOS RETURN MULTIPLES ON REDEMPTION

To encourage key executives to continue in their roles for the long-term, various KMP are in line to earn multipliers on their BOS returns (upon redemption) if they achieve certain length of service targets.

Three KMP currently participate in this program:

- Melanie Waters-Ryan
- Chris Galanty; and
- Dean Smith

Under the program's terms, if the BOS note is redeemed between five years and its maturity date, the BOS holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by five, being the applicable redemption multiple.

If the BOS note is redeemed after 10 years, the holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by 10, being the applicable redemption multiple.

For Ms Waters-Ryan and Mr Smith, the BOS note's 10th anniversary is its final maturity date and it must then be redeemed.

REMUNERATION REPORT – AUDITED (CONTINUED)

For Mr Galanty, the BOS note matures after 15 years and it must then be redeemed. In this instance, the BOS note holder is eligible for a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by 15, being the applicable redemption multiple.

Provisions for these amounts are included in the KMP salary tables in this report.

For KMP, no redemption multiple will be paid if redemption occurs before the note's fifth anniversary.

If the BOS note is redeemed between five years and its maturity date as the result of the holder transferring into a comparable or more senior role within the company, an affiliate or a related body corporate, the redemption multiple will be the number of full years the BOS note has been held. This redemption multiple will then be applied to the holder's BOS returns for the last full financial year before the date of redemption. The same calculation will apply if a material part of the holder's business unit is sold.

The BOS's Face Value is guaranteed and cannot decrease in value and will always be deducted from the final redemption multiple payment.

	BOS MULTIPLIER PROGRAM						
OTHER GROUP KMP	GRANT DATE	VESTED	FORFEITED	FINANCIAL YEARS IN WHICH BOS RETURN MULTIPLE MAY VEST	MINIMUM TOTAL BOS RETURN MULTIPLE[1]	MAXIMUM TOTAL BOS RETURN MULTIPLE[1]	BALANCE AT 30 JUNE 2017 $
M. Waters-Ryan	1 July 2012	-	-	2018-2023	nil	10 times	2,018,964
C. Galanty	1 July 2010	100%	-	2016-2026	5	15 times	5,075,357
D.W. Smith	1 July 2010	100%	-	2016-2021	5	10 times	1,618,068
Total							**8,712,389**

[1] The BOS Holder will be entitled to and paid an amount equivalent to his or her BOS return for the last full financial year before the redemption date, multiplied by the applicable redemption multiple. As the BOS return multiple is dependent on profit during the last full financial year before the date of redemption, neither the minimum nor maximum amount can be reliably estimated until redeemed.

4 SHARE-BASED COMPENSATION

FLT has a number of plans which issue shares to key executives:

- Long Term Retention Plan (LTRP)
- Employee Share Plan (ESP)

LTRP

A new retention scheme, the LTRP, was introduced during FY16 to provide equity based compensation with a focus on balancing FLTs use of STIs, long-term shareholder alignment and retention of key executives. This plan expanded on and replaced the SEOP and SEPRP, both of which expired during FY15.

TERMS AND CONDITIONS

Terms and conditions of each grant of rights affecting remuneration in this or future reporting periods are set out below:

Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary FLT share.

The assessed fair value at grant date of the rights granted to the individuals is allocated equally over the period from grant date to vesting date. This amount is included in the remuneration report compensation tables. A fixed dollar amount of rights has been granted and present valued for each participant to individually determine the grant date's fair values.

The plan's rules stipulate that the number of shares resulting from exercising all unexercised rights cannot exceed 5% of the company's issued capital (currently less than 1%). Unissued ordinary shares of FLT under rights at the date of this report are as follows:

RIGHTS GRANTED

Details of rights provided as remuneration to KMP are set out below.

Base Rights: Two tranche rights granted at no consideration. The tranches will vest, as noted in the table below, provided participants remain employed by the company at that time. Upon exercise, the exercise price is $nil.

REMUNERATION REPORT – AUDITED (CONTINUED)

Matching Rights: Two tranche rights granted at no consideration. The tranches will vest, as noted in table below, provided Base Rights (or shares) in respect of the respective grant continue to be held and provided the participant remains employed by the company at the Matched Rights Vesting Date. Upon exercise, the exercise price is $nil.

		BASE RIGHTS			MATCHING RIGHTS		
GRANT NUMBER	GRANT DATE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE
1	1 Jan 2016	30 June 2018	30 June 2030	$31.93	30 June 2020	30 June 2030	$28.91
2	1 July 2016	30 June 2018	30 June 2030	$32.99	30 June 2020	30 June 2030	$29.58

Rights holdings
The number of rights over ordinary FLT shares held during the financial year by FLT's group KMP is set out below.

	GRANT 1			GRANT 2		
	BALANCE AT 1 JULY 2016		BALANCE AT 30 JUNE 2017	BALANCE AT 1 JULY 2016		BALANCE AT 30 JUNE 2017
RIGHTS	UNVESTED	GRANTED	UNVESTED	UNVESTED	GRANTED	UNVESTED
R. Flint						
Base	2,862	-	2,862	-	2,876	2,876
Match	2,862	-	2,862	-	2,876	2,876
M. Waters-Ryan						
Base	3,066	-	3,066	-	3,082	3,082
Match	3,066	-	3,066	-	3,082	3,082
C. Galanty						
Base	3,066	-	3,066	-	3,082	3,082
Match	3,066	-	3,066	-	3,082	3,082
D.W. Smith						
Base	3,066	-	3,066	-	3,082	3,082
Match	3,066	-	3,066	-	3,082	3,082
A. Campbell						
Base	2,453	-	2,453	-	3,534	3,534
Match	2,453	-	2,453	-	3,534	3,534

The relevant portion of the expense relating to these rights was recognised during the year ended 30 June 2017. Refer to note D3.

ESP - GENERAL TERMS

Eligible employees are granted a conditional right to one matched share for every two shares purchased (for cash consideration), subject to vesting conditions.

A participant must hold the acquired shares for a period of two years and one month and still be employed with FLT at the end of that time. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

The matched shares may be newly issued by FLT, purchased on-market or allocated from treasury shares.

REMUNERATION REPORT – AUDITED (CONTINUED)

SHAREHOLDINGS

The number of ordinary shares held during the financial year by FLT's directors and KMP is set out below:

	2017			
FLT DIRECTORS	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
G.W. Smith	15,000	-	-	15,000
J.A. Eales	3,000	-	-	3,000
R.A. Baker	2,500	-	-	2,500
C.L. Kelly[1]	400	-	-	400
G.F. Turner	15,244,487	-	7	15,244,494
OTHER GROUP KMP				
R. Flint	7,000	-	-	7,000
M. Waters-Ryan	85,725	-	-	85,725
A. Campbell[2]	994	-	371	1,365
C. Galanty	2,002	-	-	2,002
D.W. Smith[2]	1,858	-	490	2,348

[1] C.L. Kelly was appointed 1 September 2014 and resigned 2 August 2016.

[2] A. Campbell and D.W. Smith participated in the ESP and were issued with 371 (including 66 matched) and 490 (including 91 matched) ordinary shares respectively. These were issued under the same terms and conditions as all other ESP participants. At period end A. Campbell held 148 and D.W. Smith held 194 conditional rights that had been granted under the ESP but had not yet vested.

5 LOANS TO KEY MANAGEMENT PERSONNEL

FLT is a joint venture (JV) partner in Pedal Group Pty Ltd. The other JV partners are related parties, namely Graham Turner's family company, Gainsdale Pty Ltd (25%) (June 2016: 25%), and Graham Turner's son, Matthew Turner (15.75%) (June 2016: 15.75%). The remaining 9.25% (June 2016: 9.25%) is held by other minor parties, including employees who are not considered related parties.

	NOTES	2017 $'000
LOAN TO PEDAL GROUP		
Beginning of the year		3,313
Loans advanced		2,550
Loans repaid		(3,023)
Interest charged		160
End-of-year	E2	3,000

No provision for doubtful debts has been raised in relation to the outstanding balance.

The loan was made on normal commercial terms and conditions and at a market rate. The loan including all outstanding principal and interest was subsequently repaid in August 2017. The interest rate on the loan during the year ranged from 3.43% - 3.66% (2016: 3.84% - 4.04%).

DIRECTORS' REPORT CONTINUED

INDEMNIFICATION AND INSURANCE OF OFFICERS

An Officers' Deed of Indemnity, Access and Insurance is in place for directors, KMP, the company secretary and some other executives. Liabilities covered 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. No payment has been made to indemnify a director, KMP, the company secretary or other executives during or since the financial year.

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, FLT has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided to the consolidated group during the year are set out in note F10.

The board has considered the position and, in accordance with the advice received from the audit and risk 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 auditor's provision of non-audit services did not compromise the Act's independence requirements because none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

The audit and risk committee reviewed all non-audit services to ensure they did not impact the auditor's impartiality and objectivity.

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 37.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Instrument 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 Instrument to the nearest thousand dollars or, in certain cases, to the nearest dollar.

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

G.F. Turner
Director

Brisbane

24 August 2017

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Auditor's Independence Declaration to the Directors of Flight Centre Travel Group Limited

As lead auditor for the audit of Flight Centre Travel Group Limited for the financial year ended 30 June 2017, 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 audit; and

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

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

Ernst & Young

Ernst & Young

Alison de Groot
Partner
24 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FOR THE YEAR ENDED 30 JUNE	
REVENUE	NOTES	2017 $'000	2016 $'000
Revenue from the sale of travel services	A2	2,647,364	2,611,897
Other revenue	A2	29,972	29,878
Total revenue		**2,677,336**	**2,641,775**
Other income	A3	1,993	12,691
Share of profit of joint ventures and associates	E1	2,341	1,065
EXPENSES			
Employee benefits	F1	(1,451,041)	(1,432,796)
Sales and marketing		(199,926)	(199,130)
Rental expense relating to operating leases	F1	(162,831)	(158,577)
Amortisation and depreciation	B7	(74,975)	(66,091)
Finance costs	A4	(28,503)	(28,604)
Impairment charge	F4/F5	-	(24,666)
Other expenses	A4	(438,949)	(400,624)
Profit before income tax expense		**325,445**	**345,043**
Income tax expense	F9	(94,672)	(100,487)
Profit attributable to members of FLT		**230,773**	**244,556**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	F8	-	(178)
Income tax on items of other comprehensive income	F9	-	54
		-	(124)
Items that may be reclassified to profit or loss			
Changes in the fair value of financial assets at FVOCI	F8	630	(74)
Changes in the fair value of cash flow hedges	F8	(347)	(264)
Net exchange differences on translation of foreign operations	F8	(17,344)	(6,123)
Income tax on items of other comprehensive income	F9	(40)	101
		(17,101)	**(6,360)**
Total other comprehensive income for the year attributable to members of FLT		**(17,101)**	**(6,484)**
Total comprehensive income for the year attributable to members of FLT		**213,672**	**238,072**

Earnings per share for profit attributable to the ordinary equity holders of the company:

		CENTS	CENTS
Basic earnings per share	F2	228.5	242.4
Diluted earnings per share	F2	227.7	242.3

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	FOR THE YEAR ENDED 30 JUNE 2017 $'000	2016 $'000
Receipts from customers[1]		2,606,754	2,680,208
Payments to suppliers and employees[1]		(2,208,053)	(2,213,876)
Royalties received		124	518
Interest received		24,636	27,004
Interest paid		(28,582)	(28,760)
Income taxes paid		(99,525)	(108,491)
Net cash inflow from operating activities	B1	**295,354**	**356,603**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	A5	(9,646)	(55,895)
Acquisition of associates and joint venture	A6/E1	(47,377)	-
Proceeds from sale of property, plant and equipment	A3/F4	-	17,201
Payments for property, plant and equipment	B7/F4	(75,786)	(93,852)
Payments for intangibles	B7/F5	(28,338)	(27,136)
Payments for the purchase of financial asset investments	B2	(643)	(139,000)
Proceeds from sale of financial asset investments	B2	8,757	10,029
Dividends received from joint ventures		-	630
Loans advanced to external parties	C3	(5,161)	-
Loans advanced to related parties	E2	(6,080)	(2,175)
Loans repaid by related parties	E2	3,023	-
Net cash (outflow) from investing activities		**(161,251)**	**(290,198)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		212,687	75,707
Repayment of borrowings		(233,134)	(31,350)
Proceeds from issue of shares	D4	4,599	3,534
Payments for purchase of treasury shares	D4	(2,816)	-
Payments from allocation of treasury shares	D4	1,015	-
Dividends paid to members of FLT	B6	(138,339)	(158,354)
Net cash (outflow) from financing activities		**(155,988)**	**(110,463)**
Net (decrease) in cash held		**(21,885)**	**(44,058)**
Cash and cash equivalents at the beginning of the financial year		1,315,386	1,377,985
Effects of exchange rate changes on cash and cash equivalents		(11,853)	(18,541)
Cash and cash equivalents at end of the financial year	B1	**1,281,648**	**1,315,386**

[1] *Including consumption tax*

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

BALANCE SHEET

		AS AT 30 JUNE	
ASSETS **Current assets**	NOTES	2017 $'000	2016 $'000
Cash and cash equivalents	B1	1,281,648	1,315,984
Financial asset investments	B2	199,974	204,525
Trade and other receivables	F3	762,274	672,176
Other assets	F3	69,341	58,541
Current tax receivables		15,783	5,860
Inventories		1,243	1,718
Other financial assets	C3	3,000	-
Derivative financial instruments	C2	4,538	4,429
Total current assets		**2,337,801**	**2,263,233**
Non-current assets			
Property, plant and equipment	F4	256,196	216,239
Intangible assets	F5	471,494	447,583
Investments in joint ventures and associates	E1	64,657	14,970
Deferred tax assets	F9	54,334	55,675
Other financial assets	C3	11,006	5,511
Total non-current assets		**857,687**	**739,978**
Total assets		**3,195,488**	**3,003,211**
LIABILITIES **Current liabilities**			
Trade and other payables	F6	1,514,210	1,429,572
Contingent consideration	A6	8,231	5,255
Borrowings	B4	55,866	76,845
Provisions	F7	42,702	38,116
Current tax liabilities		7,712	9,191
Derivative financial instruments	C2	6,175	7,745
Total current liabilities		**1,634,896**	**1,566,724**
Non-current liabilities			
Trade and other payables	F6	79,270	47,522
Contingent consideration	A6	3,734	2,537
Provisions	F7	36,982	30,572
Deferred tax liabilities	F9	11,851	9,911
Total non-current liabilities		**131,837**	**90,542**
Total liabilities		**1,766,733**	**1,657,266**
Net assets		**1,428,755**	**1,345,945**
EQUITY			
Contributed equity	D4	402,759	399,236
Treasury shares	D4	(1,801)	-
Reserves	F8	12,764	24,110
Retained profits		**1,015,033**	922,599
Total equity		**1,428,755**	**1,345,945**

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

STATEMENT OF CHANGES IN EQUITY

		FOR THE YEAR ENDED 30 JUNE				
	NOTES	CONTRIBUTED EQUITY $'000	TREASURY SHARES $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000
Balance at 1 July 2015		**395,677**	**-**	**36,959**	**837,485**	**1,270,121**
Adjustment for adoption of new accounting standard		-	-	247	(1,088)	(841)
Profit for the year		-	-	-	244,556	244,556
Other comprehensive income		-	-	(6,484)	-	(6,484)
Total comprehensive income for the year		**-**	**-**	**(6,484)**	**244,556**	**238,072**
Transactions with owners in their capacity as owners:						
Acquisition reserve	F8	-	-	(8,976)	-	(8,976)
Employee share-based payments	D4/F8	3,559	-	2,364	-	5,923
Dividends provided for or paid	B6	-	-	-	(158,354)	(158,354)
Balance at 30 June 2016		**399,236**	**-**	**24,110**	**922,599**	**1,345,945**
Profit for the year		-	-	-	230,773	230,773
Other comprehensive income		-	-	(17,101)	-	(17,101)
Total comprehensive income for the year		**-**	**-**	**(17,101)**	**230,773**	**213,672**
Transactions with owners in their capacity as owners:						
Employee share-based payments	D4/F8	2,945	-	5,747	-	8,692
Issue of shares for business combination	D4	578	-	-	-	578
Treasury shares	D4/F8	-	(1,801)	8	-	(1,793)
Dividends provided for or paid	B6	-	-	-	(138,339)	(138,339)
Balance at 30 June 2017		**402,759**	**(1,801)**	**12,764**	**1,015,033**	**1,428,755**

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 or after the end of the reporting period:

ACQUISITIONS DURING THE YEAR

- On 2 February 2017, FLT acquired certain assets and liabilities of Travel Tours Group (TTG), for cash consideration of INR189,800,000 ($3,714,000) and 7.39% shareholding scrip in the resulting combined FCM India business. 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. Refer to note A5 for further details.
- 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. Refer to note A5 for further details.
- 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. Refer to note F5 for further details.

INVESTMENTS IN JOINT VENTURES

- On 10 April 2017 FLT invested an additional $23,764,000 to increase its shareholding in Buffalo Tours (Singapore) Pte Ltd to 58.5% (2016: 49%) and its investment in Buffalo Tours (Hongkong) Limited to 58.5% (2016: 49%). Although the transaction has changed FLT's interest in Buffalo Tours, the overlying shareholder agreement has not changed and as a result the principal of joint control remains in place. Refer to note E1 for further details.
- 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 A4 for further details.

INVESTMENTS IN ASSOCIATES

- On 28 June 2017, FLT invested $3,097,000 in 3mundi for a 25% share of the equity. 3mundi is a travel and technology company with operations in France, Switzerland and Spain. FLT will initially invest in a 25% interest in the Paris-based business, with additional put and call agreements in place which, if exercised, will result in FLT increasing its holding to 100% in the future. FLT does not have control, and as such, FLT's investment in 3mundi is accounted for as an associate using the equity method in the consolidated financial statements. Refer to note E1 for further details.
- On 11 April 2017, FLT invested $9,355,000 in Biblos America LLC (Bibam) for a 24.1% share of the equity. Bibam is an Argentina based travel and technology group with a strong presence in the on and offline leisure, corporate and wholesale sectors. FLT's investment in Bibam is accounted for using the equity method in the consolidated financial statements. Refer to note E1 for further details.
- 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 E1 for further details.

ACQUISITIONS SUBSEQUENT TO YEAR END

- There were five acquisitions announced subsequent to year end, Bespoke Hospitality Management Asia (BHMA), Olympus Tours, Les Voyages Laurier du Vallon (LDV), Travel Managers Group (TMG) & Executive Travel Group (ETG) and Travel Partners. Refer to note H3 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 accrued as they are not considered to be reliably measurable.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A FINANCIAL OVERVIEW

This section provides information that is most relevant to explaining the group's performance during the year, and where relevant, the accounting policies that have been applied and significant estimates and judgements made.

A1 SEGMENT INFORMATION

(A) IDENTIFICATION AND DESCRIPTION OF SEGMENTS

FLT has identified its operating segments based on the internal reports that are reviewed and used by the board and global task force (chief operating decision makers – "CODM") in assessing performance and in determining resource allocation. The company's global task force currently consists of the following members:

- Managing director
- Chief financial officer
- Chief operating officer
- Executive general manager – Europe, Middle East and Africa (EMEA); and
- Executive general manager – The Americas.

FLT and its controlled entities operate predominantly in the sale of travel and travel-related services. The board and task force consider, organise and manage the business from a geographic perspective, being the country of origin where the service was provided. Discrete financial information about each of these operating businesses is reported monthly to the board and executive team, via a group financial report.

