ASX ANNOUNCEMENT

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)

23 August 2018

FY18 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 2018; and
- 2018 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 2018 $'000	JUNE 2017 $'000	CHANGE $'000	CHANGE %
Total transaction value (TTV)[1]	21,826,084	20,109,171	1,716,913	8.5%
Revenue[2]	2,949,955	2,769,706	180,249	6.5%
Net profit before tax	363,493	325,445	38,048	11.7%
Net profit after tax	264,213	230,773	33,440	14.5%
Net profit after tax attributable to owners of the company	262,930	230,773	32,157	13.9%

[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, both as agent for various airlines and other service providers and as principal, plus revenue from other sources. FLT's revenue is, therefore, derived from TTV.

[2] Revenue comparative has been restated to align presentation. Previously revenue from tour operations was presented net of associated cost of sales. This is now presented gross. This classification change has no impact on profit.

DIVIDENDS 30 JUNE 2018	AMOUNT PER SECURITY CENTS	100% FRANKED AMOUNT CENTS
Interim dividend	60.0	60.0
Final dividend[3]	107.0	107.0
30 JUNE 2017		
Interim dividend	45.0	45.0
Final dividend[4]	94.0	94.0

[3] Final dividend of 107.0 cents per share for the year ended 30 June 2018 was declared on 23 August 2018. The record date for determining entitlements to the final dividend is 14 September 2018. The payment date for the final dividend is 12 October 2018.

[4] 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 was 15 September 2017, with payment on 13 October 2017.

NET TANGIBLE ASSETS	JUNE 2018 $	JUNE 2017 $
Net tangible asset backing per ordinary security	9.32	9.47

CONTROL GAINED OVER ENTITIES

- On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia Limited (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,553,000. The deal also includes additional performance-related payments that the former owners will be entitled to if the business achieves future revenue and profit-related targets.
- On 1 August 2017, FLT acquired 75% of Les Voyages Laurier Du Vallon Inc. (LDV) for a consideration of $17,094,000, and simultaneously entered into a put/call option over the remaining 25%. LDV is a key leisure, corporate and MICE travel agency business based in Quebec City, Canada.
- On 1 August 2017, FLT acquired 100% of Olympus Tours (Olympus) for $27,565,000. Olympus is a leading Mexico-based destination management company (DMC) also with operations in Dominican Republic and Costa Rica which provides transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.
- On 31 August 2017, FLT acquired 100% of Travel Managers Group Limited (TMG), for an initial cash payment of $7,939,000, with a working capital adjustment to be made. TMG is a large broker based retail travel group in New Zealand, providing systems and product to a network of more than 180 home-based agents. The acquisition gives FLT access to this growth segment of the New Zealand retail market.
- On 31 August 2017, FLT acquired 100% of Executive Travel Limited (ETL), for an initial cash payment of $10,597,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the former owners will be entitled to if the business achieves future profit-related targets. ETL is New Zealand's largest independent corporate travel management company. The acquisition represents an opportunity for FLT to grow its corporate market share.

CONTROL GAINED OVER ENTITIES (CONTINUED)

- On 29 September 2017, FLT acquired 100% of Travel Partner Holdings Pty Limited (Travel Partners) for $3,508,000. The deal also includes additional performance-related payments that the former owner will be entitled to if the business achieves future TTV growth targets. Travel Partners is an independent network of home based consultants in Australia and the acquisition gives FLT an entry point into the home based agent market in Australia, as well as providing new career opportunities and an alternative flexible work environment for FLT consultants.
- On 1 January 2018, FLT obtained control of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited as a result of a change in the overarching shareholder agreement giving FLT a majority representation on the Board. The shareholding remained at 58.5% (June 2017: 58.5%) . As a result of the change in control Buffalo Tours are now consolidated into the group's results and are no longer treated as investments in joint ventures.
- Subsequent to year end, on 4 July 2018, FLT purchased the remaining 41.5% of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited for $23,518,000, bringing FLT's shareholding to 100%.

DETAILS OF JOINT VENTURES AND ASSOCIATES

INVESTMENTS IN JOINT VENTURES	2018	2017
Pedal Group Pty Ltd	50.0%	50.0%
Go Vacation Vietnam Company Limited	51.0%	0.0%
INVESTMENTS IN ASSOCIATES		
Ignite Travel Group Limited	49.0%	49.0%
Biblos America LLC	24.1%	24.1%
3Mundi	25.0%	25.0%
European Travel Services Centre (ETSC)	25.0%	0.0%

- On 19 October 2017, FLT invested $908,000 in European Travel Services Centre (ETSC) for a 25% share of the equity. ETSC is a travel technology company specialising in the development, maintenance and licensing of travel technology software and is the sole owner and licensor of the 'chatbot' travel assistance software, Sam :] which is a key technology offering to FLT's corporate customers.
- A 51% shareholding in the tour company Go Vacation Vietnam Company Limited is held by a subsidiary of Buffalo Tours (Singapore) Pte Ltd. As part of the change in control on 1 January 2018, this is now shown as part of the FLT consolidated results as an investment in joint venture.

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

23 August 2018

2018 FLT ANNUAL REPORT

FLIGHT CENTRE TRAVEL GROUP™

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.

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT) CORPORATE DIRECTORY

Directors G.F. Turner
G.W. Smith
J.A. Eales
R.A. Baker
C.M. Garnsey (appointed 7 Feb 2018)

Secretary D.C. Smith

Principal registered office and place of business in Australia
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+61 7 3170 7979
ABN 25 003 377 188

Share register
Computershare Investor Services Pty Ltd
200 Mary Street, Brisbane QLD 4000

Auditor
Ernst & Young
111 Eagle Street Brisbane QLD 4000

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

Web address
www.fctgl.com

KEY DATES 2018/19

August 23, 2018
2017/18 full year results released

September 14, 2018
2017/18 final dividend record date

October 12, 2018
2017/18 final dividend payment date

October 22, 2018
Annual General Meeting

February 21*, 2019
2018/19 half year results released

March 22*, 2019
2018/19 interim dividend record date

April 12*, 2019
2018/19 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 23 August 2018. 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, including FLT's Corporate Governance Statement, can be found on the company's website, www.fctgl.com/investor/governance/corporate-governance-statement-2/

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CHAIRMAN'S MESSAGE

GARY SMITH

DEAR SHAREHOLDERS

Welcome to your company's Annual Report for the 2018 fiscal year.

The 12 months to June 30 2018 was always going to be an important period for FLT as it aimed to return to its traditional growth trajectory after three years of reasonably flat or declining profit results and at a time when significant change was planned.

Pleasingly, the company delivered record financial results – establishing new profit and TTV milestones – during what was surely the most substantial year of change in FLT's history. Collectively, these changes have strengthened our foundations and we believe they will help pave the way for further future growth.

In Australia, we completed our largest system migration when we switched our sales consultants' core technology platform to a new Global Distribution System (GDS) provider.

While the migration process was expertly managed by our in-house trainers, a degree of disruption was inevitable as our entire Australian and New Zealand sales force was temporarily taken out of shops to be trained on the new system.

This significant event also contributed to a temporary decrease in retail sales staff numbers in Australia, as we focussed on achieving a successful system deployment, rather than sales force expansion, during this critical period.

Moving forward, we expect the new system will help us achieve our primary strategic objective of enhancing in-store productivity.

Shortly after the new GDS was fully deployed within the leisure business, the company initiated its Rebrand and Grow (R&G) strategy. Under this strategy, six leisure brands were merged to create three stronger and higher profile super networks.

While no sales roles were lost as a result of these mergers, the short-term impact should not be under-estimated, with some 1200 sales consultants from 250 shops – more than 15% of our Australian retail workforce – moving to new brands.

The business transformation program, which was initiated late in FY17 under Melanie Waters-Ryan's stewardship, also started to gain momentum during FY18 and delivered tangible benefits, as outlined in Skroo's column.

This program has initially focussed on:

- Growth brands and business models – as part of this, a number of loss-making brands were closed or pivoted in a new strategic direction during FY18
- Taking a global approach, particularly in the air, land and IT businesses; and
- Improving efficiency by removing costs in some areas and focusing on cost control across the business

DIVERSITY A STRENGTH

Another pleasing aspect of our FY18 results was the contribution that our overseas businesses made.

Together, the EMEA and Americas businesses delivered a profit in the order of $151million. This was more than double the contribution from just two years ago and has again highlighted one of our growing strengths – our geographic diversity.

We are also developing a strong presence across multiple travel sectors.

Our leisure travel offering's strength is well known, particularly in Australia, New Zealand and South Africa, and we are now starting to make inroads in North America, with the USA and Canada retail businesses both profitable for the first time since FY12 and FY11 respectively.

We are also one of the world's largest corporate travel managers, with our company-owned corporate businesses generating $7.7billion in TTV during FY18. To put this in perspective, our corporate brands now generate 35% of group TTV, compared to 31% five years ago.

While small in comparison to leisure and corporate, we are aggressively expanding in a third key sector, which we call our In-destination Travel Experiences Network (TEN). This emerging area currently includes our global tour operating, destination management and hotel management interests.

INVESTING IN GROWTH INITIATIVES

Within these three key sectors, the company continues to invest in new business models.

For example, we acquired home-based agency businesses in Australia (Travel Partners) and New Zealand (Travel Managers) during FY18 to bolster our leisure operations. In addition, our start-up host agency model in the USA, Independent by Liberty Travel, also grew strongly.

In the corporate travel sector, we added businesses in Canada and New Zealand to our global network, via acquisitions.

This followed corporate acquisitions in France (25% interest) and in Sweden, Norway, Finland and Denmark (Nordics) during FY17. Since acquiring the Nordics businesses, FLT has also developed a corporate travel presence in Germany to handle its existing corporate accounts in this large and important global market and to also target new accounts.

Our TEN, a key future growth driver, continued to take shape as we acquired a small Asia-based hotel management business (BHMA) and a Mexico-based destination management company (DMC), Olympus Tours.

The BHMA investment represented our first foray into the hotel management sector. The business now operates 18 properties, 17 in Thailand and one in Vietnam.

Olympus gave us another key platform in our plan to create a global DMC network. In conjunction with Buffalo Tours, we now have DMCs in key markets in Asia and in the Americas.

PEOPLE

Credit for our record-breaking achievements during FY18 must, of course, go to our people at all levels.

Given that we are a person-to-person business, people are crucial to our success and it is appropriate that we continue to invest in their development and in our overall people offering.

Recent enhancements include the introduction of more flexible work arrangements globally, a paid parental leave scheme in Australia and the recent moves towards an Enterprise Bargaining Agreement in our Australian leisure business.

The company is also working to build on its solid record in promoting gender equality.

A project was launched during FY18 to help more women progress through the ranks, while the Womenwise initiative has continued to prove popular in Australia.

FC FOUNDATION

- More than $3m contributed to charity partners during FY18
- More than $12.3million donated in Australia since 2008
- Workplace Giving participation at record high in Australia (35%)
- 40%+ participation rate in Canada
- Supporting education programs in South Africa (Education Bursaries)
- Key contributor in Foodbank Australia's World Biggest Hamper Challenge (500 Flight Centre volunteers participated in successful world record attempt)

WORLDWISE

- Responsible Travel Charter in place
- More than 10,000 suppliers audited to assess animal welfare practices
- Proactively working with suppliers to ensure animal attractions that FLT promotes don't involve cruel practices
- Member of the ReThink Orphanages Network Working group
- Volunteer advocacy trips to Cambodian Children's Trust and Project Somos (Guatemala) to increase awareness of the child protection issues of orphanage tourism
- Network of Worldwise ambassadors appointed to increase awareness among customers & consultants
- Developed a Supplier Advisory Board to champion responsible travel throughout the industry
- Global Touring business made operational changes to reduce carbon footprint – phase 1 alone has prevented half a tonne of plastics ending up in landfill, with further developments to come.