CHANGE TO REPORTED SEGMENTS

During the period, there were changes in executive general manager (EGM) responsibilities and as such a change in the way information is presented to the CODM. The segment note reflects this new structure and the comparative period has been reclassified to conform to the current period's presentation.

AGGREGATION OF OPERATING BUSINESSES

Where geographic operating businesses are managed by the same member of the global task force, are reported together to the board and executive team, have similar business models, types of customers, distribution methods and regulatory environments, they have been aggregated into the one operating segment.

AUSTRALIA AND NEW ZEALAND

Australia and New Zealand segment is managed by the group Managing Director.

New Zealand was previously disclosed in the "Rest of World" segment.

EUROPE, MIDDLE EAST AND AFRICA

EMEA segment includes businesses in the United Kingdom, Ireland, Netherlands, Germany, Nordics, United Arab Emirates (UAE) and South Africa. These are managed by one EGM.

South Africa and UAE were previously disclosed in the "Rest of World" segment.

THE AMERICAS

The Americas segment includes businesses in the United States, Canada and Mexico, as well as the newly acquired SU business, which is centrally managed by the United States business. These are managed by one EGM.

Canada was previously disclosed in the "Rest of World" segment.

A1 SEGMENT INFORMATION (CONTINUED)

ASIA

Asia segment includes businesses in China, Hong Kong, Singapore, Philippines, Malaysia and India. These are managed by the Chief operating officer.

These were previously disclosed in the "Rest of World" segment.

OTHER SEGMENT

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 head office.

The group consolidation adjustments are also included in this segment, having previously been included in the "Rest of World" segment.

(B) MAJOR CUSTOMERS

FLT provides services to and derives revenue from a number of customers. The company does not derive more than 10% of total consolidated revenue from any one customer.

(C) UNDERSTANDING THE SEGMENT RESULT

SEGMENT REVENUE

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Revenue from external customers is measured in the same way as the statement of profit or loss and other comprehensive income.

ALTERNATIVE PROFIT MEASURES

In addition to using profit as a measure of the group and its segments' financial performance, FLT uses statutory EBIT and statutory EBITDA. These measures are not defined under IFRS and are, therefore, termed "Non-IFRS" measures.

Statutory EBIT is defined as group earnings before net interest and tax, while statutory EBITDA is earnings before net interest, tax, depreciation and amortisation. These non-IFRS measures are commonly used by management, investors and financial analysts to evaluate companies' performance.

The segment result is adjusted EBIT. FLT's chief operating decision makers use this adjusted EBIT measure to assess the group's performance. The adjustments take into account various operational items that are integral to the business's performance, including interest paid on the BOS unsecured note program and finance leases and interest received on cash generated by FLT's wholesale businesses. Further adjustments may also occur to reflect specific items that are not trading related.

A reconciliation of these non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the tables on the following pages.

SEGMENT ASSETS AND LIABILITIES

The amounts provided to the board and task force in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements. These reports do not allocate total assets or total liabilities based on the operations of each segment or by geographical location.

FLT has not disclosed non-current assets by geographical location as this information is not provided to and/or reviewed by the chief operating decision makers nor produced for other reasons and, as such, the cost of developing and providing this information exceeds the attributable benefits.

TOTAL TRANSACTION VALUE (TTV)

TTV is un-audited, non-IFRS financial information 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.

SALES TEAMS

The number of sales teams is un-audited, non-IFRS, non-financial information. This information has been included to aid understanding of the relevant balances. The balances represent the number of sales teams in the retail, corporate and wholesale areas at the end of the period.

A1 SEGMENT INFORMATION (CONTINUED)

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

The segment information provided to the board and task force for the reportable segments for the years ended 30 June 2017 and 30 June 2016 is shown in the tables on the following pages.

30 JUNE 2017	AUSTRALIA & NZ[3] $'000	AMERICAS[4] $'000	EMEA[5] $'000	ASIA[6] $'000	OTHER SEGMENT[7] $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	11,706,650	4,303,762	2,682,385	1,061,121	355,253	20,109,171
Total segment revenue	1,589,626	527,389	385,105	82,713	266,417	2,851,250
Inter-segment revenue	(117,897)	(23,957)	(27,478)	(4,582)	-	(173,914)
Revenue from external customers	**1,471,729**	**503,432**	**357,627**	**78,131**	**266,417**	**2,677,336**
Statutory EBITDA	**324,531**	**47,034**	**69,825**	**1,763**	**(41,048)**	**402,105**
Depreciation and amortisation	(47,377)	(11,728)	(10,373)	(3,449)	(2,048)	(74,975)
Statutory EBIT	**277,154**	**35,306**	**59,452**	**(1,686)**	**(43,096)**	**327,130**
Interest income	5,778	1,504	7,402	104	12,030	26,818
BOS interest expense	(19,800)	(2,952)	(2,938)	-	(333)	(26,023)
Other interest expense	(2,248)	(1,089)	(2,015)	(1,884)	5,059	(2,177)
Other non-material items	(280)	-	(17)	(6)	-	(303)
Net profit before tax and royalty	**260,604**	**32,769**	**61,884**	**(3,472)**	**(26,340)**	**325,445**
Royalty	10,688	-	(10,688)	-	-	-
Net profit before tax and after royalty	**271,292**	**32,769**	**51,196**	**(3,472)**	**(26,340)**	**325,445**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**277,154**	**35,306**	**59,452**	**(1,686)**	**(43,096)**	**327,130**
Interest income[2]	2,676	63	247	-	10,497	13,483
BOS interest expense	(19,800)	(2,952)	(2,938)	-	(333)	(26,023)
Net foreign exchange (gains) / losses on intercompany loans	-	-	34	-	1,174	1,208
Loss on disposal of joint venture	-	-	-	-	4,066	4,066
Other non-material items	(64)	(6)	-	(5)	(1,234)	(1,309)
Adjusted EBIT / Segment Result	**259,966**	**32,411**	**56,795**	**(1,691)**	**(28,926)**	**318,555**
Sales teams[1]	1,752	504	515	189	6	2,966

[1] *TTV and sales team numbers are un-audited, non-IFRS measures.*

[2] *Land wholesale interest only*

[3] *The results of the Ignite acquisition is included in the Australia & NZ segment*

[4] *The results of the Bibam acquisition is included in the Americas segment*

[5] *The results of the Travellink AB, Opodo and 3mundi acquisitions are included in the EMEA segment*

[6] *The results of the Sunny and TTG acquisition are included in the Asia segment*

[7] *The results of the Buffalo acquisition is included in the Other segment*

A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2016 (RESTATED)	AUSTRALIA & NZ[4] $'000	AMERICAS[5] $'000	EMEA[6] $'000	ASIA[7] $'000	OTHER SEGMENT $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	**11,079,586**	**4,226,679**	**2,759,903**	**880,752**	**358,253**	**19,305,173**
Total segment revenue	1,572,341	516,162	409,967	76,818	254,791	2,830,079
Inter-segment revenue	(130,517)	(31,788)	(23,893)	(2,106)	-	(188,304)
Revenue from external customers	**1,441,824**	**484,374**	**386,074**	**74,712**	**254,791**	**2,641,775**
Statutory EBITDA	**345,205**	**22,659**	**74,450**	**(167)**	**(28,247)**	**413,900**
Depreciation and amortisation	(41,390)	(10,718)	(9,992)	(2,052)	(1,939)	(66,091)
Statutory EBIT	**303,815**	**11,941**	**64,458**	**(2,219)**	**(30,186)**	**347,809**
Interest income	5,387	1,051	5,424	198	13,778	25,838
BOS interest expense	(20,440)	(2,462)	(3,676)	-	(763)	(27,341)
Other interest expense	(1,519)	(657)	(1,355)	(1,402)	4,223	(710)
Other non-material items	(531)	-	(20)	(2)	-	(553)
Net profit before tax and royalty	**286,712**	**9,873**	**64,831**	**(3,425)**	**(12,948)**	**345,043**
Royalty	16,673	-	(16,673)	-	-	-
Net profit before tax and after royalty	**303,385**	**9,873**	**48,158**	**(3,425)**	**(12,948)**	**345,043**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**303,815**	**11,941**	**64,458**	**(2,219)**	**(30,186)**	**347,809**
Interest income[2]	2,610	30	462	-	11,283	14,385
BOS interest expense	(20,440)	(2,462)	(3,676)	-	(763)	(27,341)
Net foreign exchange (gains) / losses on intercompany loans	-	402	-	-	(695)	(293)
ACCC penalties refund	-	-	-	-	(11,000)	(11,000)
Impairment[3]	-	11,977	-	-	12,689	24,666
Gain on sale of building	(6,264)	-	-	-	-	(6,264)
Other non-material items	8	-	-	-	(923)	(915)
Adjusted EBIT / Segment Result	**279,729**	**21,888**	**61,244**	**(2,219)**	**(19,595)**	**341,047**
Sales teams[1]	1,760	524	486	138	6	2,914

The 2016 segment note has been reclassified to conform to the current period's presentation due to change in Segments (note A1a).

[1] *TTV and sales team numbers are un-audited, non-IFRS measures.*

[2] *Land wholesale interest only*

[3] *Included in the impairment is brand names which are managed by the global teams, hence included in Other Segment. USA segment includes impairment of other intangibles software and plant and equipment. Refer note A5, F4 and F5.*

[4] *The results of the BYOjet and AVMIN Pty Ltd acquisition is shown in the Australia & NZ segment.*

[5] *The results of the SU and Koch Overseas acquisitions are shown in the Americas segment.*

[6] *The results of the Business Travel Development (FCM Netherlands) acquisition are shown in the EMEA segment.*

[7] *The results of the WAS and Maya Events acquisitions are shown in the Asia segment.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A2 REVENUE

REVENUE FROM THE SALE OF TRAVEL SERVICES	2017 $'000	2016 $'000
Commission and fees from the provision of travel	1,869,584	1,862,994
Revenue from the provision of travel	628,423	591,540
Revenue from tour operations	46,091	46,220
Revenue from other operations [1]	103,266	111,143
Total revenue from the sale of travel services	**2,647,364**	**2,611,897**
OTHER REVENUE		
Rents and sub-lease rentals	2,589	3,526
Interest	26,818	25,838
Royalties	565	514
Total other revenue	**29,972**	**29,878**

1 Revenue from other operations includes the ACCC penalties refund of $11,000,000 received during the prior 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, including override revenue, is recognised at the amount receivable when it is probable the annual targets will 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.

Additional information on other revenue accounting policies is included in note I(e).

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS – OVERRIDE REVENUE

In addition to commission payments, FLT is eligible for override payments from its suppliers, as included in revenue from the provision of travel. These overrides are negotiated with individual suppliers and will typically include a combination of guaranteed payments and volume incentives (super overrides).

The volume incentives are recognised at the amount receivable when it is probable the annual targets will be achieved.

The override revenue accrual process is inherently judgemental and is impacted by factors which are not completely under FLT's control. These factors include:

- *Year-end differences – as supplier contract periods do not always correspond to FLT's financial year, judgements and estimation techniques are required to determine revenues from customers anticipated to travel over the remaining contract year and the associated override rates applicable to these forecast levels*
- *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.*

Information on override receivables is included in note F3.

A3 OTHER INCOME

OTHER INCOME	2017 $'000	2016 $'000
Net foreign exchange gains - realised	996	3,764
Net foreign exchange gains - unrealised	-	1,985
Gain on financial assets at fair value	997	678
Gain on sale of building[1]	-	6,264
Total other income	**1,993**	**12,691**

1 Gain on sale of building relates to the sale of the New Zealand Head Office during the prior period.

A4 EXPENSES

Profit before income tax includes the following expenses:

FINANCE COSTS	NOTES	2017 $'000	2016 $'000
BOS interest expense	D2	26,023	27,341
Interest and finance charges paid/payable		2,177	710
Unwind of make good provision discount	F7	303	553
Total finance costs		**28,503**	**28,604**
OTHER EXPENSES			
Other occupancy costs		63,871	63,658
Consulting fees		77,456	63,441
Communication and IT		87,625	77,283
Net foreign exchange losses - unrealised		2,422	-
Loss on disposal of Employment Office	A4(A)	4,066	-
Other expenses		203,509	196,242
Total other expenses		**438,949**	**400,624**

(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.

A5 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 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 provisional 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	6,048
Net assets acquired	**6,055**

(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 upon completion of the local statutory audit. 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**

A5 BUSINESS COMBINATIONS (CONTINUED)

(iv) Revenue and profit contribution

The revenue and profit contribution for the period since acquisition was $5,993,000 revenue and $318,000 loss.

Had the acquisition occurred on 1 July 2016, revenue and profit contribution for the year ended 30 June 2017 would have been $11,784,000 revenue and $334,000 profit.

Nordics and Germany are reported within the EMEA segment note A1.

(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 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.

TRAVEL TOURS GROUP INDIA

(i) 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, foreign exchange business (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 ($3,714,000)
- Upon approval from the High Court of Mumbai of the demerger of the Forex business, FCM India (a subsidiary of FLT) will issue shares equal to 7.39% of the combined company

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

PURCHASE CONSIDERATION	AS AT ACQUISITION DATE $'000
Cash paid	3,714
Equity settled consideration	3,718
Total purchase consideration	**7,432**

The acquisition was split into two components: the cash consideration for the asset sale and equity in consideration for the demerged forex business. Once the demerger is approved by the Indian government FCM India will issue shares equal to 7.39% or INR189,800,000 in the resulting combined FCM India business to the shareholders of TTG. The amount has been accrued in contingent consideration as a payable, given the approval has not yet been granted and the shares not formally issued, and given the associated put and call arrangement that has been entered into between the parties.

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

Fair value of net identifiable assets acquired	1,843
Goodwill arising on acquisition	5,589
Net assets acquired	**7,432**

(iii) Purchase consideration - cash outflow

Cash consideration	3,714
Less: balances acquired	(538)
Total outflow of cash - investing activities	**3,176**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A5 BUSINESS COMBINATIONS (CONTINUED)

(iv) Assets and liabilities acquired

FLT has provisionally recognised the fair values of TTG'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	538
Trade and other receivables	6,829
Property, plant and equipment	417
Trade and other payables	(5,941)
Total assets and liabilities acquired	**1,843**

(v) Revenue and profit contribution

The revenue and profit contribution for the period since acquisition was $3,341,000 and $449,000 respectively.

Had the acquisition occurred on 1 July 2016, revenue and profit contribution for the year ended 30 June 2017 would have been $9,349,000 and $647,000 respectively.

(vi) Acquisition costs

Acquisition-related costs of $434,000 and 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).

(vii) Goodwill

The goodwill, once finalised, represents the value to FLT of acquiring a strong leisure travel presence in the key South India markets of Bangaluru and Chennai, which complement FLT's existing offerings in the country's north and west.

(B) RECONCILIATION OF PURCHASE CONSIDERATION TO ACQUISITION OF SUBSIDIARY

CURRENT YEAR ACQUISITIONS	2017 $'000
Nordics and Germany	
Cash consideration	6,055
Less: balances acquired	(7)
Travel Tours Group	
Cash consideration	3,714
Less: balances acquired	(538)
Contingent consideration paid	422
Total aggregate outflow of cash - investing activities	**9,646**

PRIOR YEAR ACQUISITIONS	2016 $'000
Other aggregate acquisitions	
Cash consideration	9,128
Less: balances acquired	(3,148)
Student Universe	
Cash consideration	39,227
Working capital injection	1,155
Less: balances acquired	(8,467)
Contingent consideration paid	18,000
Total aggregate outflow of cash - investing activities	**55,895**

A5 BUSINESS COMBINATIONS (CONTINUED)

(C) PRIOR YEAR ACQUISITIONS

(i) Adjustments in the current period

Accounting for the acquisition of StudentUniverse.com was completed in the period with no changes made to the amounts reported provisionally at 30 June 2016.

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

(ii) Contingent consideration – symmetrical put and call options

On 21 December 2015, FLT acquired a 70% interest in the BYOjet business and a further 20% on 19 February 2016 for consideration of $2,720,000. On 30 October 2015, FLT acquired a 51% interest in AVMIN Pty Ltd for consideration of $1,224,000.

Concurrent with the acquisition of BYOjet and AVMIN, FLT entered into a call option over the non-controlling shareholders' 10% interest in BYOjet and 49% interest in AVMIN, and the non-controlling shareholders entered into a corresponding put option. These options are exercisable after three years for BYOjet and five years for AVMIN from the acquisition date. The settlement amount is based on a multiple of each company's full-year audited results for the year in which the option is exercised.

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

The group holds 90% of BYOjet and 51% of AVMIN equity. The put option liabilities which exist with the owners of the non-controlling shareholders in each company, representing 10% and 49% respectively, have been recognised in the acquisition reserve of the parent entity. Refer note F8.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A6 CONTINGENT CONSIDERATION

CURRENT	2017 $'000	2016 $'000
Contingent consideration	8,231	5,255
Total current contingent consideration	**8,231**	**5,255**
NON-CURRENT		
Contingent consideration	3,734	2,537
Total non-current contingent consideration	**3,734**	**2,537**

FAIR VALUE

Contingent consideration is classified as Level 3 (2016: Level 3). It arises in respect of business combinations (note A5) and equity accounted investments (note E1).

TRAVEL TOURS GROUP INDIA

In relation to the amount payable for the Travel Tours Group acquisition, fair value has been established through a valuation of the FCM India business. The contingent consideration represents 7.39% of this valuation.

IGNITE TRAVEL GROUP

The earn-out payment for Ignite ($2,604,000) has been recorded as part of 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 (refer note E1).

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

	NOTES	CONTINGENT CONSIDERATION $'000
Opening balance at 1 July 2016		**7,792**
New business combinations	A5	3,718
New investments	E1	2,604
Payment of contingent consideration		(422)
Shares issued to settle contingent consideration	D4	(578)
Unrealised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		(711)
Realised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		(438)
Closing balance at 30 June 2017		**11,965**

B CASH MANAGEMENT

FLT has a focus on maintaining a strong balance sheet through increasing cash and investments and keeping low levels of debt. The strategy also considers the group's expenditure, growth and acquisition requirements, and the desire to return dividends to shareholders.

B1 Cash and cash equivalents

B2 Financial asset investments

B3 Cash and financial asset investments - financial risk management

B4 Borrowings

B5 Ratios

- Net debt
- Gearing ratio

B6 Dividends

B7 Capital expenditure

B1 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Client cash represents amounts from customers held before release to service and product suppliers.

Additional information on cash accounting policies is included in note I(i).

	2017 $'000	2016 $'000
General cash at bank and on hand	425,861	506,703
Client cash	855,787	809,281
Total cash and cash equivalents	**1,281,648**	1,315,984

RECONCILIATION TO STATEMENT OF CASH FLOWS

Cash and cash equivalents	1,281,648	1,315,984
Bank overdraft	-	(598)
Balance per Statement of Cash Flows	**1,281,648**	1,315,386

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B1 CASH AND CASH EQUIVALENTS (CONTINUED)

RECONCILIATION OF PROFIT AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Profit for the year	**230,773**	244,556
Depreciation and amortisation	74,975	66,091
Net (gain) / loss on disposal of non-current assets	4,004	(4,564)
Net (gain) / loss on sale of financial assets at fair value	(1,234)	-
Loss on disposal of shares	2,616	-
Impairment charges against assets	-	24,666
Share of (profits) / losses of joint ventures & associates	(2,341)	(1,065)
Fair value adjustment to investment	65	(555)
Non-cash employee benefits expense - share based payments	4,457	1,217
Net exchange differences	(6,837)	16,866
(Increase) / decrease in trade and other receivables and other assets	(98,239)	(12,033)
(Increase) / decrease in deferred tax assets and liabilities	2,045	(16,578)
(Increase) / decrease in inventories	490	138
Increase / (decrease) in trade creditors and other payables	94,648	23,470
Increase / (decrease) in net income taxes payable	(14,180)	7,308
Increase / (decrease) in other provisions	4,112	7,086
Net cash inflow from operating activities	**295,354**	356,603

B2 FINANCIAL ASSET INVESTMENTS

	2017 $'000	2016 $'000
Equity investments - Fair value through profit or loss (FVTPL)	643	-
Debt securities - Fair value through profit or loss (FVTPL)	4,396	8,742
Debt securities - Fair value through other comprehensive income (FVOCI)	99,246	100,094
Debt securities - Amortised cost	65,689	36,689
Repurchase receivable - Amortised cost	30,000	59,000
Total financial asset investments	**199,974**	204,525

Debt securities measured at FVTPL do not have contractual cash flow characteristics.