ENVIRONMENTAL SUSTAINABILITY

- 5-Star Green Rating for FLT's global head office
- 54% reduction in head office paper usage
- Introduced food recycling in the UK, in addition to existing programs to uplift our overall recycling rate to 65% (12 months to Dec 17);
- Established a working group to set environmentally sustainable best practice standards across our organisation;
- Waged and engaged FLT's own "War on Waste" with ongoing campaigns for keep cups, "Say No to Plastic" and better recycling and waste management.
- Network of Green Warriors in place in Australia to champion environmental issues

FCTG PEOPLE

- Appointment of 14 Flexibility and Diversity Champions around Australia to drive programs locally
- Established Parentwise, a forum to enable staff on parental leave to remain engaged through quarterly gatherings and regular formalised communication
- Continued drive to increase the number of women in senior leadership roles with unconscious bias training plus equal gender representation for all senior leadership interview panels
- Paid Parental Leave program launched in Australia
- Parental support programs also in place in various other countries
- Achieved Broad-Based Black Economic Empowerment (BBBEE) Level 2 and 4 rankings in South Africa.

Womenwise was established in 2016 by a group of FLT's senior female leaders to inspire all women by showcasing opportunity, providing role models and offering structured support to create gender balance in all leadership teams across the company.

Initiatives that Womenwise has supported and championed recently have included:

- The launch of a mentoring program that recognises and leverages our senior women leaders' experience by providing our people with access to this wealth of knowledge and expertise
- Paid Parental Leave - our new program will give all new parents six weeks' pay, on top of the existing Paid Parental Leave that is available to all Australian primary caregivers. This will allow our parents a total of 24 weeks' paid leave
- A partnership with Goodstart Early Learning – this partnership offers discounts on day-care fees to FLT families; and
- Parentwise – a new initiative that aims to help people on parental leave stay connected with the business and help parents transition back into our business

In recent years, the company has also focussed on ensuring greater flexibility when it comes to working hours. I'm pleased to report that 30% of our workforce is now operating under flexible arrangements.

Pleasingly, Melanie Waters-Ryan, our COO and a great champion of advancing more females into leadership roles, was recently recognised for her achievements by being named the most powerful woman in the Australian travel industry at the Women in Travel Awards.

BOARD STRUCTURE & GOVERNANCE

At Board level, Colette Garnsey was appointed as a non-executive director in February.

Colette is one of Australia's most experienced and respected retail sector leaders and has proven to be a great addition to our board. Her skill-set, which extends from retail operations to brand and consumer insights, cross channel marketing and international business, complements other board members' talents and experience.

We also draw on specialist, external expertise from time to time to augment management and board skills. For instance, we have a Digital Advisory Board that meets regularly to help chart our progress and evolution in this important area.

This board includes:

- Atle Skalleberg, our chief digital officer
- BlablaCar CEO Nicolas Brusson
- Boston-based travel tech investor Hugh Crean; and
- Warby Parker vice president Kim Nemser

We also regularly undertake specialist training at board and management level to improve and stress test our processes and procedures. For example, specialist sessions that took place during FY18 included unconscious bias training for senior management and intensive cyber security training including dealing with a simulated cyber security breach.

In Australia, the high profile public hearings that have been taking place recently within the financial sector have led to much discussion in boardrooms.

These hearings have put the spotlight on corporate behaviour and many companies, including FLT, have spent time reviewing their track record on governance and risk culture.

Sound corporate governance is critical to any company's long-term viability and the principles that underpin it encapsulate not only the Board's role, responsibilities and functioning in relation to risk governance but also the adequacy of the organisation's internal structures, operational controls and procedures to manage risk.

One of our company's great enduring strengths has been our strong corporate culture, as enshrined in our Vision, Purpose and Philosophies. Nonetheless, your Board believes it is prudent to regularly review the company's risk culture and ethical behaviour from the perspective of both our people and our customers.

In recent years we have carried out an annual "Organisational Risk & Governance Culture – temperature check".

The findings of this check-up provide our Board and leaders with a deeper insight into the organisation and any behavioural risk concerns. We have learned a great deal from this exercise and it has helped us sharpen our focus on ensuring that the expectations of our customers, our people and the broader community are being met.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We are also expanding and adopting a more coordinated approach to the various CSR activities that we undertake globally.

During FY18, the Brighter Futures Program was developed to ensure a coordinated approach in four key areas, as outlined in the graphic below.

FLIGHT CENTRE TRAVEL GROUP Brighter Futures

Building brighter futures where we work, live and travel

Flight Centre FOUNDATION	Building brighter futures through empowered giving
FCTG WORLDWISE	Building brighter futures through responsible travel
FCTG PEOPLE	Building brighter futures through egalitarianism and unity
FCTG Environmental SUSTAINABILITY	Building brighter futures through sustainable practices

Key achievements in each of the four areas the Brighter Futures has been focusing on have been included in the table above.

We have also become signatories to the United Nations Global Compact, an initiative that encourages businesses around the world to operate in a responsible manner, and we prepared our first progress report to the UN highlighting our achievements to date.

Later this calendar year, we expect to produce our first Sustainability Report to provide more comprehensive details on our key achievements in this important area.

CONCLUSION

In conclusion, I'd like to thank-you for your ongoing support of FLT.

We look forward to the year ahead and believe we are well placed to deliver another year of strong returns to shareholders.