Debt securities measured at FVOCI have contractual cash flow characteristics that are solely payment of principal and interest and are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Debt securities and repurchase receivables are measured at amortised cost only if both the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest

Debt securities are not heavily traded.

FLT has entered into short-term borrowings of $26,883,000 (2016: $52,412,000) to maximise investment returns and take advantage of a market opportunity. Debt securities with a face value of $30,000,000 (2016: $59,000,000) and fair value $30,162,000 (2016: $58,821,000) have been pledged as security for these borrowings. These securities are separately disclosed as "Repurchase receivable - Amortised cost" above and "short-term borrowings" in note B4. The counterparty has an obligation to return the securities to FLT. There are no other significant terms and conditions associated with the use of collateral.

B3 CASH AND FINANCIAL ASSET INVESTMENTS – FINANCIAL RISK MANAGEMENT

CREDIT RISK

Credit risk arising from cash and cash equivalents and financial asset investments is managed in accordance with group treasury policy. Limits are set on credit rating, type of security, counterparty exposure and maturity.

Credit quality has been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There has been no significant increase to credit risk for cash and cash equivalents and financial assets.

	EQUIVALENT S&P RATING				
AT 30 JUNE 2017	**AA AND ABOVE $'000**	**AA- TO A- $'000**	**BBB+ TO BBB- $'000**	**NON INVESTMENT GRADE / UNRATED $'000**	**TOTAL $'000**
Cash and cash equivalents	61	1,022,208	222,217	37,162	1,281,648
Equity investments - FVTPL	-	-	-	643	643
Debt securities - FVTPL	4,396	-	-	-	4,396
Debt securities - FVOCI	-	84,516	14,730	-	99,246
Debt securities - Amortised cost	-	55,721	9,968	-	65,689
Repurchase receivable - Amortised cost	-	30,000	-	-	30,000
AT 30 JUNE 2016					
Cash and cash equivalents	189	1,138,047	142,500	35,248	1,315,984
Debt securities - FVTPL	-	-	8,742	-	8,742
Debt securities - FVOCI	-	91,190	7,586	1,318	100,094
Debt securities - Amortised cost	-	36,689	-	-	36,689
Repurchase receivable - Amortised cost	-	59,000	-	-	59,000

ACCOUNTING POLICY

FLT has applied the simplified approach for provisioning for expected credit losses prescribed by AASB 9. Additional information on trade and other receivables accounting policies is included in note I(a) and I(l).

The maximum exposure to credit risk is the carrying amount of financial assets and the carrying amount of cash and cash equivalents as disclosed above. FLT has assessed credit risk exposure on cash and financial assets as minimal due to investment grade counterparties and investments. Non investment grade / unrated cash and cash equivalents consists predominately of cash on hand for trading purposes as part of the Travel Money Foreign Exchange business. As such, there is no material credit risk.

FAIR VALUE

Cash is stated at the carrying amount, which approximates fair value.

Debt securities at FVOCI and debt securities at FVTPL 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 (2016: Level 2) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique as described above.

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

MARKET RISK

INTEREST RATE AND FOREIGN CURRENCY RISK

Refer to note C1 for sensitivity of interest rate risk and foreign currency risk.

B4 BORROWINGS

CURRENT	NOTES	2017 $'000	2016 $'000
Bank loans		14,073	9,241
Short-term borrowings		26,883	52,412
Net unsecured notes principal	D2	14,910	15,192
Total current borrowings		**55,866**	**76,845**

Refer to note D2 for further information on the net unsecured notes that form part of the Business Ownership Scheme (BOS).

FINANCIAL RISK MANAGEMENT

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The group holds borrowings which are issued at variable rates. FLT's profit and operating cash flows are, therefore, exposed to changes in market interest rates.

The group constantly analyses its interest rate exposure, taking into consideration refinancing, renewal of existing positions and alternative financing. The group calculates the impact a defined interest rate shift will have on profit or loss. For each analysis, the same interest rate shift is used for all currencies.

Under group policy, the maximum percentage of outstanding external group debt that may be maintained at a fixed interest rate is 50%, unless the global CFO and global treasurer approve otherwise.

Current bank loan facilities are subject to annual review and are at floating interest rates.

The current interest rates on bank loan facilities range from 1.81% - 9.00% (2016: 1.61% - 9.30%).

LIQUIDITY RISK

To manage liquidity risk, the group has access to additional financing via unused bank loan facilities, credit card facilities, bank guarantees and letter of credit facilities.

	BANK LOANS		CREDIT CARDS		BANK GUARANTEES & LETTERS OF CREDIT	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unused	11,414	14,979	124,865	127,511	34,562	48,293
Used	40,956	61,653	45,593	55,259	105,504	78,479
Total facilities	**52,370**	**76,632**	**170,458**	**182,770**	**140,066**	**126,772**

Bank guarantees and letters of credit are provided as security on various facilities with vendors and in accordance with local travel agency licensing and International Air Transport Association (IATA) regulations.

Refer to note C1 for a sensitivity analysis of borrowings' interest rate risk and details of borrowings' maturity profiles and associated liquidity risks.

There have been no defaults during the period.

FAIR VALUE

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

B4 BORROWINGS (CONTINUED)

ASSETS PLEDGED AS SECURITY

FLT has entered into short term borrowings to maximise investment returns and take advantage of a market opportunity. Unlisted debt securities have been pledged as security for these borrowings as set out below.

In addition, FLT has allocated cash invested with the providers of certain bank guarantees and letter of credit facilities as collateral as set out below.

	NOTES	2017 $'000	2016 $'000
Current		26,883	52,412
Total secured bank loans		**26,883**	**52,412**
Cash and cash equivalents		55,000	31,000
Repurchase receivable - amortised cost	B2	30,000	59,000
Total assets pledged as security		**85,000**	**90,000**

Other than the items above, no other group assets have been pledged as security.

B5 RATIOS

CAPITAL MANAGEMENT

FLT maintains a conservative funding structure that allows it to meet its operational and regulatory requirements, while providing sufficient flexibility to fund growth, working capital requirements and future strategic opportunities. The group's capital structure includes a mix of debt, general cash and equity attributable to the parent's equity holders.

In recent years, the company has initiated strategies to strengthen its balance sheet by increasing general cash and maintaining moderate debt levels, with a view to creating greater shareholder value in the future.

NET DEBT

	NOTES	2017 $'000	2016 $'000
General cash at bank and on hand	B1	425,861	506,703
General financial investments[1]	B2	104,285	100,094
		530,146	**606,797**
Less:			
Borrowings - current	B4	55,866	76,845
Positive net debt [2]		474,280	529,952

FLT continues to be in a positive net debt position.

[1] General financial investments in both years include Equity FVTPL and Debt FVOCI, with Debt FVTPL in current year only.

[2] Net debt = General cash –Borrowings. The calculation excludes client cash and client financial asset investments (refer note B2).

GEARING RATIO

	NOTES	2017 $'000	2016 $'000
Total borrowings	B4	55,866	76,845
Total equity	D4/F8	1,428,755	1,345,945
Gearing ratio[3]		3.9%	5.7%

[3] Gearing ratio = Total borrowings / Total equity

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B6 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 final dividend has been declared taking into account traditional seasonal cashflows, anticipated cash outflows and the one-off profit items.

The combined interim and final dividend payments represent a $140,402,000 (2016: $153,410,000) return to shareholders, 61% (2016: 63%) of FLT's statutory NPAT. The combined payments represent 60% (2016: 62%) of FLT's underlying NPAT[1].

ORDINARY SHARES	2017 $'000	2016 $'000
Final ordinary dividend for the year ended 30 June 2016 of 92.0 cents (2015: 97.0 cents) per fully paid share	92,873	97,817
Interim ordinary dividend for the year ended 30 June 2017 of 45.0 cents (2016: 60.0 cents) per fully paid share	45,466	60,537
	138,339	158,354
DIVIDENDS NOT RECOGNISED AT THE END OF THE YEAR		
Since year-end, the directors have recommended a 94.0 cents per fully paid share (2016: 92.0 cents) final dividend. The aggregate amount of the dividend to be paid on 13 October 2017 out of retained profits at 30 June 2017, but not recognised as a liability at year-end is:	94,936	92,853
FRANKING CREDITS		
Franking credits available for subsequent financial years based on a tax rate of 30%	312,017	304,526

The above amounts represent the balance of the franking account at the end of the financial year, adjusted for:

i. Franking credits that will arise from the current tax liability's payment
ii. Franking debits that will arise from the dividend payments recognised as a liability for the reporting period's end; and
iii. Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting period's end.

The dividend recommended by the directors since year-end, but not recognised as a year-end liability will reduce the franking account by $40,687,000 (2016: $39,794,000).

[1] *Underlying NPAT is a non-IFRS measure. June 2017 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. June 2016 underlying NPAT of $246,712,000 excludes $11,000,000 ACCC fine refund, $6,264,000 NZ building sale income, ($24,666,000) impairment charge and related tax impact of $5,246,000.*

B7 CAPITAL EXPENDITURE

OVERVIEW

In the current and prior year FLT has undertaken strategic investments in its physical model, rolling out the company's next generation shop design and its technological offering, through development of a number of IT projects including a new finance platform, to support FLT's future strategy.

DEPRECIATION	NOTES	2017 $'000	2016 $'000
Buildings	F4	874	1,126
Plant and equipment	F4	60,156	54,767
Total depreciation		**61,030**	**55,893**
AMORTISATION			
Brand names and customer relationships	F5	232	114
Internally generated and other intangibles	F5	13,713	10,084
Total amortisation		**13,945**	**10,198**
Total depreciation and amortisation		**74,975**	**66,091**
ADDITIONS			
Plant and equipment	F4	102,641	100,135
Intangibles	F5	31,018	27,136
Total additions		**133,659**	**127,271**

CONTRACTUAL COMMITMENTS

In the prior year the group had capital expenditure contracted for but not recognised as liabilities of $5,700,000, in relation to head office relocations ongoing at the end of the reporting period. There was no similar committment in the current year.

Neither the parent entity, nor the group, have any other contractual obligations to purchase plant and equipment or intangible assets at balance date (2016: nil).

C FINANCIAL RISK MANAGEMENT

This section provides information relating to FLT group's exposure to financial risks, how they affect the group's financial position and performance and how the risks are managed.

C1 FINANCIAL RISK MANAGEMENT

OVERVIEW

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on financial markets' unpredictability and seeks to minimise potential adverse effects on the group's financial performance.

A central treasury department oversees financial risk under board-approved policies that cover specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. Treasury identifies, evaluates and hedges financial risks in co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering the specific areas noted above.

Market risk and credit risk are analysed within the relevant balance sheet note disclosures with the exception of the effects of hedge accounting, which is set out below. Liquidity risk and sensitivities are also set out below.

LIQUIDITY RISK

Prudent liquidity risk management requires FLT to maintain sufficient cash and marketable securities, access to additional funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At year-end, FLT held deposits at call of $639,909,000 (2016: $674,918,000) that are readily available for managing liquidity risk.

Management monitors rolling forecasts of the group's liquidity reserve and cash and cash equivalents (refer to note B1) on the basis of expected cash flows. This is generally carried out at local level in the group's operating companies, in accordance with established practices and limits. These limits vary by location to take into account local market liquidity. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The group's access to undrawn borrowing facilities at the reporting period's end are disclosed in note B4.

MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings. Groupings are based on the remaining period to the contractual maturity date at the reporting period's end. The amounts disclosed in the table are the contractual undiscounted cash flows.

2017 Non-derivatives	LESS THAN 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES $'000
Trade and other payables	1,389,953	-	-	-	1,389,953	1,389,953
Contingent consideration	8,231	2,604	1,198	-	12,033	11,965
Borrowings	55,866	-	-	-	55,866	55,866
Total non-derivatives	**1,454,050**	**2,604**	**1,198**	**-**	**1,457,852**	**1,457,784**
Derivatives						
Derivatives – net settled	6,175	-	-	-	6,175	6,175

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

2016 Non-derivatives	LESS THAN 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES $'000
Trade and other payables	1,314,853	-	-	-	1,314,853	1,314,853
Contingent consideration	5,342	-	2,684	-	8,026	7,792
Borrowings	77,627	-	-	-	77,627	76,845
Total non-derivatives	**1,397,822**	**-**	**2,684**	**-**	**1,400,506**	**1,399,490**
Derivatives						
Derivatives – net settled	**7,745**	**-**	**-**	**-**	**7,745**	**7,745**

SUMMARISED SENSITIVITY ANALYSIS

The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

The foreign exchange sensitivities are based on the Group's exposures existing at balance date taking into account the Group's designated cash flow hedges.

Interest rate sensitivities are based on reasonable changes in interest rates on that portion of cash, investments and borrowings affected.

Foreign currency risks, as defined by AASB 7 Financial Instruments: Disclosures, arise on account of financial instruments being denominated in a currency that is not the functional currency in which the financial instrument is measured. Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis. Foreign exchange sensitivities are based on reasonably possible changes in foreign exchanges rates.

For interest rate and foreign exchange rate sensitivities, all other variables are held constant. Sensitivity figures are pre tax. The movement in equity excludes movements in retained earnings.

2017	CARRYING AMOUNT $'000	INTEREST RATE RISK		FOREIGN EXCHANGE RISK	
Financial assets		-1% PROFIT	+1% PROFIT	-10% PROFIT	+10% PROFIT
Cash and cash equivalents	1,281,648	(12,816)	12,816	9,164	(7,498)
Equity securities - FVTPL	643	-	-	-	-
Debt securities - FVTPL	4,396	(44)	44	-	-
Debt securities - FVOCI	99,246	(762)	762	-	-
Debt securities - Amortised cost	65,689	(660)	660	-	-
Repurchase receivable - Amortised cost	30,000	(300)	300	-	-
Trade and other receivables	775,396	-	-	2,380	(1,947)
Other assets	27,042	-	-	-	-
Derivative financial instruments	4,538	-	-	2,933	(2,407)
Other financial assets	14,006	(35)	35	895	(795)
Financial liabilities					
Trade and other payables	1,389,953	-	-	(20,206)	16,532
Contingent consideration	11,965	-	-	(491)	401
Borrowings - current	55,866	(356)	356	-	-
Derivative financial instruments	6,175	-	-	3,523	(2,882)
Total increase / (decrease)		**(14,973)**	**14,973**	**(1,802)**	**1,404**

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

2016 Financial assets	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% PROFIT	INTEREST RATE RISK +1% PROFIT	FOREIGN EXCHANGE RISK -10% PROFIT	FOREIGN EXCHANGE RISK +10% PROFIT
Cash and cash equivalents	1,315,984	(13,160)	13,160	11,558	(9,992)
Debt securities - FVTPL	8,742	(87)	87	-	-
Debt securities - FVOCI	100,094	(822)	822	-	-
Debt securities - Amortised cost	36,689	(367)	367	-	-
Repurchase receivable - Amortised cost	59,000	(590)	590	-	-
Trade and other receivables	682,917	-	-	2,833	(2,318)
Other assets	18,965	-	-	-	-
Derivative financial instruments	4,429	-	-	11,345	(9,283)
Other financial assets	5,511	(38)	38	-	-
Financial liabilities					
Trade and other payables	1,314,853	-	-	(28,097)	22,988
Contingent consideration	7,792	(144)	138	(584)	477
Borrowings - current	76,845	(617)	617	-	-
Derivative financial instruments	7,745	-	-	5,117	(4,187)
Total increase / (decrease)		(15,825)	15,819	2,172	(2,315)

2017 Financial assets	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% EQUITY	INTEREST RATE RISK +1% EQUITY	FOREIGN EXCHANGE RISK -10% EQUITY	FOREIGN EXCHANGE RISK +10% EQUITY
Debt securities - FVOCI	99,246	58	(55)	-	-
Derivative financial instruments	4,538	-	-	6,428	(5,259)
Financial liabilities					
Derivative financial instruments	6,175	-	-	15,407	(12,606)
Total increase / (decrease)		58	(55)	21,835	(17,865)
2016 Financial assets					
Debt securities - FVOCI	100,094	455	(438)	-	-
Derivative financial instruments	4,429	-	-	7,341	(6,006)
Financial liabilities					
Derivative financial instruments	7,745	-	-	11,327	(9,268)
Total increase / (decrease)		455	(438)	18,668	(15,274)

Other than disclosed in the table above, there are no other equity impacts as a result of movements in interest rates and foreign exchange rates.

There is no profit or equity impact as a result of other price risk.

C2 DERIVATIVE FINANCIAL INSTRUMENTS

CURRENT ASSETS	2017 $'000	2016 $'000
Forward foreign exchange contracts - FVTPL	2,258	1,669
Forward foreign exchange contracts - designated in a cash flow hedge	2,280	2,760
Total current derivative financial instrument assets	**4,538**	**4,429**
CURRENT LIABILITIES		
Forward foreign exchange contracts - FVTPL	2,369	3,220
Forward foreign exchange contracts - designated in a cash flow hedge	3,806	4,525
Total current derivative financial instrument liabilities	**6,175**	**7,745**

FINANCIAL RISK MANAGEMENT

FAIR VALUE

Forward foreign exchange contracts are measured at fair value, which is based on observable forward foreign exchange rates and the respective currencies' yield curves, as well as the currency basis spreads between the respective currencies. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. See hedge accounting set out below for derivatives designated as part of a hedging relationship to which hedge accounting is applied. Changes in fair value for derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The forward foreign exchange contracts are classified as Level 2 (2016: Level 2) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique described above.

CREDIT RISK

The maximum exposure to credit risk at the reporting period's end is the fair value of all forward foreign exchange contracts as disclosed above. Credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. All forward foreign exchange contract counterparties have an equivalent S&P rating of AA- to A-.

HEDGE ACCOUNTING

ACCOUNTING POLICY

On 1 January 2016, FLT commenced hedge accounting under AASB 9 'Financial Instruments' in its Flight Centre Global Product (FCGP) business. FCGP is FLT's global wholesale procurement division, predominantly responsible for the contracting and procurement of FLT's leisure divisions' hotels, hotel products and tours and attractions and, as a result, holds a significant amount of derivatives.

All derivatives are recognised in the balance sheet at fair value and are classified as FVTPL except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The group designates its derivatives as hedges of highly probable future cash flows attributable to a recognised foreign currency asset or liability or a highly probable foreign currency forecast transaction (cash flow hedges).