Gary Smith, Chairman

WORLDWIDE TOP PERFORMERS

HALL OF FAME:
NATHALIE ADAMS
UNITED KINGDOM

TOP BDM WORLDWIDE:
HEIDI GRAND
USA

TOP WHOLESALE CONSULTANT:
EMMA BULL
NEW ZEALAND

TOP RETAIL SPECIALIST CONSULTANT:
ANDY FROSTICK
UNITED KINGDOM

DIRECTORS' AWARD:
CHARLENE LEISS
USA

HALL OF FAME:
JOANNE KENNEDY
AUSTRALIA

DIRECTORS' AWARD:
JOHN BEAUVAIS
CANADA

HALL OF FAME:
HAYDN LONG
AUSTRALIA

HALL OF FAME:
MICHELE KISH
USA

TOP RETAIL LEISURE CONSULTANT:
TRUDY LAGERMAN
USA

TOP CORPORATE TRAVEL MANAGER:
CHELSEA ROSAN
USA

FY18 RESULTS & OVERVIEW

ADAM CAMPBELL
CHIEF FINANCIAL OFFICER

The 2018 fiscal year (FY18) was a record breaking year for your company, as a number of new result-related milestones were established.

These milestones, which corresponded with a period of significant change and transformational activity, helped deliver improved shareholder returns in the form of:

- Record dividend payments totalling $1.67 per share fully franked; and
- Record earnings per share of $2.79 (underlying).

In addition, the company's share price finished FY18 at a record year-end high of $63.65, meaning the total shareholder return relating to the year exceeded $27 per share ($25.35 in share price growth plus the $1.67 per share fully franked dividend payments).

RECORD TTV & REVENUE

Our company's sales results again highlight the strength of the company's business model and its ongoing relevance to customers globally.

TTV increased 8.5% to a record $21.8billion and, in dollar terms, exceeded our previous best result (FY17) by more than $1.7billion.

To put this in context, the company:

- Sold travel valued at almost $60million every day of the year on average; and
- Has now delivered 22 years of TTV growth in 23 years as a listed entity.

TTV increased in each of our geographic segments, as every country delivered a record sales result.

Sales growth was largely driven by our corporate businesses, as expected, given that several leisure businesses were downsized, repositioned or closed during the period to improve bottom-line results.

Our overseas businesses also played a key role in our growth and generated 49% of group TTV to again underline our increasing diversity.

Revenue increased 6.5% to a record $3billion, which led to a 13.5% income margin (revenue as a percentage of TTV).

RECORD PROFIT

At an underlying[2] level, profit before tax (PBT) increased 16.8% to a record $384.7million.

SHAREHOLDER WEALTH	FY18	FY17	FY16	FY15	FY14
TTV	$21,826m	$20,109m	$19,305m	$17,598m	$16,049m
Income Margin	13.5%	13.8%	13.7%	13.6%	14.0%
EBITDA	$441.5m	$402.1m	$413.9m	$417.0m	$378.4m
PBT (statutory)	$363.5m	$325.4m	$345.0m	$366.3m	$323.8m
PBT (underlying)	$384.7m	$329.5m	$352.4m	$366.3m	$376.5m
NPAT (statutory)	$264.2m	$230.8m	$244.6m	$256.6m	$206.9m
Earnings per share	260.5c	228.5c	242.4c	254.7c	205.8c
Dividends per share	167.0c	139.0c	152.0c	152.0c	152.0c
ROE	17.0%	16.2%	18.2%	20.2%	18.8%

[1] Underlying PBT for the period 2017/18 excludes $13.3million relating to the ACCC penalty and associated costs and $8.0million relating to the New Zealand Holidays Act remediation and associated costs. Underlying PBT for the period 2016/17 excludes $4.1million loss incurred on exiting Employment Office investment.

[2] Underlying PBT, TTV, Income margin and EBITDA are non-IFRS measures and are unaudited.

This result was at the top end of our upgraded guidance and exceeded:

- The FY17 result by $55.2million; and
- The FY14 result, which was previously FLT's best, by $8.2million or 2.2%.

The underlying numbers listed above have been adjusted to exclude the impacts of various unforeseen or non-recurring items.

Specifically, these were:

- The $4.1million loss incurred on exiting the Employment Office joint venture during FY17; and
- $13.3million in costs and penalties related to the long-running competition law test case in Australia, which was finalised during FY18, plus the $8million holiday leave adjustment in New Zealand.

Obviously, we were disappointed to lose the ACCC test case and to have a significant penalty imposed, given the earlier unanimous judgment in our favour in the Full Court of the Federal Court of Australia (FY16) and given the court's acknowledgement that FLT had not knowingly breached the law.

We are, however, respectful of the court's judgment and relieved that the case is now over. We don't expect the test case's outcome will have any further impacts on our operations although it does of course establish ground-rules that other companies – both inside and outside of the travel industry – will now have to abide by.

The New Zealand adjustment is similar to the adjustment that many other companies, government departments and organisations are now making in relation to the country's Holidays Act.

The government has acknowledged widespread non-compliance with this act, as a result of a number of factors (including issues with the act itself), and has now formed a Holidays Act Working Group to find a better solution. Like other affected companies and organisations, including the department that administers this program, once we receive government sign off on our audit we will notify and repay all affected past and present employees.

Actual or statutory PBT for FY18 increased 11.7% to $363.5million (FY17 $325.4million).

After-tax, FLT recorded an underlying $283million net profit after tax (NPAT) and a $264.2million actual NPAT.

For comparative purposes, the FY17 results were $234.5million and $230.8million respectively, meaning we grew by 20.7% at an underlying level or 14.5% at an actual level.

FLT's effective tax rate (ETR) for FY18 was 27.3% (FY17: 29.1%). This ETR decrease was driven by US tax rate changes from 35% to 28% for current tax payable and 21% for deferred tax balances.