FLT documents at the inception of the transaction the relationship between hedging instruments and hedged items, the risk being hedged and the group's risk management objective and strategy for undertaking these hedge transactions. The effectiveness of the cash flow hedge is measured throughout the life of the hedging relationship. Ineffectiveness arises in the event of over hedging, whereby the notional amount of the designated hedge instrument exceeds the notional amount of the hedged item attributable to the hedged risk, or timing mismatches. Where ineffectiveness is identified, any revaluation gains or losses on the ineffective portion of the hedging instrument are immediately recognised in the statement of profit or loss in foreign exchange gains or foreign exchange losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in the cash flow hedge reserve within equity. Upon recognition of the forecast transaction ("hedged item") the carrying value is not adjusted. Amounts accumulated in equity are transferred to the statement of profit or loss in the period(s) in which the hedged item affects the statement of profit or loss.

RISK MANAGEMENT STRATEGY

The fundamental objective is to minimise risk. This is achieved by minimising the volatility in the statement of profit or loss and variations in cash flows. The objective is not to maximise revenue or minimise costs, however in certain situations hedging may deliver value to FLT by minimising downside risk. There is no speculation allowed and all treasury activities and transactions must be linked to underlying business requirements.

FLT seeks to reduce this variability by entering in forward foreign exchange contracts upon collection of customer deposits to minimise foreign currency exposures. The first $1 of notional amount of the hedging instrument is designated against the first $1 of forecast payments or forecast receipts. Hedges are entered into in the same currency as the underlying exposures as such ineffectiveness will only arise in the event of over hedging or timing mismatches, therefore the hedging ratio is 1:1.

THE EFFECTS OF HEDGE ACCOUNTING ON THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT

At 30 June 2017, FLT holds the following forward foreign exchange contracts to hedge its exposure on forecast foreign currency receipts and forecast foreign currency payments. The impact of hedging instruments designated in hedging relationships at 30 June 2017 on the balance sheet of the group is as follows. Note these are all shown in the consolidated balance sheet in current assets and liabilities as derivative financial instruments.

CASH FLOW HEDGES – 2017	NOTIONAL AMOUNT IN LOCAL CURRENCY '000	CARRYING AMOUNT $'000	AVERAGE FORWARD PRICE	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS FOR THE PERIOD $'000
Euro	35,070	1,560	0.7000	1,560
Fijian Dollar	42,350	(166)	1.5662	(166)
Hong Kong Dollar	29,900	(142)	5.8459	(142)
New Zealand Dollar	(27,200)	(319)	1.0635	(319)
US Dollar	91,600	(2,213)	0.7558	(2,213)
Other[1]		(246)		(246)
		(1,526)		**(1,526)**

CASH FLOW HEDGES – 2016	NOTIONAL AMOUNT IN LOCAL CURRENCY '000	CARRYING AMOUNT $'000	AVERAGE FORWARD PRICE	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS FOR THE PERIOD $'000
British Pound	(9,100)	1,401	0.5049	1,401
Fijian Dollar	44,800	241	1.5519	241
Japanese Yen	120,000	93	80.0184	93
New Zealand Dollar	(29,000)	(853)	1.0796	(853)
South African Rand	(42,700)	(121)	11.5496	(121)
Thai Baht	583,000	(155)	25.7828	(155)
US Dollar	80,455	(1,556)	0.7244	(1,556)
Other[1]		(815)		(815)
		(1,765)		**(1,765)**

[1] *Other includes various other insignificant currencies to which hedge accounting is applied.*

C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The impact of hedged items designated in hedging relationships as at 30 June 2017 on the balance sheet of the group is as follows:

CASH FLOW HEDGES – 2017		CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000	CASH FLOW HEDGE RESERVE $'000
Foreign currency receipts	British Pound	49	46
	New Zealand Dollar	672	(18)
	South African Rand	118	17
	Other[1]	(2,131)	1
Foreign currency payments	Euro	(936)	156
	US Dollar	5,194	(717)
	Other[1]	(227)	(96)
			(611)

CASH FLOW HEDGES – 2016			
Foreign currency receipts	British Pound	(2,071)	278
	New Zealand Dollar	1,577	(50)
	US Dollar	(1,734)	-
	Other[1]	231	(20)
Foreign currency payments	British Pound	1,118	-
	New Zealand Dollar	(562)	-
	US Dollar	3,880	(483)
	Other[1]	535	11
			(264)

[1] *Other includes various other insignificant currencies to which hedge accounting is applied.*

The impact of hedging instruments designated in hedging relationships at 30 June 2017 on the consolidated statement of profit or loss and other comprehensive income of the group is as follows. Note these are all shown in the consolidated statement of profit or loss in other income as net foreign exchange gains – realised.

CASH FLOW HEDGES – 2017	HEDGING GAIN /(LOSS) RECOGNISED IN OCI $'000	IN-EFFECTIVENESS RECOGNISED IN THE INCOME STATEMENT $'000	AMOUNT RECLASSIFIED FROM OCI TO THE INCOME STATEMENT $'000
Hedges of forecast foreign currency receipts	(398)	-	(374)
Hedges of forecast foreign currency payments	(1,128)	102	(541)
	(1,526)	**102**	**(915)**

CASH FLOW HEDGES – 2016			
Hedges of forecast foreign currency receipts	359	-	151
Hedges of forecast foreign currency payments	(2,124)	(2)	(1,652)
	(1,765)	**(2)**	**(1,501)**

C3 OTHER FINANCIAL ASSETS

	NOTES	2017 $'000	2016 $'000
Loans to related parties[1]	E2	3,000	-
Total current other financial assets		**3,000**	**-**
Loans to related parties[1]	E2	4,097	3,820
Loans to external parties[2]		5,161	-
Security deposits		1,748	1,691
Total non-current other financial assets		**11,006**	**5,511**

[1] Refer to note E2 for terms of the loans to related parties.

[2] As part of the investment in 3mundi, loans of $5,161,000 were provided to the shareholders under normal market conditions.

ACCOUNTING POLICY

Loans to external and related parties are measured at amortised cost, as they are held in order to collect contractual cash flows which are solely principal and interest.

Security deposits are measured at FVTPL as they do not meet the contractual cashflow model test and are not held to collect principal and interest.

FINANCIAL RISK MANAGEMENT

FAIR VALUE

Due to their short-term nature, the carrying amounts of current other financial assets are assumed to approximate their fair values.

The carrying amounts of non-current other financial assets equals their fair values, due to the commercial rates of interest earned and paid respectively, and the impact of discounting is not significant.

CREDIT RISK

The maximum exposure to credit risk at the reporting period's end is the carrying amount of other financial assets as disclosed above, however FLT has categorised these as having an insignificant amount of credit risk and therefore no provision has been recognised.

D REWARD AND RECOGNITION

This section provides a breakdown of the various programs FLT uses to reward and recognise employees and key executives, including Key Management Personnel (KMP).

FLT believes that these programs reinforce the value of ownership and incentives, both of which are key parts of the company's philosophies and culture, and drive performance both individually and collectively to deliver better returns to shareholders.

These programs also result in changes to the group's contributed equity.

D1 Key management personnel

D2 Business Ownership Scheme (BOS)

D3 Share-based payments

- Long term retention plan (LTRP)
- Employee Share Plan (ESP)

D4 Contributed equity and treasury shares

D1 KEY MANAGEMENT PERSONNEL

KMP COMPENSATION

	2017 $	2016 $
Short-term employee benefits	6,508,643	6,208,381
Post-employment benefits	128,763	136,966
Long-term benefits	2,804,942	1,389,286
Share-based payments	662,862	148,604
Total KMP compensation	**10,105,210**	**7,883,237**

Detailed remuneration disclosures are provided in section 2 of the remuneration report. Supporting information on director and KMP remuneration is included in the remuneration report in sections 3 and 4.

EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP

Details of LTRP and ESP provided as remuneration to KMP and shares issued on the exercise of such, together with terms and conditions, can be found in section 4 of the remuneration report.

OTHER TRANSACTIONS WITH KMP

Directors and specified executives and their related companies receive travel services from FLT and its related companies on normal terms and conditions to employees and customers.

D2 BUSINESS OWNERSHIP SCHEME (BOS)

OVERVIEW

FLT believes it is important that its leaders see the businesses they run as their own and, under the BOS, invites eligible employees (front-line team leaders) to invest in unsecured notes in their businesses as an incentive to improve short and long-term performance.

ACCOUNTING POLICY

Business Ownership Scheme

The Australian BOS program is an ASIC-registered unsecured note scheme.

The employee receives a variable interest return on investment, based on his or her individual business's performance, and is, therefore, exposed to the risks of his or her business, as neither FLT nor any of its group companies guarantees returns.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

D2 BUSINESS OWNERSHIP SCHEME (BOS) (CONTINUED)

The unsecured notes are repayable on 30 days' notice by either party or upon termination of the note holder's employment. Interest is generally payable one month in arrears.

FLT has arrangements through its subsidiary, P4 Finance Pty Ltd (P4), to provide loans on an arm's length, commercial basis to fund eligible business leaders' acquisition of unsecured notes. Under the terms of these loans, unsecured note holders agree that FLT will hold the Unsecured Note Certificate in escrow and note holders must assign the payment of funds owing on an unsecured note to P4.

Accordingly, the group has, at a consolidated level, offset FLT's unsecured note liability and P4's loan receivable in the group balance sheet and has also netted the interest income earned on loans provided by P4 against interest paid by FLT on the unsecured notes.

Both the unsecured notes and loans are recorded at amortised cost.

	2017 $'000	2016 $'000
Unsecured notes principal	91,369	94,080
Loans held for unsecured notes	(76,459)	(78,888)
Net unsecured notes principal	**14,910**	**15,192**

The unsecured note holders earn a variable, non-guaranteed return, based on their business's performance.

Unless approved by the board, via its remuneration and nomination committee, the distribution payable in respect of any unsecured note will not exceed 35% of the face value of the unsecured note in any 12 month period.

Refer to note A1 for a breakdown of BOS interest expense by segment.

Further information on BOS interest expense for KMP is included in section 2 and BOS return multiplier in section 3 of the remuneration report.

FINANCIAL RISK MANAGEMENT

CREDIT RISK

There is no credit risk arising for BOS loans held for unsecured notes, as there is a legally enforceable right to set-off against FLT's unsecured note liability.

ACCOUNTING POLICY

BOS MULTIPLIER PROGRAMME

A liability for the employee benefit of the potential BOS return multiple has been recognised as a provision (refer to note F7) when there is a contractual obligation or valid expectation that payment will be made. Refer to further information on BOS return multiplier in section 3 of the remuneration report.

CURRENT	NOTES	2017 $'000	2016 $'000
Employee benefits	F7	8,712	4,972
NON-CURRENT			
Employee benefits	F7	-	1,380

The BOS multiplier has been recognised as current as it has now vested for the KMP. Refer to remuneration report for further details.

D3 SHARE-BASED PAYMENTS

OVERVIEW

FLT has a number of plans which issue shares to employees and key executives, including:

- Long Term Retention Plan (LTRP)
- Employee Share Plan (ESP)

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2017 $'000	2016 $'000
Rights issued under the LTRP	3,712	744
Matched shares allocated under the ESP	745	443
Total expenses arising from share-based payment transactions	**4,457**	**1,187**

Directors are not eligible to participate in the ESP and the LTRP.

ACCOUNTING POLICY AND VALUATION

The fair value of rights granted under FLT's LTRP is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the rights.

The fair value at grant date is determined as the present value of the fixed dollar amount of share rights to be issued. The calculation takes into account the fixed share rights' dollar value, the rights' term, the rights' nontradable nature, the expected dividend yield and the riskfree interest rate for the rights' term.

The fair value of the rights granted excludes the impact of any non-market vesting conditions (for example, continued employment). Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At the reporting period's end, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

LONG TERM RETENTION PLAN (LTRP)

The rights held by all executives, including those KMP separately disclosed in the remuneration report, is set out below:

			BALANCE AT START OF THE YEAR	DURING THE YEAR		BALANCE AT END OF THE YEAR		
	GRANT DATE	EXPIRY DATE	UNVESTED BALANCE NUMBER	GRANTED NUMBER	FORFEITED NUMBER	UNVESTED NUMBER	VALUE PER RIGHT AT GRANT DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
2017								
LONG TERM RETENTION PLAN 2017 GRANT								
Base	1/07/2016	30/06/2030	-	84,765	(1,644)	83,121	$32.99	13 years
Match	1/07/2016	30/06/2030	-	84,765	(1,644)	83,121	$29.58	13 years
LONG TERM RETENTION PLAN 2016 GRANT								
Base	1/01/2016	30/06/2030	80,603	-	(2,628)	77,975	$31.93	13 years
Match	1/01/2016	30/06/2030	80,603	-	(2,628)	77,975	$28.91	13 years
2016								
LONG TERM RETENTION PLAN 2016 GRANT								
Base	1/01/2016	30/06/2030	-	80,603	-	80,603	$31.93	14 years
Match	1/01/2016	30/06/2030	-	80,603	-	80,603	$28.91	14 years

No LTRP rights were exercised during the period. No LTRP rights were vested or exercisable at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

D3 SHARE-BASED PAYMENTS (CONTINUED)

EMPLOYEE SHARE PLAN (ESP)

GENERAL TERMS

In October 2016, an updated program was approved by the Board under which eligible employees are granted a conditional right to one matched share for every two shares purchased (for cash consideration), subject to vesting conditions.

Employees are eligible to participate if they have been employed full time or permanent part-time for at least three months.

This replaces the previous plan whereby employees were granted a conditional right to one matched share for every four shares purchased. All other details of the plan remain the same.

VESTING REQUIREMENTS

A participant must hold the acquired shares for a period of two years and one month and still be employed with FLT at the end of that time. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

METHOD OF SETTLEMENT

A participant who satisfies the vesting conditions will become entitled to the matched shares on the last day of the vesting period.

The matched shares may be newly issued by FLT, purchased on-market or allocated from treasury shares.

VALUATION – ACQUIRED SHARES

The market value of shares issued under the plan, measured as the weighted average price at which FLT's shares are traded on the ASX during the five days following the date on which the contributions are paid, is recognised in the balance sheet as an issue of shares in the period the shares are acquired by the employee.

VALUATION – MATCHED SHARES

The market value of matched shares allocated (but not issued) under the plan, measured as the weighted average price of shares traded on the ASX in the five trading days prior to those shares being allocated, is recognised in the balance sheet as part of reserves over the period that the matched share vests with a corresponding expense recognised in the employee benefits costs.

A corresponding expense is recognised in employee benefit costs.

Number of matched shares:	2017 $'000	2016 $'000
Issued under the plan to participating employees	10,722	7,720
Purchased on-market under the plan to participating employees	4,024	2,519
	14,746	**10,239**

Weighted average market price of matched shares:	2017	2016
Issued	$32.03	$39.19
Purchased on-market	$31.88	$39.46

D4 CONTRIBUTED EQUITY AND TREASURY SHARES

OVERVIEW

Typically movements in contributed equity relate to shares issued under the ESP. This reinforces the importance that FLT places on ownership to drive business improvement and overall results. Where shares in FLT are acquired by on-market purchases prior to settling the vested entitlement, the cost of the acquired shares is carried as treasury shares and deducted from equity.

RECONCILIATION OF ORDINARY SHARE CAPITAL:

The following reconciliation summarises the movements in authorised and issued capital during the year.

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	NOTES	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE	$'000
Opening balance 1 July 2015		100,822,383		395,677
Employee share plan		97,417	$36.53	3,559
Employee share plan matched shares		7,720	$0.00	-
Closing balance 30 June 2016		**100,927,520**		**399,236**
Employee share plan		90,836	$32.42	2,945
Employee share plan matched shares		10,722	$0.00	-
Share issued as consideration for BYOjet	A6	19,737	$29.29	578
Closing balance 30 June 2017		**101,048,815**		**402,759**

RECONCILIATION OF TREASURY SHARES:

The following reconciliation summarises the movements in treasury shares held in a share trust for future allocation to the employee share plan and LTRP.

Items of a similar nature have been grouped and the price shown is the weighted average.

DETAILS	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	$'000
Opening balance 1 July 2016	-		-
Purchase of shares by share trust	(85,022)	$33.12	(2,816)
Allocation of shares to employee share plan	31,908	$31.81	1,015
Closing balance 30 June 2017	**(53,114)**		**(1,801)**

E RELATED PARTIES

This section provides information relating to the FLT group related parties and the extent of related party transactions within the group and the impact they had on the group's financial performance and position.

E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

OVERVIEW

FLT made the following investments in associates:

- 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. They are incorporated in Australia.
- On 11 April 2017, FLT invested $9,355,000 in Biblos America LLC (Bibam) for a 24.1% share of the equity. Bibam is an Argentina based travel and technology group with a strong presence in the on and offline leisure, corporate and wholesale sectors.
- On 28 June 2017, FLT invested $3,097,000 in 3mundi for a 25% share of the equity. 3mundi is a travel and technology company with operations in France, Switzerland and Spain. FLT will initially invest in a 25% interest in the Paris-based business, with additional put and call agreements in place to either require or allow FLT to potentially increase its holding to 100% in the future.

The contractual arrangements in place do not provide FLT with control nor joint control over the operating and financing decisions of the entities.

FLT continues its involvement in two existing joint ventures as follows:

- A 50% shareholding in Pedal Group Pty Ltd. Significant shareholdings for Pedal Group include a 100% shareholding in 99 Bikes Pty Ltd, a Brisbane based chain of retail bike stores, and a 100% shareholding in Advance Traders (Australia) Pty Ltd, a Brisbane based wholesale bike company. All companies are incorporated in Australia; and
- On 10 April 2017 FLT invested an additional $23,764,000 to increase its shareholding in Buffalo Tours (Singapore) Pte Ltd to 58.5% (2016: 49%) and its investment in Buffalo Tours (Hong Kong) Limited to 58.5% (2016: 49%). These are both destination management companies incorporated in Singapore and Hong Kong respectively.

Contractual arrangements are in place to establish joint control over each entity's economic activities, including financial and operating decisions.

On 21 February 2017 FLT discontinued its involvement in the Employment Office joint venture. This resulted in FLT selling its 50% interest to Recruitment Investments Pty Ltd, with a loss on disposal of $4,066,000.

SHARE OF JOINT VENTURE AND ASSOCIATES CARRYING VALUE AND RESULTS

Joint venture and associates information is presented in accordance with the accounting policy described in note I(c)(ii) and is set out below.

	2017 $'000	2016 $'000
Interest in joint ventures	38,707	14,970
Interest in associates	25,950	-
Total	**64,657**	**14,970**

SHARE OF RESULTS	2017 $'000	2016 $'000
Profit or loss from continuing operations - joint ventures	2,023	1,065
Profit or loss from continuing operations - associates	318	-
Total comprehensive income	**2,341**	**1,065**

E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

CONTRACTUAL COMMITMENTS

IGNITE

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 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 vest. As at 30 June 2017, 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.

3MUNDI

As part of the investment in 3mundi, FLT has entered into a put and call option with the 3mundi shareholders over the remaining 75% of 3mundi's share capital.

The contract grants FLT a call option to acquire the shares and grant the 3mundi shareholders a put option to sell the shares to FLT. The put option is exercisable within 30 business days following the release of the audited statutory financial statements of 3mundi for each year commencing with the 2018 financial year (31 December 2018). If the put option is not exercised within 30 business days of the audited financial statements, then FLT has a 30 day period to exercise its call option. If neither the Put nor Call option are exercised during this period, then it becomes automatically exercisable again the next year. Unless exercised, this will continue until 31 July 2027 when the options will lapse.

As at 30 June 2017, no asset or liability has been accrued as the related derivatives (valued using level 3 consisting of an EBITDA multiple) are deemed to have no significant value.

FLT has no other commitments in relation to its joint venture and associate entities at 30 June 2017.