MARGINS

Income margin decreased, as expected and largely as a result of ongoing business mix changes, specifically further rapid growth in several lower income margin businesses.

These businesses, which together generated almost 30% of group TTV at a combined income margin of just under 7.3%, included:

- Our global corporate travel management business, FCM, which is heavily automated and is a high volume, lower margin operation
- Our Travel Money FX businesses in Australia, New Zealand and India; and
- Our specialist online travel agencies, BYOjet, Aunt Betty and StudentUniverse.

Given these businesses' growth profiles, we expect that income margin will continue to decrease moderately over the next few years.

Our 50 basis point (bps) underlying* cost margin improvement to 11.2% during FY18 – the company's best result since FY07 - more than offset this income margin decrease and resulted in a 12bps improvement in our net margin (profit before tax as a percentage of TTV) to 1.76%.

This net margin improvement, which was one of our key financial targets under the Business Transformation (BT) program, was driven by:

- The removal of some loss-making businesses
- A turnaround in some other businesses that had historically generated losses, including the North American leisure businesses
- Slower cost growth, as FLT achieved its FY18 transformational goal of less than $100million in underlying expense growth in constant currency. Underlying costs increased by $91million (3.9%), which translated to $85.4million (3.6%) growth on a constant currency basis, and do not include the ACCC, NZ holiday leave and Employment Office adjustments or the touring business's costs; and
- Stronger returns from some businesses that have not historically been materially profitable. Examples include Travel Money Australia and BYOjet

While our total cost base will continue to increase, largely as a result of increased wage and rent costs, we are successfully lowering expenses in some areas, which is contributing to lower cost margins.

INVESTMENT IN FUTURE GROWTH DRIVERS

While cost control is an ongoing priority, the company also continues to invest in its key foundations to drive future revenue and TTV growth.

Capital expenditure during FY18 reached $87.3million; with about half of this spend being directed towards IT systems and projects and almost 40% being invested in our shops. The balance related to head office moves or enhancements in Sydney, Canada and the UK.

As covered in greater detail elsewhere in this report, the company deployed its new point-of-sale system (GDS) in Australia and New Zealand. This brought the two-and-a-half year global project to an end and should help FLT achieve one of its primary strategic objectives – improving productivity – within its largest operating segment in the future.

In addition, a new finance platform, Microsoft Dynamics, is currently being deployed globally.

The company paused the planned roll-out in Australia and New Zealand while the GDS deployment was underway and has earmarked late FY19 for the platform's introduction within the Australian leisure business. Dynamics' deployment will take place over a longer period than last year's GDS change and is not expected to be as disruptive to the business.

* Underlying costs exclude touring cost of sales

Shortly after the transition to a new GDS was completed, the company initiated its Rebrand and Grow (R&G) plan in Australia. This is a market-share growth plan and it will see the company focus on three larger and more powerful leisure streams in Australia in the future.

While there were many other significant investments, including the acquisitions that Gary outlined, I'd like to highlight two specifically.

Firstly, we launched a start-up home-based agency network in the USA, Independent by Liberty Travel, to tap into a rapidly expanding industry segment. Together with the longer established Canadian operation, Independent by Flight Centre, we now have 500 home-based agents across North America.

In the medium-term, we expect this area of the overall leisure business to develop into a healthy TTV and profit generator, both in North America and globally.

Secondly, we launched a company-owned corporate travel business in Germany. While this investment impacted EMEA results during FY18, we expect it to deliver solid future returns given that Germany is one of the world's largest corporate travel markets.

SEGMENTED RESULTS

A snapshot of our trading performance in each of the geographies that make up our key segments accompanies this column.

In essence, FLT's FY18 profit growth was underpinned by its international businesses during a year of significant change and short-term disruption in Australia.

Nine countries generated record PBT including:

- The USA, Canada and Mexico in the Americas
- The UK, Netherlands, South Africa and UAE in the EMEA segment; and
- Singapore and Malaysia in the Asia segment.

The Americas and EMEA businesses performed particularly well and together generated a profit in excess of $150million. This more than doubled the combined contribution from just two years ago and was more than three times the contribution from five years ago.

To put their combined results in context, about 40% of FLT's underlying profit during FY18 came from the Americas and EMEA, compared to just 15% five years ago.

The EMEA segment was created during the year when FLT's UAE businesses, which were formally part of our Asia division, were brought under Chris Galanty's control, alongside the company's UK, Europe and South Africa operations.

In its first year, this division made a strong contribution to overall results, generating 14% of group TTV and 22% of group profit.

The UK business, EMEA's largest operation, again performed well, with corporate TTV exceeding $1billion for the first time and leisure results improving.

The UK's Flight Centre brand business has pivoted to become a specialist in long haul tailor-made holidays, rather than cheapest airfares. Its manufactured product ranges, Journeys and Escapes, have been a key part of its recent success and together generated more than GBP70million in TTV during FY18.

GLOBAL RESULTS[2]

AUSTRALIA
TTV: $11.2b,
up 3%
EBIT: $246.3m
Businesses: 1,505

NEW ZEALAND
TTV: $1.3b,
up 13% in AUD
(up 15% in local currency)
EBIT: $20.2m
Businesses: 201

USA
TTV: $3.2b,
up 7% in AUD
(up 10% in local currency)
EBIT: $51m
Businesses: 246

CANADA
TTV: $1.5b,
up 18% in AUD
(up 16% in local currency)
EBIT: $24m
Businesses: 211

UNITED KINGDOM
TTV: $2.1b,
up 11% in AUD
(up 7% in local currency)
EBIT: $55.4m
Businesses: 294

EUROPE
TTV: $282m,
up 55% in AUD
EBIT: ($0.1m)
Businesses: 21

SOUTH AFRICA
TTV: $609m,
up 10% in AUD
(up 7% in local currency)
EBIT: $15.7m
Businesses: 184

UNITED ARAB EMIRATES
TTV: $120m,
up 30% in AUD
(up 33% in local currency)
EBIT: $4.7m
Businesses: 9

INDIA
TTV: $805m,
up 41% in AUD
(up 43% in local currency)
EBIT: $2.1m
Businesses: 149

GREATER CHINA
TTV: $304m,
up 8% in AUD
(up 8% in local currency)
EBIT: ($0.8m)
Businesses: 28

SOUTH EAST ASIA
TTV: $277m,
up 32% in AUD
(up 30% in local currency)
EBIT: $6.2m
Businesses: 20

LATIN AMERICA
TTV: $61m,
up 15% in AUD
(up 15% in local currency)
EBIT: ($1.9m)
Businesses: 4

While small in comparison to the UK, the South Africa and UAE businesses made key contributions, with TTV increasing 13% and profit more than doubling in the UAE, despite the impacts of the small leisure business's closure.

On Continental Europe, the FCM businesses are largely in their infancy and FLT's presence in some potentially large and important corporate markets, including Germany, France and the Netherlands, is just starting to take shape. These businesses generally performed in line with expectations.

Within the Americas, FLT's second largest segment by sales, the company grew very strongly in corporate travel and benefited from a significant turnaround in leisure results.

In the USA, both the FCM and Corporate Traveller businesses performed well as overall corporate TTV in the country almost reached $1.7billion. FCM USA is now FLT's second largest FCM business globally by sales, behind only Australia.

The leisure business was profitable for the first time since 2012, as the company started to benefit from the productivity, cost reduction and other strategic initiatives that have been implemented in recent years.

StudentUniverse delivered the second strongest profit in its history, but finished down in comparison to FY17. Bottom-line results rebounded late in the year, which has given the business solid momentum heading into FY19.

In Canada, the corporate business was bolstered by the acquisition of Quebec-based Les Voyages Laurier Du Vallon (LDV) and grew solidly during the year. Leisure results also improved significantly as FLT achieved its first leisure profit in the country since FY11.

FLT's businesses in Asia, which includes operations in Singapore, Malaysia, China (Mainland and Hong Kong) and India continued their turnaround and together made a solid profit contribution of $5.2million, while generating about 6% of group TTV. TTV across the region increased by 30%.

In all countries apart from India, FLT has returned to its traditional focus as a corporate travel manager. The Singapore and Hong Kong leisure businesses have been downsized and pivoted and FLT has concentrated its efforts on the FCM business.

In India, the company generated a modest profit overall and saw some improvement in areas that had historically proved challenging, including the leisure travel sector.

In the Australia/New Zealand segment, the company recorded reasonable TTV growth, given the disruption that was taking place and the short-term contraction in its leisure sales force while efforts were focussed on system deployment.

All transformational costs, including costs associated with the R&G plan, have been included as business as usual, rather than separated as non-recurring, and this contributed to a decrease in profit year-on-year in Australia.

Leisure TTV growth in Australia was modest, as expected, given the changes that were taking place. The corporate business was less affected by this disruption and recorded solid TTV growth over the full year.

In New Zealand, underlying PBT increased 14%, with the acquired corporate and home-based leisure businesses making a solid contribution.

The TEN businesses, which sit within the "Other" segment in FLT's results, collectively delivered a small profit.

Touring businesses Top Deck and Back-Roads were again profitable, as were Buffalo and Olympus Tours, FLT's destination management companies (DMCs). BHMA, a small hotel management business that was acquired during FY18, made a modest loss, as expected at this early stage in its development.

Operational highlights within TEN during FY18 included:

- The Olympus acquisition
- Back-Roads Touring's expansion into Asia; and
- BHMA's acquisition and expansion, with four new properties opened in Thailand (Chiang Mai, Pattaya and Kanchanaburi) and Vietnam (Viet Tri near Hanoi) since FLT acquired the business.

Globally, FLT recorded further growth in online leisure sales with TTV increasing about 20% during the year.

CASH, CASH FLOW & DIVIDENDS

Our strong FY18 performance led to a solid operating cash in-flow of $314.3million.

At year-end, FLT had a global cash and investment pool totalling $1.48billion, which included $444.5million in company cash plus an additional $108.5million in company investments. Debt totalled just $35.5million, leaving FLT in a very strong position of having $517.5million in positive net debt.

In light of this strong cash position, the company's directors elected to return 60% of underlying FY18 NPAT to shareholders.

This return, which is at the top of FLT's current pay-out policy (50-60% of NPAT), consisted of:

- The fully franked $0.60 per share interim dividend; and
- A fully franked $1.07 per share final dividend, which was declared today.

In total, almost $170million will be returned to shareholders via these combined dividend payments related to FY18.

FLT continues to review its cash and debt positions – along with its capital management policy – to ensure that it is managing its balance sheet appropriately, given the industry's volatility and FLT's desire to grow the business for shareholders' longer term benefit.

CONCLUSION

FY18 was a significant year for the company as it delivered record results and returns, against a backdrop of change and investment.

The company has started the new fiscal year with solid momentum and has established the foundations for further growth through the enhancements and refinements it has made in recent years.

As you will read in Skroo's column, we have sound prospects for the year ahead across our five key geographies and within our three key operating sectors of leisure travel, corporate travel and in-destination travel experiences.

STRATEGIC UPDATE

MELANIE WATERS-RYAN
CHIEF OPERATING OFFICER

The business transformation (BT) program that was initiated late in FY17 to ensure FLT achieved scalable and profitable growth throughout the economic cycle has started to gain momentum, with the company making solid progress towards its 7-2-100 targets.

Specifically, these targets are:

- 7% average TTV growth per annum in constant currency. We comfortably exceeded this target during FY18 and have set our sights on continuing this growth rate through to FY22
- A return to a 2% underlying net margin by the end of FY22. We recorded a 12 bps improvement during FY18 to 1.76%; and
- Less than $100million in underlying cost growth during FY18 (on a constant currency basis). We achieved this short-term target and have now set a challenging new cost margin goal to reach by the end of FY22.