E2 RELATED PARTY TRANSACTIONS

PARENT ENTITY

FLT is the ultimate parent entity within the group.

SUBSIDIARIES AND JOINT VENTURES

Interests in subsidiaries are set out in note G1 and interests in joint ventures and associate are set out in note E1.

FLT is a joint venture (JV) partner in Pedal Group Pty Ltd. The other JV partners are related parties, namely Graham Turner's family company, Gainsdale Pty Ltd 25% (June 2016: 25%), and Graham Turner's son, Matthew Turner 15.75% (June 2016: 15.75%). The remaining 9.25% (June 2016: 9.25%) is held by other minor parties including employees who are not considered related parties.

KMP COMPENSATION

KMP disclosures are set out in note D1.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

E2 RELATED PARTY TRANSACTIONS (CONTINUED)

TRANSACTIONS WITH RELATED PARTIES

INCOME FROM JOINT VENTURE & ASSOCIATE-RELATED PARTIES	2017 $	2016 $
Management fees	17,911	77,258
Travel and conference	398,441	280,107
Advertising and marketing	8,326	-
Rent	-	115,365
IT services	-	23,436
Interest income	160,382	88,713
Override income	849,811	782,068
Other	270,825	167,110
EXPENSES TO JOINT VENTURE & ASSOCIATE-RELATED PARTIES		
Recruitment advertising expense	525,241	1,514,218
INCOME FROM DIRECTOR-RELATED ENTITIES		
Marketing	365,022	432,999
Service fee income	-	570,689
Other	31,400	6,715
EXPENSES TO DIRECTOR-RELATED ENTITIES		
Conference expense	103,291	166,069
Consulting expense	-	333,790

From time to time, related entities may enter into transactions with FLT. These transactions are on the same terms and conditions as those entered into by other FLT subsidiaries or customers.

Joint venture and associate related parties can choose to use FLT group purchasing ability and any costs incurred are passed directly through. These transactions are included in the disclosure above.

OUTSTANDING BALANCES

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

JOINT VENTURES & ASSOCIATES	NOTES	2017 $	2016 $
Current receivables		688,262	987,645
Current payables		-	229,871
DIRECTOR-RELATED ENTITIES			
Current receivables		2,876	29,417
Current payables		13,437	-

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expenses have been recognised in respect of bad or doubtful debts due from related parties.

E2 RELATED PARTY TRANSACTIONS (CONTINUED)

LOANS TO JOINT VENTURE & ASSOCIATE-RELATED PARTIES		2017 $	2016 $
Beginning of the year		3,820,369	1,049,941
Loans advanced		6,079,796	2,675,000
Loans repaid		(3,022,971)	-
Interest charged		178,458	95,428
Foreign exchange movement		41,493	-
End-of-year	C3	**7,097,145**	**3,820,369**

LOANS TO RELATED PARTIES

Loans to related parties were made on normal commercial terms and conditions with the exception of loans advanced in the current year as a result of the transactions entered into with Buffalo Tours at 0% interest rate. The interest rate on the remaining loans during the year ranged from 3.49% - 5% (2016: 3.84% - 4.04%) and repayment terms are between 2 and 10 years.

No provisions for doubtful debts have been raised in relation to any outstanding balances.

TERMS AND CONDITIONS

All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

F OTHER INFORMATION

This section provides the remaining information relating to the FLT financial report that must be disclosed to comply with the accounting standards and other pronouncements.

F1 OTHER EXPENSES

This note sets out other expenses, which have not been previously disclosed.

EMPLOYEE BENEFITS EXPENSE

	2017 $'000	2016 $'000
Defined contribution superannuation expense	74,890	73,257
Other employee benefits expense	1,376,151	1,359,539
Total employee benefits expense	**1,451,041**	**1,432,796**
Staff numbers[1]	19,531	19,267

RENTAL EXPENSE RELATING TO OPERATING LEASES

Rent expense[2]	162,831	158,577
Sales teams[1]	2,966	2,914

[1] Staff and sales teams are unaudited, non-IFRS, non-financial information. This information has been included to aid understanding of the relevant balances. The balances represent the number at the end of the period.

[2] Elements of rental expense are contingent upon such factors as CPI growth or fixed % increases (as stated in the lease agreement) and individual shop turnover. Total rental expense includes all elements of rent, including those that are contingent to the extent known.

F1 OTHER EXPENSES CONTINUED

OPERATING LEASE COMMITMENTS

The following table sets out FLT's commitments for operating leases. These are not required to be recognised in the current year's results and do not form part of other expenses noted above.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2017 $'000	2016 $'000
Within one year	139,381	144,417
Later than one year but not later than five years	368,760	387,235
Later than five years	171,173	212,723
Total operating lease commitments	**679,314**	**744,375**

The operating leases above relate primarily to occupancy leases of varying terms, generally between five and seven years, and have escalation clauses and renewal rights. Included in the above, are rental payments including escalation based on fixed dollar or percentage increases, as stated in the lease agreement.

F2 EARNINGS PER SHARE

OVERVIEW

Statutory earnings per share (EPS) reached 228.5 cents, down 5.7% on the prior comparative period (2016: 242.4 cents). At an underlying level[1], EPS decreased 5.0% to 232.3 cents (2016: 244.6 cents).

BASIC EARNINGS PER SHARE	2017 CENTS	2016 CENTS
Profit attributable to the company's ordinary equity holders	228.5	242.4
DILUTED EARNINGS PER SHARE		
Profit attributable to the company's ordinary equity holders	227.7	242.3
RECONCILIATIONS OF EARNINGS USED IN CALCULATING EPS	$'000	$'000
Profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	230,773	244,556
WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic per share[2]	100,978,145	100,871,100
Adjustments for calculation of diluted earnings per share:		
Share rights	366,193	79,722
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	101,344,338	100,950,822

[1] *Underlying EPS are un-audited, non-IFRS measures. Refer to note B6 for breakdown of underlying NPAT used in the calculation of underlying EPS.*

[2] *The basic EPS denominator is the aggregate of the weighted average number of ordinary shares after deduction of the weighted average number of treasury shares outstanding during the period.*

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

LTRP & ESP

Rights granted under the LTRP and ESP are considered contingently issuable ordinary shares if they have met the related service-based contingencies. They are included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights are not included in the determination of basic earnings per share.

Details are set out in note D3.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F3 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	2017 $'000	2016 $'000
Trade receivables	532,970	454,070
Override receivables	242,426	228,847
Less: Provision for impairment of receivables	(13,122)	(10,741)
Total trade and other receivables	**762,274**	**672,176**
GST receivable	497	525
Prepayments	41,802	39,051
Accrued interest	4,046	5,293
Other receivables	22,996	13,672
Total other assets	**69,341**	**58,541**

ACCOUNTING POLICY

Trade receivables relating to volume incentives (override receivables) are recognised at the amount receivable when it is probable that annual targets will be achieved.

FLT has applied the simplified approach for provisioning for expected credit losses prescribed by AASB 9. Additional information on trade and other receivables accounting policies is included in note I(a) and I(l).

Refer to note A2 for factors that influence the recognition of override revenue and receivables.

FINANCIAL RISK MANAGEMENT

MARKET RISK

Interest rate risk

Receivables are generally non-interest bearing and are not, therefore, subject to interest rate risk. The exception is other receivables, which generally arise from transactions outside the group's usual operating activities. Interest may be charged at commercial rates where the repayment terms exceed six months. Collateral is not normally obtained.

Foreign exchange risk

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

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and, where appropriate, uses forward exchange contracts to reduce foreign currency risk. All contracts expire within 12 months.

To manage the foreign exchange risks arising from the future principal and interest payments required on foreign currency denominated borrowings, the group has a multicurrency debt facility which allows principal and interest payments to be denominated into the relevant entity's functional currency for the underlying borrowings' full terms.

The group's exposure to foreign currency risk at the end of the reporting period is set out below in Australian dollars:

TRADE RECEIVABLES	2017 $'000	2016 $'000
US Dollar	11,420	20,567
Euro	3,926	1,034
Great British Pound	2,998	707
New Zealand Dollar	917	976
Fijian Dollar	682	770
Other	1,477	1,445

Foreign exchange risk on trade payables is set out in note F6.

F3 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

FAIR VALUE

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

CREDIT RISK

Credit risk arises from exposure to corporate and retail customers, including outstanding receivables and committed transactions.

Credit risk management assesses corporate clients' credit quality by analysing external credit ratings and financial position where appropriate. Individual risk limits are established for all corporate customers, in accordance with corporate credit policy, with regular monitoring and reporting to management. Sales to retail customers are settled in cash or via major credit cards, mitigating credit risk.

The maximum exposure to credit risk at the reporting period's end is the receivables carrying amount. The group does not hold collateral as security and evaluates the concentration of risk in respect of receivables as low, as its customers are located in many locations, industries and markets.

PROVISION FOR IMPAIRMENT OF RECEIVABLES

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF RECEIVABLES ARE AS FOLLOWS:	2017 $'000	2016 $'000
At 1 July	10,741	6,784
Adjustment for adoption of new accounting standard	-	2,322
Bad debts expense[1]	7,688	7,538
Changes due to foreign exchange translation	(191)	(166)
Receivables written off during the year as uncollectible	(5,116)	(5,737)
At 30 June	**13,122**	**10,741**

[1] *The creation and release of the provision for impairment of receivables is included in other expenses in the statement of profit or loss and other comprehensive income.*

F4 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

USEFUL LIVES

Land is not depreciated. For other assets, depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- *Buildings – 30 years*
- *Plant and equipment – 2 - 8 years*

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting period's end.

Additional information on property, plant and equipment accounting policies is included in note I(m).

OPENING BALANCE AT 1 JULY 2015	FREEHOLD LAND & BUILDINGS $'000	PLANT & EQUIPMENT $'000	TOTAL $'000
Cost	45,041	420,536	465,577
Accumulated depreciation	(8,196)	(261,081)	(269,277)
Net book amount at 1 July 2015	**36,845**	**159,455**	**196,300**
Additions	-	100,135	100,135
Acquisitions	-	766	766
Disposals [1,2]	(10,186)	(2,922)	(13,108)
Depreciation expense	(1,126)	(54,767)	(55,893)
Impairment [3]	-	(11,164)	(11,164)
Exchange differences	140	(937)	(797)
Net book amount at 30 June 2016	**25,673**	**190,566**	**216,239**
OPENING BALANCE AT 1 JULY 2016			
Cost	31,688	501,575	533,263
Accumulated depreciation	(6,015)	(311,009)	(317,024)
Net book amount at 1 July 2016	**25,673**	**190,566**	**216,239**
Additions	-	102,641	102,641
Acquisitions	-	449	449
Disposals [1]	-	(1,828)	(1,828)
Depreciation expense	(874)	(60,156)	(61,030)
Exchange differences	421	(696)	(275)
Net book amount at 30 June 2017	**25,220**	**230,976**	**256,196**
AT 30 JUNE 2017			
Cost	33,087	528,446	561,533
Accumulated depreciation	(7,867)	(297,470)	(305,337)
Net book amount at 30 June 2017	**25,220**	**230,976**	**256,196**

[1] *Balances shown net of accumulated depreciation.*

[2] *Gain recognised on the sale of New Zealand head office building in prior period. Refer to note A3.*

[3] *Impairment of plant and equipment in USA segment is recognised in the statement of Profit or Loss in prior period. Refer to note F5.*

F5 INTANGIBLE ASSETS

OVERVIEW

FLT continues to focus on enhancing productivity, reducing costs and making it easier for customers to interact and transact with its brands and people across all channels. Growing digital capabilities has also been a priority. These strategies are reflected in the growth in intangibles through both additions and acquisitions.

OPENING BALANCE AT 1 JULY 2015	GOODWILL $'000	BRAND NAMES AND CUSTOMER RELATIONSHIPS[1] $'000	INTERNALLY GENERATED AND OTHER INTANGIBLE ASSETS[2] $'000	TOTAL $'000
Cost	413,565	82,865	71,546	567,976
Accumulated amortisation (including accumulated impairment losses)	(72,091)	(59,031)	(48,710)	(179,832)
Net book amount at 1 July 2015	**341,474**	**23,834**	**22,836**	**388,144**
Additions	-	-	27,136	27,136
Acquisitions	25,422	3,224	28,706	57,352
Transfer to acquisition reserve	(6,501)	-	-	(6,501)
Disposals[3]	-	-	(245)	(245)
Exchange differences	6,531	(135)	(999)	5,397
Amortisation	-	(114)	(10,084)	(10,198)
Impairment[4]	-	(12,689)	(813)	(13,502)
Net book amount at 30 June 2016	**366,926**	**14,120**	**66,537**	**447,583**
Cost	442,039	88,325	127,816	658,180
Accumulated amortisation (including accumulated impairment losses)	(75,113)	(74,205)	(61,279)	(210,597)
Net book amount at 30 June 2016	**366,926**	**14,120**	**66,537**	**447,583**
Additions	-	-	31,018	31,018
Acquisitions[5]	11,842	1,035	2,727	15,604
Disposals[3]	-	-	(200)	(200)
Exchange differences	(6,960)	(101)	(1,505)	(8,566)
Amortisation	-	(232)	(13,713)	(13,945)
Net book amount at 30 June 2017	**371,808**	**14,822**	**84,864**	**471,494**
Cost	443,707	88,006	149,345	681,058
Accumulated amortisation (including accumulated impairment losses)	(71,899)	(73,184)	(64,481)	(209,564)
Net book amount at 30 June 2017	**371,808**	**14,822**	**84,864**	**471,494**

[1] *Customer relationships are amortised over their expected useful life, not exceeding seven years.*

[2] *Other intangible assets predominantly relate to software and are amortised using the straight-line method over the project's period of expected future benefits, which varies from 2.5 to 5 years.*

[3] *Balances shown net of accumulated amortisation.*

[4] *Impairment losses in the prior year were recognised in the statement of profit or loss and other comprehensive income include the impairment of brand names which are managed by the global teams, hence included in Other Segment and impairment of other intangibles and plant and equipment in Americas segment.*

[5] *On 24 October 2016, FLT gained effective control over 100% of Shenzhen Sunny Holiday International Travel Agency Co., Ltd. The entity's only asset is an outbound licence to sell travel in mainland China for which consideration of $796,000 was paid. The licence enables FLT to sell a full corporate and leisure offering in China.*

F5 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS – IMPAIRMENT OF GOODWILL AND INDEFINITE LIFE INTANGIBLES

The group tests goodwill and indefinite life intangibles (mainly brand names) annually for impairment, in accordance with the accounting policy stated in note I(f). For all cash-generating units (CGUs) which contain goodwill or indefinite life intangibles and all other CGUs which show an indicator of impairment, the recoverable amounts have been determined based on the higher of fair value less costs of disposal or value-in-use calculations. These calculations use cash flow projections based on management-approved financial budgets and cover a four to five-year period. Refer below for details of these assumptions and the potential impacts of reasonable changes to the assumptions.

Goodwill and indefinite life intangibles are allocated to the CGUs, identified according to relevant business and country of operation.

Each segment includes a number of separately identifiable CGUs. Goodwill and indefinite life intangibles allocated to individually significant CGUs are presented at the net book amount below:

	AUSTRALIA LEISURE	AUSTRALIA FCM	USA CORPORATE	USA RETAIL	UK CORPORATE	TOP DECK TOURS	STUDENT UNIVERSE	OTHER[2]	TOTAL
GOODWILL									
2017	116,397	30,446	27,279	-	66,079	32,508	18,118	80,981	371,808
2016	120,851	30,446	28,392	-	66,137	32,508	18,118	70,474	366,926
GOODWILL IMPAIRMENT									
2017	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
BRAND NAMES & CUSTOMER RELATIONSHIPS									
2017	-	-	-	-	-	11,145	2,456	1,221	14,822
2016	-	-	-	-	-	11,145	2,744	231	14,120
BRAND NAMES IMPAIRMENT[1]									
2017	-	-	-	-	-	-	-	-	-
2016	-	-	-	(11,769)	-	-	-	-	(11,769)

[1] The full impairment for the prior year was $12,689,000, the difference of $920,000 between this and the Liberty USA CGU is the USA GOGO wholesale CGU which is not individually significant.

[2] Other includes India CGU, and other CGUS which are not individually significant.

Intangibles with indefinite lives are brand names. FLT owns these brands and intends to continue to use them indefinitely.

CURRENT YEAR

There are no impairment charges in the current year.

IMPAIRMENT TESTS

FLT's impairment testing indicated impairment risk existed for the Indian CGU and the Top Deck CGU. There were no other indicators of impairment of any of the other CGUs within FLT. The recoverable amount of the India CGU has been determined with reference to value-in-use calculation which is also supported by the transaction which occurred during the year (FVLCD). The Top Deck CGU's recoverable amount has been determined with the preparation of a value-in-use calculation. The value-in-use calculations have been prepared using the key estimates in (a) below.

F5 INTANGIBLE ASSETS (CONTINUED)

INDIA CGU

In the prior year impairment was assessed at the India Corporate CGU level. Due to the acquisition and operational changes, India is now assessed at a nation level CGU in the current year.

Both the FVLCD and value-in-use supported the carrying amount. The recoverable amount of the India CGU is $62,111,000 which is above the carrying value of the CGU and as a result, no impairment has been recorded. Of the carrying amount, intangible and PPE assets total $15,483,000. The balance relates to working capital assets.

TOP DECK CGU

The recoverable amount of the Top Deck CGU is $55,807,000 which is above the carrying value of the CGU and as a result, no impairment has been recorded. Of the carrying amount, intangible and PPE assets total $43,748,000. The balance relates to working capital assets.

There were no other indicators of impairment of any of the other CGU's within FLT. Consistent with other periods, a value-in-use calculation was prepared using the key estimates in (A) below.

PRIOR YEAR

IMPAIRMENT TESTS

The results of FLT's 2016 annual overall impairment analysis for all CGUs in the group showed that there was an indication of impairment for the Indian Corporate CGU and the United States Liberty and Wholesale CGUs. There were no other indicators of impairment of any of the other CGUs within FLT. Consistent with other periods, a value-in-use calculation was prepared using the key estimates in (A) below.

The recoverable amount of the Indian Corporate CGU is $35,568,000 which is above the carrying value of the CGU and as a result, no impairment has been recorded. Of the carrying amount, intangible and PPE assets total $8,578,000. The balance relates to working capital assets.

The recoverable amount of the United States Liberty and Wholesale CGUs was $2,688,000 which was below the carrying value and, as a result, an impairment was recorded.

IMPAIRMENT WRITE-DOWNS

On 23 May 2016, FLT announced non-cash write-downs of $24,666,000 (USD $19,073,000) relating to United States brand names ($12,689,000), other intangibles software ($813,000) and plant and equipment ($11,164,000 – refer note F4).

The write-downs relate to the Liberty (leisure) and GOGO (wholesale) businesses CGUs in the US, which have not performed to expectations.

The US businesses were acquired in 2008, just prior to the US recession and the Global Financial Crisis, along with a product contracting area that has delivered solid returns within the Flight Centre Global Product (FCGP) business.

While overall the US businesses are profitable, the profit contribution from the Liberty and GOGO brands has not been sufficient to justify the current carrying values pre-impairment. The overall US business also includes the corporate travel business.

(A) KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

GOODWILL & BRAND NAMES CGU	DISCOUNT RATE 2017 %	DISCOUNT RATE 2016 %
Australia, including Leisure & FCM	14.3	14.1
Europe, including UK Corporate	14.3	14.1
United States, including Retail, Corporate & StudentUniverse	13.9	13.9
India	20.8	20.8
Top Deck	12.1	12.3
Other countries (excluding those listed above)	14.3	14.1

F5 INTANGIBLE ASSETS (CONTINUED)

The discount rates shown were applied to CGUs within each of the geographic segments. For the purposes of impairment testing, under the value-in-use model terminal growth rates were not applied to all CGUs as they were not required to support the carrying amount. The exception was Top Deck and India in the current year and the United States and India in the prior year, where a rate of 2.0% and 4.0% (2016: 2.0% and 4.5%) was used to extrapolate cash flows beyond the budget period.

These assumptions have been used for the analysis of each CGU within the business segment, in line with local long-term inflation.

The basis of estimation of the four to five-year cash flows uses the following key operating assumptions:

- Four to five-year budgeted EBITDA is based on management's forecasts of revenue from travel services, taking into account expected TTV/sales growth
- Revenue forecasts take into account historical revenue and consider external factors such as market sector and geography
- Costs are calculated taking into account historical margins, known increases and estimated inflation rates over the period, consistent with the locations in which the CGUs operate

Management has calculated the discount rates based on available market data and data from comparable listed companies within the travel sector.

(B) IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Management has performed sensitivity analysis and there are no reasonably possible changes in key assumptions that would cause a CGU's carrying value to exceed its recoverable amount, except for India and Top Deck, as detailed below.

INDIA CGU

For the Indian business there are reasonably possible changes in key assumptions (discussed below) that could cause the carrying value to exceed its recoverable amount.

Discount rate assumptions:

Management recognises the actual time value of money may vary to what it has estimated.

Management notes that the pre-tax discount rate will have to increase by greater than 3.2% for the recoverable amount to fall below carrying amount.

Budgeted EBITDA assumptions:

Management recognises actual results (EBITDA) may vary to what has been estimated. Management has used growth rates for years two to five, and should these growth rates be reduced by more than 20% year on year, the recoverable amount will fall by more than $19,882,000. This will cause the recoverable amount to fall below the carrying amount.

TOP DECK

For the Top Deck business there are reasonably possible changes in key assumptions (discussed below) that could cause the carrying value to exceed its recoverable amount.

Discount rate assumptions:

Management recognises the actual time value of money may vary to what it has estimated.

Management notes that the pre-tax discount rate will have to increase by greater than 2.1% for the recoverable amount to fall below carrying amount.

Budgeted EBITDA assumptions:

Management recognises actual results (EBITDA) may vary to what has been estimated. Management has used growth rates for years two to five, and should these growth rates be reduced by more than 20% year on year, the recoverable amount will fall by more than $12,059,000. This will cause the recoverable amount to fall below the carrying amount.

F6 TRADE AND OTHER PAYABLES

CURRENT	2017 $'000	2016 $'000
Trade payables	396,496	356,094
Client creditors	989,774	954,732
Accrued unsecured note interest	3,683	4,027
Annual leave	41,893	42,930
Straight-line lease & lease incentive liability	9,361	5,201
Unearned income	73,003	66,588
Total current trade payables	**1,514,210**	**1,429,572**
NON-CURRENT		
Straight-line lease & lease incentive liability	55,992	31,388
Unearned Income	23,278	16,134
Total non-current trade payables	**79,270**	**47,522**

FINANCIAL RISK MANAGEMENT

MARKET RISK

Foreign exchange risk

The group's exposure to foreign currency risk on trade and other payables at the end of the reporting period is set out below:

	2017 $'000	2016 $'000
US Dollar	235,325	267,163
Euro	57,968	42,062
Fijian Dollar	23,014	26,670
Great British Pound	20,758	16,277
Thai Baht	19,358	15,362
New Zealand Dollar	17,193	15,022
Singapore Dollar	10,733	9,429
Canadian Dollar	12,174	8,785
Hong Kong Dollar	10,817	7,445
CFP Franc	4,592	3,244
United Arab Emirates Dirham	3,555	2,822
Malaysian Ringgit	2,634	2,272
Other	9,451	6,734

Refer to note F3 for the group's approach to foreign exchange risk and the group's exposure to foreign currency risk on trade receivables.

FAIR VALUE

The trade and other payables' carrying amounts are assumed to approximate their fair values given their short term nature.

F7 PROVISIONS

CURRENT	NOTES	2017 $'000	2016 $'000
Employee benefits - long service leave		32,121	31,065
Employee benefits - BOS Multiplier	D2	8,712	4,972
Make good provision		1,869	2,079
Total current provisions		**42,702**	**38,116**
Employee benefits - long service leave		16,521	15,270
Employee benefits - BOS Multiplier	D2	-	1,380
Make good provision		20,461	13,922
Total non-current provisions		**36,982**	**30,572**

MOVEMENTS IN PROVISIONS

Additional make good provision recognised for the move to Southpoint, FLT's new Brisbane head office.

Movements in each class of provision, other than employee benefits, for the financial year are set out below:

MAKE GOOD PROVISION		2017 $'000
Carrying amount at start of year		16,001
Additional provisions recognised		6,347
(Decrease) / increase in discounted amount arising from passage of time and discount rate adjustments	A4	303
Other changes		(321)
Carrying amount at end of year		**22,330**

LONG SERVICE LEAVE (LSL)

AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN 12 MONTHS

The current portion of the LSL provision represents the amount where the group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, as the employees have completed the required service period and also certain circumstances where employees are entitled to pro-rata payments. However, based on past experience, the group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect this leave that is not expected to be taken or paid within the next 12 months:

	2017 $'000	2016 $'000
Long service leave obligations expected to be settled after 12 months	25,825	25,634

F8 RESERVES

	NOTES	2017 $'000	2016 $'000
Cashflow hedge reserve		(428)	(185)
Financial assets at FVOCI reserve		434	(52)
Available-for-sale investments revaluation reserve		-	-
Share-based payments reserve		17,472	11,717
Acquisition Reserve		(8,976)	(8,976)
Foreign currency translation reserve		4,262	21,606
Total reserves		**12,764**	**24,110**

MOVEMENTS IN RESERVES:

CASH FLOW HEDGE RESERVE

From 1 January, 2016 FLT applied hedge accounting under AASB 9 *Financial Instruments* in its Flight Centre Global Product (FCGP) business. See note C2 for further details.

Balance 1 July		(185)	-
Gains/(losses) on cash flow hedges		(347)	(264)
Deferred tax	F9	104	79
Balance 30 June		**(428)**	**(185)**

The cash flow hedge reserve is used to record gains or losses on hedging instruments on a cash flow hedge that are recorded as other comprehensive income. Amounts are reclassified to the statement of profit or loss in accordance with our hedging policy as described in note I(a).

Ineffectiveness of $102,000 has been recognised in the statement of profit or loss.

FINANCIAL ASSETS AT FVOCI REVALUATION RESERVE

Balance 1 July		(52)	-
Revaluation gross		630	(74)
Deferred tax	F9	(144)	22
Balance 30 June		**434**	**(52)**

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at FVOCI are recognised in other comprehensive income, as described in note I(j), and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

AVAILABLE-FOR-SALE INVESTMENTS REVALUATION RESERVE

Balance 1 July		-	(123)
Revaluation gross		-	(178)
Deferred tax	F9	-	54
Transferred on adoption of new accounting standards[1]		-	247
Balance 30 June		**-**	**-**

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets are recognised in other comprehensive income, as described in note I(j), and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

F8 RESERVES (CONTINUED)

SHARE-BASED PAYMENTS RESERVE

	NOTES	2017 $'000	2016 $'000
Balance 1 July		11,717	9,353
Share-based payments expense		4,318	1,194
Deferred tax	F9	1,437	1,170
Balance 30 June		**17,472**	**11,717**

The share-based payments reserve is used to recognise the fair value of options issued as they vest over the vesting period.

ACQUISITION RESERVE

Balance 1 July	(8,976)	-
Put/Call options entered into as a result of business combinations	-	(8,976)
Balance 30 June	**(8,976)**	**(8,976)**

The acquisition reserve is used to record the initial Put/Call Options that occur through business combinations in relation to non-controlling interests.

FOREIGN CURRENCY TRANSLATION RESERVE

Balance 1 July	21,606	27,729
Net exchange differences on translation of foreign operations	(17,344)	(6,123)
Balance 30 June	**4,262**	**21,606**

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income, as described in note I(d), and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

F9 TAX

(A) INCOME TAX EXPENSE

(i) Income tax expense	2017 $'000	2016 $'000
Current tax	93,574	117,918
Deferred tax	4,677	(16,608)
Adjustments for current tax of prior periods	(3,579)	(823)
Income tax expense	**94,672**	**100,487**
Deferred income tax expense / (benefit) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	1,001	(20,529)
Increase / (decrease) in deferred tax liabilities	3,676	3,921
	4,677	**(16,608)**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

Profit before income tax expense	325,445	345,043
Tax at the Australian tax rate of 30% (2016 - 30%)	97,634	103,513
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible / (assessable) amounts	(29)	2,043
Impairment	-	3,807
ACCC fine refund	-	(3,300)
Other amounts	1,947	(312)
	99,552	**105,751**
Tax losses not recognised	1,261	729
Effect of different tax rates on overseas income	(2,561)	(5,170)
Under / (over) provision of prior year's income tax	(3,580)	(823)
	(4,880)	**(5,264)**
Income tax expense	**94,672**	**100,487**

(ii) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income is directly debited or credited to equity. This relates entirely to share-based payments, as set out in note F8.

Net deferred tax - (credited) / debited directly to equity	(1,437)	(1,170)

(iii) Tax expense / (income) relating to items of other comprehensive income		
Available-for-sale investments	-	(54)
Financial assets at FVOCI	144	(22)
Cash flow hedges	(104)	(79)
Total tax expense / (income) relating to items of other comprehensive income	**40**	**(155)**

F9 TAX (CONTINUED)

(iv) Unrecognised potential deferred tax assets

	2017 $'000	2016 $'000
Unused tax losses for which no deferred tax asset has been recognised (non-capital)	2,374	8,881
Temporary differences relating to brand name impairment (capital)	42,289	42,289
Other	176	-
	44,839	**51,170**
Potential tax benefit at 30% (2016 - 30%)	**13,452**	**15,351**

Unused tax losses in 2017 were incurred by entities in South Africa and Singapore (2016: the United States and Hong Kong) that are not part of the tax consolidated group. In most cases, the unused tax losses have no expiry date.

(B) DEFERRED TAX ASSETS (DTA)

THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:	NOTES	2017 $'000	2016 $'000
Employee benefits	F9(a)(ii)	30,013	28,210
Property, plant and equipment and intangibles		14,532	20,145
Leasing		16,457	12,623
Accruals		5,706	6,234
Losses		5,119	4,738
Provisions		244	304
Doubtful debts		3,539	2,865
Trade and other receivables		4,095	4,667
Other	F9(a)(iii)	2,133	1,658
		81,838	**81,444**
Set-off of deferred tax liabilities pursuant to set-off provisions		(27,504)	(25,769)
Net deferred tax assets		**54,334**	**55,675**

All movements in DTA were recognised in the statement of profit or loss and other comprehensive income, with the exception of items stated in note F9 (a)(ii) and (iii).

(C) DEFERRED TAX LIABILITIES (DTL)

THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:

Trade and other receivables		18,587	16,591
Property, plant and equipment and intangibles		17,487	17,912
Leasing		341	365
Other	F9(a)(iii)	2,940	812
		39,355	**35,680**
Set-off of deferred tax liabilities pursuant to set-off provisions		(27,504)	(25,769)
Net deferred tax liabilities		**11,851**	**9,911**

All movements in DTL were recognised in the statement of profit or loss and other comprehensive income, with the exception of items stated in note F9 (a)(iii).

F9 TAX (CONTINUED)

(D) ACCOUNTING POLICY CHANGE

Following the IFRS Interpretation committee (IFRIC) agenda decision on intangible assets with indefinite useful lives in November 2016, the group has reconsidered its accounting treatment. The group has adopted the treatment as set out in the IFRIC agenda decision. This change in accounting treatment has been accounted for retrospectively and comparative information has been restated.

As a result a DTL of $1,895,000 has been recognised on the Topdeck brand name acquired in August 2014. This has increased the goodwill recognised on acquisition. There have been no other changes as a result of the IFRIC agenda decision.

F10 AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the Lead Auditor of the consolidated entity, its related practices and non-related audit firms:

AMOUNTS RECEIVED OR DUE AND RECEIVABLE BY ERNST & YOUNG FOR:	2017 $	2016 $
An audit or review of the financial report of FLT and any other entity in the consolidated group	1,201,407	1,130,520
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	323,189	-
Other services[1]	360,315	965,935
	1,884,911	**2,096,455**
AMOUNTS RECEIVED OR DUE AND RECEIVABLE BY RELATED PRACTICES OF ERNST & YOUNG FOR:		
An audit or review of the financial report of FLT and any other entity in the consolidated group	1,459,042	1,246,967
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	226,128	38,966
Special audits required by regulators	20,050	-
Other services	20,308	75,081
	1,725,528	**1,361,014**
	3,610,439	**3,457,469**
AMOUNTS RECEIVED OR DUE AND RECEIVABLE BY NON LEAD AUDITOR AUDIT FIRMS FOR:		
An audit or review of the financial report of FLT and any other entity in the consolidated group	25,419	27,165
Special audits required by regulators	-	18,033
Other services in relation to FLT and any other entity in the consolidated group	5,133	-
	30,552	**45,198**

[1] During the prior year Ernst and Young were engaged to perform other audit related services including an IT Security Control Review.

F11 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 Americas
- 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G GROUP STRUCTURE

This section explains significant aspects of the FLT group structure and how changes have affected the group.

G1 Subsidiaries

G2 Deed of cross guarantee

G3 Parent entity financial information

G1 SUBSIDIARIES

MATERIAL SUBSIDIARIES

The group's principal subsidiaries are set out below. They have share capital consisting solely of ordinary shares that the group holds directly and the proportion of ownership interests held equals the group's voting rights. The country of incorporation or registration is also their place of business.

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES/ OWNERSHIP	EQUITY HOLDING 2017 %	EQUITY HOLDING 2016 %
Australian OpCo Pty Ltd[1]	Australia	Ordinary	100	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	100	100
FC USA Inc	USA	Ordinary	100	100

[1] *This controlled entity has been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note G2.*

There are no significant restrictions on the entities' ability to access or use the assets and settle the liabilities of the group.

NON-CONTROLLING INTERESTS

The group has no material non-controlling interests.

G2 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, which came into effect 17 December 2016, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' report.

There is one deed in effect. The subsidiaries to the deed are Flight Centre Travel Group Limited (Holding Entity), Australian OpCo Pty Ltd, P4 Finance Pty Ltd, Travel Services Corporation Pty Ltd and Flight Centre Technology Pty Ltd.

The Instrument requires the company and each of the subsidiaries to enter into a Deed of Cross Guarantee. The deed's effect is that the company guarantees each creditor payment in full of any debt if any of the subsidiaries are wound up under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

The above companies represent a Closed Group for the purposes of the Instrument and, as there are no other parties to the Deed of Cross Guarantee that are controlled by FLT, they also represent the Extended Closed Group.

G2 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet and a summary of movements in consolidated retained earnings for the company and the subsidiaries listed above:

	FOR THE YEAR ENDED 30 JUNE	
REVENUE	**2017 $'000**	**2016 $'000**
Revenue from the sale of travel services	1,392,163	1,400,625
Other revenue	55,895	50,434
Total revenue	**1,448,058**	**1,451,059**
Other income	8,204	8,431
Share of profit from joint venture	2,541	1,065
EXPENSES		
Employee benefits	(750,366)	(731,843)
Sales and marketing	(94,602)	(91,397)
Rental expenses relating to operating leases	(90,873)	(86,345)
Amortisation and depreciation	(38,262)	(35,350)
Finance costs	(14,601)	(16,630)
Impairment charge	-	(12,689)
Other expenses	(237,750)	(195,137)
Profit before income tax expense	**232,349**	**291,164**
Income tax expense	(64,623)	(75,398)
Profit after income tax expense	**167,726**	**215,766**
STATEMENT OF COMPREHENSIVE INCOME		
Changes in the fair value of available-for-sale financial assets	-	(178)
Changes in the fair value of financial assets at FVOCI	630	(74)
Changes in the fair value of cash flow hedges	(347)	(264)
Income tax income/(expense) on items of other comprehensive income	(40)	155
Adjustment for adoption of new accounting standard	-	247
Total comprehensive income for the year	**167,969**	**215,652**
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS		
Retained profits at the beginning of the financial year	755,518	699,194
Adjustment for adoption of new accounting standard	-	(1,088)
Profit from ordinary activities after income tax expense	167,726	215,766
Dividends provided for and paid	(138,339)	(158,354)
Retained profits at the end of the financial year	**784,905**	**755,518**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G2 DEED OF CROSS GUARANTEE (CONTINUED)

	AS AT 30 JUNE	
ASSETS **Current assets**	**2017** **$'000**	**2016** **$'000**
Cash and cash equivalents	654,213	746,548
Financial asset investments	200,285	204,525
Trade and other receivables	401,073	368,810
Other assets	39,818	42,341
Current tax receivable	13,499	8,393
Inventories	236	177
Other financial assets	3,000	-
Derivative financial instruments	-	3,968
Total current assets	**1,312,124**	**1,374,762**
Non-current assets		
Property, plant and equipment	128,808	97,908
Intangible assets	55,741	41,253
Investments accounted for using the equity method	714,519	641,275
Deferred tax assets	41,848	39,954
Other financial assets	254,339	191,778
Total non-current assets	**1,195,255**	**1,012,168**
Total assets	**2,507,379**	**2,386,930**
LIABILITIES **Current liabilities**		
Trade and other payables	809,860	780,916
Contingent consideration	7,017	5,255
Borrowings	37,162	63,013
Provisions	35,324	32,257
Derivative financial instruments	554	5,028
Total current liabilities	**889,917**	**886,469**
Non-current liabilities		
Trade and other payables	387,963	311,776
Contingent consideration	1,130	2,537
Provisions	31,719	26,599
Total non-current liabilities	**420,812**	**340,912**
Total liabilities	**1,310,729**	**1,227,381**
Net assets	**1,196,650**	**1,159,549**
EQUITY		
Contributed equity	402,759	399,236
Treasury shares	(1,801)	-
Reserves	10,787	4,795
Retained profits	784,905	755,518
Total equity	**1,196,650**	**1,159,549**

G3 PARENT ENTITY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

The financial information for the parent entity, FLT, has been prepared on the same basis as the consolidated financial statements.

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

	PARENT	
	2017 $'000	2016 $'000
Current assets	1,437,055	1,438,110
Total assets	**2,682,948**	**2,508,207**
Current liabilities	865,290	873,438
Total liabilities	**1,798,755**	**1,658,104**
Contributed equity	402,759	399,236
Treasury shares	(1,801)	-
Reserves		
Financial assets at FVOCI revaluation reserve	434	(52)
Share-based payments reserve	17,472	11,717
Cash-flow hedge reserve	(428)	(185)
Acquisition Reserve	(8,976)	(8,976)
Retained profits	474,733	448,363
Total shareholders' equity	**884,193**	**850,103**
Profit after tax for the year	**164,709**	**212,911**
Total comprehensive income	**164,952**	**212,797**

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

	PARENT	
UNSECURED	2017 $'000	2016 $'000
United Kingdom	93,283	99,659
India	24,630	26,522
China	11,628	12,320
Singapore	18,485	8,554
Dubai	8,969	6,271
Hong Kong	4,958	5,157
New Zealand	4,862	4,547
Canada	2,606	2,711
Other	15,890	6,419
Total	**185,311**	**172,160**

FLT, as parent entity, has provided both parent company guarantees and issued letters of credit to beneficiaries. The parent entity is liable to pay any claim, subject to the terms of the parent company guarantee or letter of credit, in the event that obligations are not met.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

FLT has also entered into a deed of cross guarantee. Refer to note G2 for terms and parties to the deed.