During its first year, the BT program effectively focussed on rationalising or "cleaning up" the company's stable of brands and businesses, along with globalisation, particularly in the air, land and IT spaces; and controlling costs and improving efficiency.

FLT's brand clean-up saw it target several problem areas within its global network by:

- Closing its loss-making UAE leisure business and focusing on its profitable corporate business in the country
- Downsizing or closing its South East Asia leisure businesses and focusing on a single, profitable corporate brand, FCM, across the region
- Downsizing and pivoting its loss-making Canada and USA leisure businesses. Both businesses returned to profit during FY18
- Closing about 90 poorly located or under-performing shops in Australia and redeploying the sales staff to better sites as part of a new network plan; and
- Initiating its R&G plan in Australia, which saw the moderately profitable Escape Travel and Cruiseabout brands merged with the stronger and more profitable Flight Centre and Travel Associates brands.

While the Australian leisure network is comfortably our largest profit and sales generator globally, its results have been below expectations in recent years. We believe this plan will help us generate stronger future returns and grow our market-share.

Moving forward, we will have three super networks targeting the mass market (Flight Centre and BYOjet), premium travellers (Travel Associates and Travel Partners) and the youth sector (Student Flights, Student Universe and Topdeck).

In addition, a number of small brands were also merged with larger businesses elsewhere in the world. For example, Australian corporate brand 4th Dimension became part of FCM, Flight Centre Business Travel became part of FCM in Singapore and Round-The-World Experts in the UK became part of Flight Centre brand.

In terms of costs and efficiency, FLT achieved its FY18 target of less than $100million in underlying cost growth in constant currency, while also recording 5% further improvement in consultant productivity.

To curb cost growth, the company streamlined its support structures, with a regional South East Asia leadership team put in place late in FY17 and sales and marketing areas in

Australian consolidated during FY18 as part of the R&G plan.

FLT also initiated an outsourcing program, starting with web support areas and some finance functions. Further opportunities are being considered.

A new cost target is now in place, with the company working towards a 10% underlying* cost margin goal by the end of FY22, as mentioned earlier in this column. This cost margin target does not include the costs associated with our tour operating businesses.

It will be difficult to achieve this target, which is well below our current position, and we don't necessarily expect a linear progression towards our FY22 goal, given that we may make some additional investments from time to time to drive stronger TTV and revenue growth.

As Adam mentioned, our FY18 result had a strong global flavour, with overseas businesses driving overall profit and TTV growth.

With our strong recent results in the Americas and EMEA businesses, we now have three main profit engines globally.

These businesses are very closely aligned from a leadership perspective, which allows us to share ideas and best practice seamlessly and globally.

Our leaders (Taskforce) are also taking a hands-on approach to developing our core business divisions globally, with Chris Galanty overseeing our global growth strategy in corporate travel, whilst I will play a key role in the transformation of our leisure businesses. In addition, Dean Smith has taken an active role in a new product group that has been formed to transform current practices, reduce costs, eliminate duplication, enhance margins and deliver product in a frictionless way to our consultants and our customers.

This product supergroup's priorities include:

- Globalisation
- Vertical integration
- Air product distribution, including the New Distribution Capability (NDC) initiatives
- Land product distribution; and
- Pricing.

This global approach has also allowed the company to explore and capitalise on synergies within its air, land and IT businesses – using different geographies to develop and pilot global initiatives.

A global Ticket Centre was created during FY18, following a successful trial involving the Australian business to replace the regional models that were in place.

In addition, the company:

- Introduced new in-store systems (GDSs) globally
- Started to deploy its new global finance platform, Microsoft Dynamics
- Globalised its e-commerce platform; and
- Initiated a project to replace its global land database.

FLT has also moved to create global hotel, DMC and touring networks as part of the TEN.

While FLT expects to make further enhancements in the key areas it concentrated on during the BT program's first year, the transformation focus will now shift to an investment and business engineering phase as the program enters its second year.

This investment and business engineering will take place globally across our three key divisions – leisure, corporate and the TEN – over the next two years and will be geared towards achieving the following objectives:

- Making our company more productive and efficient
- Delivering a better and more consistent customer experience; and
- Scalable growth – sustainable revenue and cost increases.

As part of assessing businesses' long-term materiality and returns in order to make decisions around what should change, the BT team has adopted a very systematic approach to this second phase.

Within each business pillar or division, the team will follow a five-step process to ensure we achieve our objectives:

1. An initial assessment of our competitive position in our key markets
2. Define our brands' DNA – what differentiates them or makes them special within these markets
3. An analysis of our models and the ingredients that underpin their success
4. Fit, which effectively means defining how the systems and strategies that drive each business enhance each other; and
5. Implementation plans – a program of projects with clear goals, investment and returns.

In our leisure division, we are already making sound progress, with work underway on:

- The next generation Flight Centre Brand offering (FCB 2.0)
- A blended youth model that draws on the strengths of both the Student Flights and StudentUniverse businesses; and
- Our premium offerings, Travel Associates, LDV in Canada and Liberty in the USA.

We look forward to updating you on our progress during the year.

** Underlying costs exclude touring cost of sales*

OUTLOOK

GRAHAM TURNER
CHIEF EXECUTIVE OFFICER

While FY18 will be remembered as a good year for your company and we can generally be pleased with our achievements, our focus is now squarely on the years ahead and on ensuring we deliver further growth in value for our shareholders.

Our strong FY18 results, coupled with the transformational activities that took place and the investments we have made in recent years, mean we have started the new fiscal year with good momentum and with solid future prospects.

In terms of market guidance for the new fiscal year, we believe it is appropriate to wait until our Annual General Meeting in October before outlining our specific FY19 profit target.