No liability was recognised by the parent entity or consolidated entity, as the guarantee's fair values are immaterial.

CONTINGENT LIABILITIES OF THE PARENT ENTITY

Contingent liabilities of the parent entity at 30 June 2017 have been disclosed in note H2.

CONTRACTUAL COMMITMENTS

OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2017 $'000	2016 $'000
Within one year	88,785	86,009
Later than one year but not later than five years	224,525	250,241
Later than five years	83,264	121,127
Total parent entity operating lease commitments	**396,574**	**457,377**

The operating leases above relate primarily to occupancy leases of varying terms, generally between five and seven years, and have escalation clauses and renewal rights. Included in the above are rental payments including escalation based on fixed dollar or percentage increases, as stated in the lease agreement.

H 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.

H1 COMMITMENTS

FLT has commitments in relation to operating leases (refer to note F1).

IGNITE

The Ignite share sale agreement has a number of tranches. Refer to note E1 for further details.

3MUNDI

As part of the investment in 3mundi a put and call agreement was entered into. Refer to note E1 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 30 June 2017 FLT has only received capital calls to the value of $643,000 leaving $4,357,000 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.

H2 CONTINGENCIES

ACCC COMPETITION LAW TEST CASE

CURRENT STATUS

On 14 December 2016, a majority of the High Court of Australia ruled in favour of the ACCC ending the main part of 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 million was returned to FLT in August 2015 following the successful appeal to the Full Federal Court. The Full Federal Court's rehearing of the appeal against the penalty payable by Flight Centre was held on 10 May 2017. The Full Court reserved judgement and we expect it will be delivered during H1 FY2018. FLT is also liable for a portion of the ACCC's legal costs. The penalty and ACCC legal costs have not been accrued as they are not reliably measurable.

BACKGROUND

The case was initially heard in October 2012 and judgement was delivered in the ACCC's favour in December 2013. A subsequent penalty hearing concluded in February 2014, with $11,000,000 in penalties imposed by the Federal Court, that FLT paid in May 2014, and this was reflected in the 2013/14 results.

On 31 July 2015, FLT won its appeal in the long running competition law test case initiated against it by the ACCC in relation to alleged breaches of the Trade Practices Act 1974. The Full Court of the Federal Court of Australia overturned the judgement that was handed down against FLT in December 2013 and the ACCC was ordered to pay FLT's legal costs for both the initial case and for the subsequent appeal. The judgement in FLT's favour meant the $11,000,000 in penalties were repaid to the company (interest and costs yet to be paid), and the penalties are included in the financial results for the half year ended 31 December 2015.

On 28 August 2015, the ACCC launched a further appeal announcing that it would seek special leave from the High Court to appeal the decision of the Full Court of the Federal Court of Australia. The special leave application for the appeal was heard on 11 March 2016 and special leave was granted. On 27 July 2016 the further appeal was heard by the High Court and judgement was made on 14 December 2016.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

H2 CONTINGENCIES (CONTINUED)

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 or if any regulator or government action is taken against the group, appropriate disclosure is made in accordance with the relevant accounting standards.

As a global business, from time to time FLT is also subject to various claims and litigation from third parties during the ordinary course of its business. The directors of FLT have given consideration to such matters which are or may be subject to claims or litigation at year end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims of litigation exists.

The group had no other material contingent assets or liabilities.

H3 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

ACQUISITIONS SUBSEQUENT TO YEAR END

Subsequent to year end, FLT announced five acquisitions as set out below. The initial accounting for the business combinations are incomplete at the time the financial report was authorised for issue, accordingly the full disclosure cannot be made in accordance with AASB 3 *Business Combinations*.

Acquisition-related costs of $214,000 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).

BESPOKE HOSPITALITY MANAGEMENT ASIA (BHMA)

On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,340,000. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future revenue and profit-related targets.

TRAVEL MANAGERS GROUP

On 31 July 2017, FLT announced it would acquire 100% of Travel Managers Group (TMG), for an initial cash payment of $8,371,000, with a working capital adjustment to be made. TMG is a New Zealand based leisure-focused group that provides systems and support services to a network of more than 180 individual brokers. TMG also operates a 22-shop franchise network, which includes 12 TravelSmart shops and 10 non-branded stores. The acquisition has not yet completed.

EXECUTIVE TRAVEL GROUP

On 31 July 2017, FLT announced it would acquire 100% of Executive Travel Group (ETG), for an initial cash payment of $11,171,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future profit-related targets. ETG is New Zealand's largest independent corporate travel management company. The acquisition has not yet completed.

LES VOYAGES LAURIER DU VALLON (LDV)

On 1 August 2017, FLT acquired 75% of Les Voyages Laurier du Vallon (LDV), a Quebec City-based travel company, for $11,478,000, with a working capital adjustment to be made within the next 30 days. A rolling put and call option is in place over the remaining 25% and can be exercised after 31 July 2019. LDV was acquired to strengthen FLTs presence in Quebec.

OLYMPUS TOURS

On 2 August 2017, FLT acquired 100% of Olympus Tours for $27,757,000. Olympus is a leading Mexico-based destination management company (DMC) which provides transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.

H3 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

TRAVEL PARTNERS

On 4 August 2017, FLT announced it would acquire 100% of Travel Partners for $3,500,000. The deal also includes additional performance-related payments that the owner will be entitled to if the business achieves future growth targets. Travel Partners is a Sydney-based business with a strong sales force of home-based or mobile travel agents. The acquisition has not yet completed.

DIVIDENDS

On 24 August 2017, FLT's directors declared a final dividend for the year ended 30 June 2017. Refer to note B6 for details.

No other matters have arisen since 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES

This section details FLT's accounting policies. Significant accounting policies are contained with the financial statement notes to which they relate and are not detailed in this section.

I SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the consolidated financial report's preparation are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of FLT and its subsidiaries.

(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standard Board and the Corporations Act 2001. FLT is a for-profit entity for the purpose of preparing the financial statements.

COMPLIANCE WITH IFRS

The group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

EARLY ADOPTIONS OF STANDARDS

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

In the prior year FLT elected to early adopt AASB 9 Financial Instruments (AASB 9) which addresses classification, measurement and derecognition of financial assets and financial liabilities, sets out new rules for hedge accounting, and introduces a new expected-loss impairment model. The early adoption was to enable hedge accounting in FLT's Flight Centre Global Product (FCGP) business.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of FVOCI financial assets, revaluation of FVTPL financial assets, derivative financial instruments and contingent consideration.

ROUNDING OF AMOUNTS

Amounts in the financial statements have been rounded off to the nearest thousand dollars or, in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission's Instrument 2016/191.

RECLASSIFICATION

Certain prior period amounts have been reclassified to conform to the current period's presentation, as outlined above.

(B) CHANGES IN ACCOUNTING POLICY

Following the IFRIC agenda decision on intangible assets with indefinite useful lives in November 2016, the group has changed its accounting treatment. Refer to note F9 for details.

No other new standards or amendments became effective in the current reporting period that have a material impact on FLT.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(C) PRINCIPLES OF CONSOLIDATION

I. SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2017 and the subsidiaries' results for the year then ended. FLT and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. FLT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the entity's activities. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note I(g) Business Combinations).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the transferred asset's impairment. Subsidiaries' accounting policies have been changed, where necessary, to ensure consistency with the group's policies.

Investments in subsidiaries are accounted for at cost in FLT's individual financial statements.

II. JOINT ARRANGEMENTS & ASSOCIATES

Investments in joint arrangements are classified as either joint operations or joint ventures (JVs). The classification depends on each investor's contractual rights and obligations, rather than the legal structure of the joint arrangement. FLT only has JVs, which are accounted for in the consolidated financial statements using the equity method. Under the equity method, they are initially recognised at cost by the parent entity and subsequently the share of the JV entity's profit or loss is recognised in the statement of profit or loss and other comprehensive income. The share of post-acquisition movements in reserves is recognised in other comprehensive income. JV details are set out in note E1.

Upon loss of joint control, FLT measures and recognises its remaining investment at its fair value. The difference between the investment's carrying amount upon loss of joint control and the remaining investment's fair value and proceeds from disposal is recognised in profit or loss.

When the remaining investment constitutes significant influence, it is accounted for as an investment in associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in Associates are also accounted for using the equity method.

III. CHANGES IN OWNERSHIP INTERESTS

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with group equity owners. An ownership change will result in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to FLT owners.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a JV or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

IV. SHARE TRUSTS

FLT has set up a share trust to administer the various employee share schemes it initiates to incentivise and reward employees. The trust holds shares which have been purchased by employees or are fully vested, and treasury shares. The trust is consolidated.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(D) 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 FLT's functional and presentation currency.

II. TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency at the prevailing exchange rates 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 profit or loss. Exceptions arise if the gains and losses are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rates when the fair value is determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

III. GROUP COMPANIES

For foreign operations with different functional currencies to the presentation currency, results and financial position are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate of that balance sheet's date
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities 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 difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

(E) REVENUE

For the accounting policy on revenue from travel services, refer to note A2.

Revenue is measured at the fair value of the consideration received or receivable. Specific accounting policies are set out below:

I. LEASE INCOME

Lease income from operating leases is recognised as income on a straightline basis over the lease term.

II. INTEREST INCOME

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the instrument's original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

III. DIVIDENDS

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

IV. ROYALTIES

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(F) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are impairment tested annually or more frequently if events or changes in circumstances indicate they might be impaired. 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 to sell, or value-in-use. To assess impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are independent of the cash inflows from other assets or asset groups (cash generating units).

Impaired non financial assets, other than goodwill, are reviewed for the impairment's possible reversal at each reporting date.

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For financial assets, a significant or prolonged decline in the security's fair value below its cost is considered an indicator that the assets are impaired. Impairment is recorded and losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the asset's initial recognition (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(G) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for a subsidiary's acquisition comprises the transferred assets' fair values, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes any contingent consideration arrangement's fair value and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at acquisition date. Where equity instruments are issued in an acquisition, the instruments' fair values are their published market prices at the exchange date. Transaction costs arising on equity instruments' issue are recognised directly in equity.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the acquired subsidiary's net identifiable assets and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, future amounts payable are discounted to their present value at the exchange date. 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.

Put and Call options over NCI's are entered into simultaneously when business combinations are initially recorded. It is determined that the option does not provide the parent with a present ownership interest in the shares subject to the put. The Put and Call options over NCI are recorded at fair value as financial liabilities and in the acquisition reserve in equity in accordance with AASB 10. The non-controlling interest is treated as having been acquired when put option is granted. After the initial recognition of the acquisition reserve it is not subsequently re-measured. The financial liability relating to the Put and Call options over NCI is subsequently accounted for under AASB 9 with all changes in the carrying amount recognised in profit or loss until exercise.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(H) INTANGIBLE ASSETS

I. GOODWILL

Goodwill represents the excess of the acquisition's cost over the fair value of the group's interest in the fair value of the acquired subsidiary or associate's net identifiable assets at the acquisition date.

Goodwill on subsidiaries' acquisitions is included in intangible assets. Goodwill is not amortised but is impairment tested annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the entity's disposal include the sold entity's carrying amount of goodwill.

Goodwill is allocated to CGUs for impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

II. BRAND NAMES AND CUSTOMER RELATIONSHIPS

Other intangible assets, such as brand names and customer relationships, are acquired as part of business combinations and are recognised initially at fair value. Where they have an indefinite useful life, such as brand names, they are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate they may be impaired. Key factors taken into account in assessing the useful life of brands are:

- The brands are well established and protected by trademarks across the globe. The trademarks are generally subject to an indefinite number of renewals upon appropriate application; and
- There are currently no legal, technical or commercial obsolescence factors applying to the brands which indicate that the life should be considered limited

III. OTHER INTANGIBLE ASSETS - SOFTWARE

Research costs associated with software development are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the project is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised includes all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

(I) CASH AND CASH EQUIVALENTS

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(J) FINANCIAL ASSETS

The group applies the requirements of AASB 9 *Financial Instruments* (AASB 9) to its financial assets since its early adoption on 1 January 2016.

I. CLASSIFICATION

Financial assets are classified in the following categories: financial assets at amortised cost, FVTPL and FVOCI. The classification depends on the purpose for which the assets were acquired.

- Amortised cost - Applies instruments which are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest
- Fair value through profit and loss (FVTPL) - Applies to instruments which are within a business model where the objective is neither to hold to collect contractual cash flows nor hold to sell.
- Fair value through other comprehensive income (FVOCI) - Applies to instruments which satisfy the requirements of the business model test and contractual cashflow test. It also applies to some held for trading financial assets whereby the FVOCI election was made

Management classifies its investments at initial recognition and reevaluates this classification each reporting date.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

II. RECOGNITION AND DERECOGNITION

Regular purchases and sales of financial assets are recognised on trade-date (the date on which the group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

III. SUBSEQUENT MEASUREMENT

Financial assets classed as amortised costs are carried at amortised cost using the effective interest method.

Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise. Income such as interest and dividends from financial assets at FVTPL is recognised separately to gains or losses in the statement of profit or loss and other comprehensive income as part of revenue from continuing operations when the group's right to receive payments is established.

Financial assets classified as FVOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in other comprehensive income within with the exception of impairment which is recognised in the statement of profit or loss immediately. When securities classified as FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

IV. IMPAIRMENT – EXPECTED CREDIT LOSSES

FLT applies a general and simplified approach to the measurement of expected credit losses (ECLs).

Under the general approach FLT applies a three stage model for measuring ECLs based on changes in credit quality since initial recognition including

- Stage 1: 12 month ECL - Recognised on "good" exposures where there has not been a significant increase in credit risk since initial recognition, the loss represents the probability of default from events that are possible over the next 12 months and not the cash flows FLT expects to lose over that period.
- Stage 2: Lifetime ECL - Where there has been a significant increase in credit risk since initial recognition however default has not yet occurred, the loss represents the credit losses expected over the remaining life of the asset.
- Stage 3: Lifetime ECL (credit impaired) - Financial asset becomes credit impaired as a result of an event which has had a detrimental impact on future cash flows.

FLT assesses the credit risk and probability of default of financial assets by reference to external rating agencies where available on an asset by asset basis. FLT has determined a financial asset has low credit risk when it is equivalent to an investment grade quality. Where forward looking information is not available, FLT applies the rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due (entry into stage 2: Lifetime ECL) and, when contractual payments are greater than 90 days past due, the asset is credit impaired (entry into stage 3: Lifetime ECL).

For trade receivables, contract assets and lease receivables which do not contain a significant financing component, AASB 9 offers a policy choice between the application of the general model, as detailed above, or a simplified approach. Under the simplified approach, the tracking of changes in credit risk is not required, but instead requires the recognition of lifetime ECLs at all times and allows the use of a provision matrix, incorporating the probability of default, as a practical expedient. FLT has elected the simplified approach for trade and override receivables.

(K) FAIR VALUE MEASUREMENT

FLT measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

An asset or liability's fair value is measured using the assumptions that market participants use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in notes B3, C2 and F7.

(L) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment in accordance with the simplified approach see note I (j)(iv) above.

The impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The impairment amount is recognised in the statement of profit or loss and other comprehensive income in other expenses. When a trade receivable for which an impairment allowance has 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 other expenses in the statement of profit or loss and other comprehensive income.

(M) PROPERTY, PLANT AND EQUIPMENT

Buildings and other property, plant and equipment are stated at historical cost less depreciation. Land is held at historical cost. Historical cost includes expenditure directly attributable to the item's acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the item's cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note I(f)). A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(N) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost primarily represents average costs.

(O) TRADE AND OTHER PAYABLES

These amounts are liabilities for goods and services provided to the group prior to the financial year's end, but not yet paid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(P) PROVISIONS

Provisions for legal claims and make good obligations are recognised when; the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow relating to any item included in the same class of obligations is small.

To measure provisions at present value at the reporting period's end, management estimates the expenditure required to settle the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Provision increases brought about by the passage of time are recognised as interest expenses.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

I. MAKE GOOD PROVISION

The group is required to restore leased premises to their original condition at the end of the respective lease terms.

A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and restore the leased premises. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term or the asset's useful life.

(Q) EMPLOYEE BENEFITS

I. WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for employees' wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting period's end, are recognised in trade and other payables up to the reporting period's end and represent the amounts expected to be paid when the liabilities are settled. Sick leave is recognised as an expense when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as trade and other payables.

II. PROFIT-SHARING AND BONUS PLANS

A liability for employee benefits in the form of profit-sharing and bonus plans is recognised as payable when there is a contractual obligation or valid expectation that payment will be made. Employee profit-sharing and bonus payments are recognised and paid monthly.

III. LONG SERVICE LEAVE

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in provisions. The liability represents the present value of expected future payments to be made for the services employees provided up to the reporting period's end. The company considers expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments at the reporting period's end are discounted using market yields on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

IV. RETIREMENT BENEFIT OBLIGATIONS

The group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

V. TERMINATION BENEFITS

Termination benefits may be 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 commits to either terminating a current employee's employment according to a detailed formal plan without the possibility of withdrawal or providing termination benefits following an offer made to encourage voluntary redundancy.

(R) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on loan facilities' establishment are recognised as loan transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. If there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are recognised as expenses in the period in which they are incurred and include:

- Interest on bank overdrafts and short and long-term borrowings; and
- Unwinding of discount on deferred payables

Borrowings are classified as current liabilities unless the group has an unconditional right to defer the liability's settlement for at least 12 months after the reporting period's end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Borrowings are removed from the balance sheet 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 other income or other expenses.

(S) TAX

I. INCOME TAX

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on each jurisdiction's applicable income tax rate. Adjustments are made for changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses.

The current income tax charge is based on tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns in respect of situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the assets' and liabilities' tax bases and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from an asset or liability's initial recognition in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantively 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 to the extent that 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 controls the timing of the temporary differences' reversals 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 tax authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends to either 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 when it relates to items recognised in other comprehensive income or directly in equity. In these cases, the tax is also recognised in other comprehensive income or directly in equity.

Companies within the group may be entitled to claim tax incentives (eg. the Research and Development Tax Incentive regime in Australia). The effect of this is a reduction to the income tax payable and current tax expense.

II. TAX CONSOLIDATION LEGISLATION

FLT and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, FLT, and the tax consolidated group's controlled entities continue to account for their current and deferred tax amounts. These tax amounts are measured as if each entity continues to be a standalone taxpayer.

In addition to its current and deferred tax amounts, FLT also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the tax consolidated group's controlled entities.

III. NATURE OF THE TAX SHARING ARRANGEMENT

Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

IV. NATURE OF THE TAX FUNDING AGREEMENT

Members of the tax consolidated group have entered into a tax funding agreement. Under the tax funding agreement, the wholly-owned entities fully compensate FLT for any current tax payable assumed and are compensated by FLT for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to FLT under the tax consolidation legislation.

The funding amounts are the amounts recognised in the wholly-owned entities' financial statements. Amounts receivable or payable under the tax funding agreement are due when the head entity's funding advice is received. This advice is issued as soon as practicable after each financial year's end. The head entity may also require payment of interim funding amounts to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(T) EARNINGS PER SHARE

I. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the company's equity holders, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

II. DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(U) CONTRIBUTED EQUITY

Ordinary shares are classified as equity (note D4) and entitle the holder to participate in dividends and the proceeds of the company's wind up in proportion to the number of and amount paid on the shares held.

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

Ordinary shares have no par value and there are no partly paid shares currently on issue.

Incremental costs directly attributable to new share or option issues are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to shares or options issued for a business acquisition are not included in the acquisition's cost as part of the purchase consideration.

If the entity reacquires its own equity instruments, as the result of a share buyback for example, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(V) DIVIDENDS

Provision is made by the parent entity for any dividend declared, being appropriately authorised and no longer at the entity's discretion on or before the end of the financial year but not distributed at balance date.

(W) CONSUMPTION TAX

Revenues, expenses and assets are recognised net of the amount of associated consumption tax, unless the consumption tax incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the asset acquisition's cost or as part of the expense.

Receivables and payables include consumption taxes receivable or payable. The net amount of consumption tax recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The consumption tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(X) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. FLT is in the process of determining the impact of these new standards and interpretations.

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 core principal of AASB 15 is that an entity recognises revenue in accordance with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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.

A sample of current contracts for FLTs material revenue in core geographies have been assessed against AASB 15 requirements with external consultants providing assistance in the review of some of these contracts. Based on these reviews FLT are developing accounting policies for the material revenue streams.

FLT are only just entering the transition period for the comparative period (1 July 2017 – 30 June 2018) and therefore are not yet operating under many of the contracts which will be in place under the new standard. As such it is not yet prudent to finalise the accounting policies nor draw conclusions as to the potential impact of the standard. As the plan progresses, FLT will finalise the contract reviews and accounting policies and engage with the external auditors to review these. At that time FLT expect to disclose information in relation to the adoption of AASB 15 including, if relevant, any significant issues that will impact FLT on transition.

The outcome of the assessment activities and the resultant impact on revenue (if any) will impact whether the full retrospective or modified retrospective transition method is adopted. As such, a decision on which method will be adopted has not yet been made.

As part of the project plan, management will continue to engage with the wider business in the AASB 15 discussions and consider IT requirements as part of the new IT system development. The plan also includes consideration to develop and test systems, internal controls 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 and disclosure requirements represent a change from current practice and may increase the volume of disclosures required in FLT financial statements.

The disclosure requirements are currently being assessed for the material revenue streams where accounting policies are under development.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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, 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:

1. In the opinion of the directors:
   (a) the financial statements and notes of Flight Centre Travel Group Limited for the financial year ended 30 June 2017 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 30 June 2017 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards and the Corporations Regulations 2001;
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note I(a); and
   (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
2. At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note G2 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note G2.
3. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and the chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the board

G.F. Turner
Director

Brisbane

24 August 2017

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Independent Auditor's Report to the Members of Flight Centre Travel Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Flight Centre Travel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2017 the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

1. Impairment Testing of Intangible Assets

Why Significant	How our audit addressed the key audit matter
Note F5 discloses the intangible assets allocated to each of the Groups' cash generating units (CGUs). The annual goodwill impairment assessment performed by the Group is a key audit matter due to the size of the asset's carrying value and the degree of estimation and assumptions involved in the assessment, specifically concerning future discounted cash flows. As discussed in Note F5 to the financial statements any adverse change in key assumptions would result in additional impairment in these CGUs.	Our audit considered the requirements of Australian Accounting Standard AASB136 *Impairment of Assets.* The assumptions used in the cash flow forecasts prepared by the Group are summarised in Note F5 to the financial statements. We evaluated these cash flow forecasts as follows: a) assessed the mathematical accuracy of the cash flow model: b) considered the historical reliability of the Group's cash flow forecasts; and c) assessed whether the forecasts were consistent with our knowledge of the business, corroborating our work with external information where possible. As impairment testing relies upon business valuation principles we used our valuation specialists to evaluate the growth rates and discount rates used by the Group. We assessed the impairment disclosure in Note F5 of the Financial Statements.

2. Business acquisitions

Why Significant	How our audit addressed the key audit matter
Business acquisitions is a key audit matter due to the number of acquisitions which resulted in business combinations, investments in joint ventures and investments in associates both during the year and subsequent to 30 June 2017. Notes A5, E1 and H3 to the financial statements provides a summary of the acquisitions and the Group's accounting policies relating to the acquisitions.	Our audit procedures for each of the acquisitions included assessing whether the Group applied the relevant Australian Accounting Standard, including AASB3 *Business Combinations*; and AASB128 *Investments in Associates and Joint Ventures*. The audit procedures included the following: a) Assessed whether the transaction was accounted for in accordance with the applicable accounting standard; b) Assessed the Group's determination and fair value of any contingent consideration; and c) Ensured the adequacy of financial report disclosures included in Note A5, E1 and H3 to the financial statements.

3. ACCC Competition Law Test Case

Why Significant	How our audit addressed the key audit matter
Notes H2 and H3 to the financial statements detail the ongoing case and subsequent appeal process in relation to the legal action brought against Flight Centre Travel Group Limited by the Australian Competition and Consumer Commission. The complexity of the matter, the absence of any set methodology in the potential outcome, and the inability to reliably estimate any outcome make it an uncertain and highly subjective area and therefore a key audit matter. The remaining part of the case to be determined is the penalty which is currently before the Full Federal Court.	Our audit procedures included the following: a) Confirmed no penalties have been determined by the Court since the Court hearing in May 2017 to the date of the financial report; b) Obtained written representation from the Group's solicitors confirming that the penalty and costs are not reliably measurable; and c) Enquired with the Directors to ensure there were no communications received subsequent to the end of the financial year and prior to the signing of the financial statements.

4: Recoverability of override receivable

Why Significant	How our audit addressed the key audit matter
The recoverability of the override receivable is a key audit matter due to the judgmental nature of this supplier rebate asset and external factors outside the control of the Group affecting its recoverability which could have a material impact on the financial statements. The details of this receivable are disclosed in Note A2 and referred to as an override receivable in the financial report.	The audit procedures included the following : a) Verified the receipt of a sample of override receivables recorded at 30 June 2017 subsequent to year end; b) Examined a sample of the override contracts held with the Group's suppliers for verification of contract terms including guaranteed payments and volume incentives, c) Ensured renegotiations are supported by adequate documentation; and d) Assessed the methodology used to derive the override revenue accrual at 30 June 2017, including changes made to the assumptions during the financial year, and testing the historical volumes obtained.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information which comprises the Director's Report accompanying the financial report.

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

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

If, based on the work we have performed, 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.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Flight Centre Travel Group Limited for the year ended 30 June 2017, 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.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
24 August 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 1 August 2017.

(A) DISTRIBUTION OF EQUITY SECURITIES

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS
1-1,000	19,599
1,001-5,000	2,845
5,001-10,000	209
10,001-100,000	110
100,001 and over	26

There were 420 holders of less than a marketable parcel of ordinary shares.

(B) EQUITY SECURITY HOLDERS

TWENTY LARGEST QUOTED EQUITY SECURITY	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Gainsdale Pty Ltd[1]	15,200,000	15.0%
Gehar Pty Ltd[1]	14,670,851	14.5%
James Management Services Pty Ltd[1]	12,989,750	12.9%
Bennelong Australian Equity Partners[1]	5,425,336	5.4%
Lazard Asset Mgt Pacific Co	3,307,721	3.3%
Airlie Funds Mgt	2,169,136	2.1%
Friday Investments Pty Limited	2,164,133	2.1%
Macquarie Asset Mgt	2,136,094	2.1%
BlackRock Investment Mgt - Index	1,981,859	2.0%
Schroder Investment Mgt	1,176,234	1.2%
Dimensional Fund Advisors	1,079,919	1.1%
Vanguard Investments Australia	1,061,013	1.0%
Vinva Investment Mgt	1,056,617	1.0%
Investors Mutual	1,030,580	1.0%
Vanguard Group	949,636	0.9%
State Street Global Advisors	947,779	0.9%
Norges Bank Investment Mgt	915,852	0.9%
Merlon Capital Partners	875,946	0.9%
Paradice Investment Mgt	865,963	0.9%
Schroder Investment Mgt	828,382	0.8%
	70,832,801	**70.0%**

1 Substantial holder (including associate holdings) in the company

Friday Investments Pty Limited and Trinity Holdings Pty Ltd are potentially substantial shareholders, as they are party to a pre-emptive agreement dated 5 October 1995 that also includes Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Shares held by Friday Investments Pty Limited (2,164,133) and Trinity Holdings Pty Ltd (750,000).

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. Options and performance rights have no voting rights.

ON-MARKET BUY-BACKS

FLT does not currently have an on-market buy back scheme in operation.

TAX TRANSPARENCY REPORT (UNAUDITED)

As one of the world's largest travel agency groups FLT is committed to being a responsible corporate taxpayer. The Board has therefore chosen to provide additional disclosure of tax information as recommended by the Board of Taxation's Voluntary Tax Transparency Code. FLT is classified as a 'large business' for the purposes of the Tax Transparency Code and has therefore chosen to disclose the following information in this annual report:

- Tax policy, strategy and governance summary
- Reconciliation of accounting profit to tax expense
- Reconciliation of income tax expense and income tax payable
- Identification of material temporary and non-temporary differences
- Accounting effective company tax rates for Australian and global operations
- Tax contribution summary for corporate taxes paid
- Information about international related party dealings

TAX POLICY, STRATEGY AND GOVERNANCE STATEMENT

APPROACH TO RISK MANAGEMENT AND GOVERNANCE ARRANGEMENTS

FLT operates under a Tax Risk Management and Governance Policy which is approved by the Board Audit committee and sets out FLT's commitment to managing its global tax obligations and is consistent with the Australian Taxation Office (ATO) and the Organisation for Economic Co-operation and Development (OECD)'s recommendations for tax risk management and governance as well as being consistent with FLT's overarching Risk Management Policy.

FLT's Tax Risk Management Policy includes formal tax policies and procedures that are reviewed and updated at least annually. FLT has appropriate systems, processes and controls in place to identify, evaluate, mitigate, monitor and report on tax risks.

ATTITUDE TOWARDS TAX PLANNING AND ACCEPTED LEVEL OF RISK IN RELATION TO TAXATION

FLT takes a conservative approach to tax risk and the management of tax risk will be balanced with FLT's objective to create and safeguard shareholder value. Where there is a choice between an aggressive tax position and a more conservative position, FLT will take the more conservative approach. That is, FLT aims for certainty on tax positions it adopts but where tax law is unclear or subject to interpretation, written advice or confirmation will be sought as appropriate.

APPROACH TO ENGAGEMENT WITH THE ATO AND OTHER REVENUE AUTHORITIES

FLT's tax philosophy is based on an open, co-operative and transparent relationship with the Revenue Authorities. FLT maintains good relationships with the ATO and other revenue authorities. Openness, honesty and transparency is paramount in all dealings with the tax authorities and other relevant bodies, with the aim of minimising the risk of challenge, dispute or damage to FLT's credibility.

FLT is aware of and, where appropriate, effectively uses the services and compliance products offered by the revenue authorities to reduce its tax risks and compliance costs (e.g. private ruling process, electronic lodgement, tax portal etc).

TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

INCOME TAX EXPENSE

(i) Income tax expense	2017 $'000	2016 $'000
Current tax	93,574	117,918
Deferred tax	4,677	(16,608)
Adjustments for current tax of prior periods	(3,579)	(823)
Income tax expense	**94,672**	**100,487**
Deferred income tax expense / (benefit) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	1,001	(20,529)
Increase / (decrease) in deferred tax liabilities	3,676	3,921
	4,677	**(16,608)**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	325,445	345,043
Tax at the Australian tax rate of 30% (2016 - 30%)	97,634	103,513
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible / (assessable) amounts	(29)	2,043
Impairment	-	3,807
ACCC fine refund	-	(3,300)
Other amounts	1,947	(312)
	99,552	**105,751**
Tax losses not recognised	1,261	729
Effect of different tax rates on overseas income	(2,561)	(5,170)
Under / (over) provision of prior year's income tax	(3,580)	(823)
	(4,880)	**(5,264)**
Income tax expense	**94,672**	**100,487**

(ii) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income is directly debited or credited to equity. This relates entirely to share-based payments, as set out in note F8.

Net deferred tax - (credited) / debited directly to equity	(1,437)	(1,170)

(iii) Tax expense / (income) relating to items of other comprehensive income		
Available-for-sale investments	-	(54)
Financial assets at FVOCI	144	(22)
Cash flow hedges	(104)	(79)
Total tax expense / (income) relating to items of other comprehensive income	**40**	**(155)**

(iv) Unrecognised potential deferred tax assets		
Unused tax losses for which no deferred tax asset has been recognised (non-capital)	2,374	8,881
Temporary differences relating to brand name impairment (capital)	42,289	42,289
Other	176	-
	44,839	**51,170**
Potential tax benefit at 30% (2016 - 30%)	**13,452**	**15,351**

Unused tax losses in 2017 were incurred by entities in South Africa and Singapore (2016: the United States and Hong Kong) that are not part of the tax consolidated group. In most cases, the unused tax losses have no expiry date.

INCOME TAX PAID AND INCOME TAX PAYABLE

	NOTES	2017 $'000	2016 $'000
(i) Calculation of current tax expense			
Current income tax expense of current period	F9	93,574	117,918
Adjustments for current tax of prior periods	F9	(3,579)	(823)
Current income tax expense		**89,995**	**117,095**
(ii) Reconciliation of income tax payable			
Net current tax liability/(receivable) at the beginning of the period		3,331	(3,711)
Less income tax paid		(101,397)	(110,053)
Current income tax expense	(i)	89,995	117,095
Net current tax liability/(receivable) at the end of the period		**(8,071)**	**3,331**

EFFECTIVE COMPANY TAX RATES

	2017	2016
Effective tax rate - Australia	28.01%	26.73%
Effective tax rate - Global	29.09%	29.12%

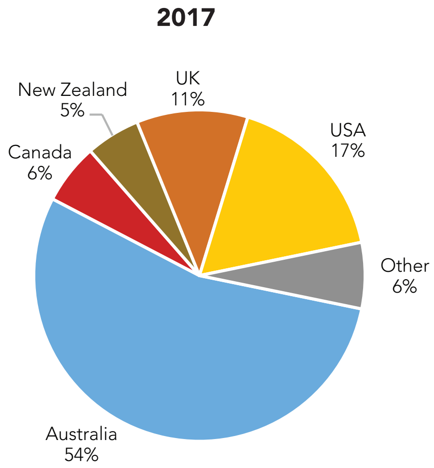
The key factors driving the Australian corporate tax rate below the statutory 30% rate in the 2017 year is the use of carry forward capital losses and the receipt of non-assessable dividend income from Flight Centre subsidiaries in the UK (dividends from foreign subsidiaries are non-assessable by law). Note the FLT Group bears the income tax burden of these dividends as the profit from which the dividends were paid was subject to income tax in the source country.

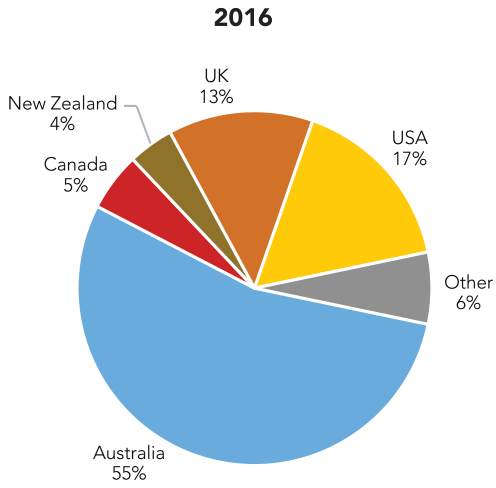
TAX CONTRIBUTION SUMMARY

			2017			2016
	AUSTRALIA $'000	OTHER COUNTRIES $'000	TOTAL $'000	AUSTRALIA $'000	OTHER COUNTRIES $'000	TOTAL $'000
TAXES PAID BY/ON BEHALF OF FLT						
Corporate income tax	67,956	29,941	97,897	83,893	34,254	118,147
Employment taxes (payroll tax, FBT)	36,947	45,841	82,788	35,881	51,135	87,016
Withholding taxes	556	2,815	3,371	628	3,204	3,832
TAXES COLLECTED ON BEHALF OF OTHERS						
GST/VAT (collected and remitted)	39,485	65,945	105,430	42,825	65,808	108,633
GST/VAT (paid but reclaimed)	(46,838)	(69,576)	(116,414)	(46,306)	(69,848)	(116,154)
PAYG/PAYE/salary withholding	150,214	132,988	283,202	144,518	135,016	279,534
Total Tax Contribution	**248,320**	**207,954**	**456,274**	**261,439**	**219,569**	**481,008**

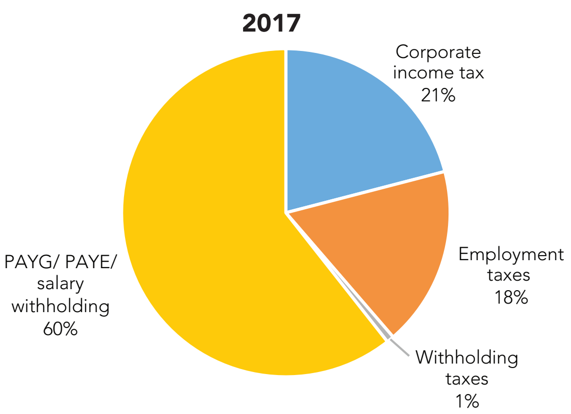
TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

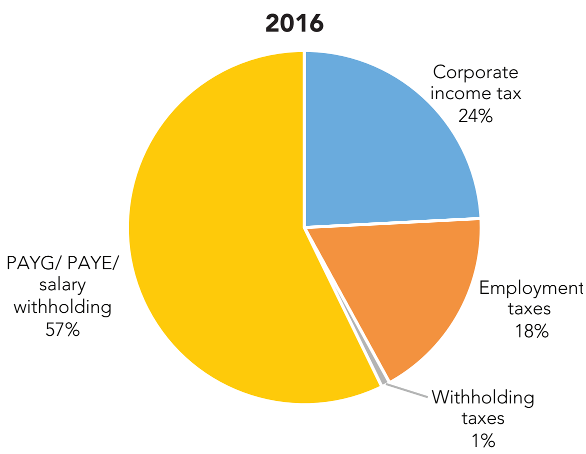
TOTAL TAX CONTRIBUTION BY COUNTRY





TOTAL TAX CONTRIBUTION BY TAX TYPE





RELATED PARTY TRANSACTIONS

FLT has international related party dealings with its subsidiaries when it is in the best interests of FLT to do so, these dealings are conducted following the arm's length principle as required by Australian taxation law and international taxation norms. FLT maintains contemporaneous transfer pricing documentation supporting the pricing of related party dealings in accordance with Australian tax legislation and the OECD Transfer Pricing Guidelines.

The key international related party dealings which have a material impact on FLT's Australian taxable income are listed below.

KEY INTERNATIONAL RELATED PARTY DEALINGS	DESCRIPTION
Royalties	FLT licences its brand names, trademarks and other intellectual property to its overseas subsidiaries. Royalties are paid by the overseas subsidiaries to FLT for the right to use FLT intellectual property.
Services	FLT's head office is located in Brisbane, Australia as the company was founded in Australia and its largest operations are in Australia. Accordingly, there are a number of specialist teams located at the FLT headquarters which provide services to the overseas subsidiaries. In addition overseas subsidiaries also provide services to FLT.
Loans	FLT has loans to and from its overseas subsidiaries.
Dividends	FLT receives dividends from overseas subsidiaries.