This policy has been in place for the past couple of years and it has allowed us to provide you with a more meaningful target, given that we know first quarter trading results at that stage.

Our aim will, of course, be to surpass the record profit and sales results we generated during FY18 and we believe we are well placed to achieve this objective.

Although it is very early days in FY19, we are tracking above the prior corresponding period and trading conditions remain fairly stable.

Globally, the overall travel market is expected to increase, with IATA currently projecting 3.6% compounding annual growth through to 2036, which means the overall industry is set to double between 2017 and then.

In Australia, capacity growth has also been fairly steady in recent months – typically between 3% and 5% growth per month (Source: BITRE) – and average international airfare prices have generally remained around prior year levels. This means that our customers continue to enjoy the benefits flowing from the unprecedented discounting that took place during FY17.

At this stage, we expect modest fare movements this year – normal annual fluctuations – although forecasts pointing to rising oil prices could fuel more significant medium term price growth.

Within the aviation, land and cruise sectors, we have developed extremely long-standing and mutually beneficial relationships with most suppliers.

We intend to build on these relationships and are now generally seeking longer term contracts of between five and 10 years with our partners.

These longer term agreements offer security to both parties and allow both ourselves and our partners to focus on future strategic initiatives that will deliver benefits to our mutual customers and improve financial performance.

Our 10-year Virgin Australia contract was one of our first long-term agreements and we have taken steps to replicate this with other key airlines, including Etihad and Singapore Airlines.

We are also taking an active role in new developments in the aviation sector and are pleased to be launch partners' of both Amadeus and Sabre's NDC enabled solutions.

These initiatives are geared towards shaping the future of travel distribution and are proactively bringing the key players to the table, namely people like ourselves, the airlines and the GDSs, to deliver outcomes that will benefit all parties.

Our involvement in the Sabre Beyond NDC program, which was announced this month, covers beta testing of new capabilities and provides us with relevant influence on solution design, roadmap priorities via program working groups, and exposure to stakeholders across the value chain. Participation also gives FLT priority access for roll out sequencing.

We strongly believe that the GDSs represent the most efficient way to distribute travel and to drive additional retailing capabilities. Their software, data, analytics, mobile and distribution solutions are unrivalled and are used by hundreds of airlines and thousands of hotels to manage critical operations, including passenger and guest reservations, revenue management, flight, network and crew management.

Within our businesses, we see improvement and growth opportunities across our three core sectors.

In leisure travel, for instance, we have made significant changes in Australia and overseas during recent years and we have an ongoing transformation focus to ensure our brands are:

- Famous and distinctive
- Easy to buy from; and
- Deliver scalable, profitable growth.

This year, we will continue to invest in our core Flight Centre brand, while also targeting the premium and youth sectors through brands like Travel Associates, Liberty in the USA and StudentUniverse.

In some countries, including Canada and the USA, our networks are now smaller, but stronger following the transformational changes of recent years.

We are also strengthening the Australian leisure network by relocating poorly located or under-performing shops as well as the sales teams that occupied to other better sites, as part of a new network plan.

Globally, we will continue to grow our home-based leisure offerings, both organically and via acquisitions. This is a growing leisure sector and it is an attractive proposition both for us and for our people, given its lower cost base and the flexibility it offers.

We are also targeting new leisure revenue streams and models through initiatives like Flight Centre Exclusives, our new flash/last minute package holiday range. This new range was launched in Australia last week.

While we remain predominantly offline, we will continue to enhance our online capabilities via our digital transformation initiatives.

These initiatives, which in some cases are being driven by our Boston-based digital North Atlantic (dNA) team, are geared towards delivering:

- Further online leisure sales growth on top of the 20% growth achieved during FY18
- Quality leads to our expert people
- New and enhanced native apps; and
- Digital solutions that will enhance productivity and/or improve the customer experience.

In corporate travel, we see strong future growth prospects for our two key brands, FCM and Corporate Traveller.

FCM, which specialises in larger managed accounts, is coming off a very strong year globally in FY18, now sits among the global leaders in the sector. We are regularly being invited to pitch for flagship multi-national accounts.

This success is in part due to FCM's leading technology suite, which is blended with an equally strong people offering and includes the SAM :} artificial intelligence tool.

We will continue to invest in this tech suite and have just announced an exclusive agreement with Serko to develop Savi, our next generation technology offering.

The SME focussed Corporate Traveller brand is also strengthening its technology offering, with Your CT deployed as a new portal for SME customers.

Within our TEN, we will continue to integrate and enhance our existing stable of brands and businesses, while also considering further acquisition opportunities.

For example, we have previously outlined our intention to create a global DMC network and we would consider opportunities in some European or Australasian markets, to operate alongside our businesses in Asia and the Americas. Similarly, we would consider hotel management opportunities in key Asian locations, including Bali and Thailand, and elsewhere in the world.

Within the Touring Network, we have steadily expanded into new markets in recent years.

Top Deck now operates tours in the UK, Europe, North America, North Africa, Egypt, South East Asia, Australia and New Zealand, while Back-Roads operates in the UK, Europe and Asia.

This year, these two businesses are expected to carry about 50,000 passengers.

We also see growth and improvement opportunities within our key sectors and the countries which form part of them.

For example, we expect stronger leisure results in Australia, now that system deployment is complete and given that the R&G plan is in place.

Growth will predominantly come from our largest brands and businesses, principally Flight Centre, FCM, Corporate Traveller and Travel Associates, in Australia/New Zealand, The Americas and EMEA, but we also expect solid contributions from some emerging brands and businesses.

While they are not large enough to drive overall growth in bottom-line results in their own right, these brands and businesses are performing well and are starting to make a meaningful contribution.

For example, FLT's Asia business, plus Travel Money in Australia and New Zealand, Jetmax (BYOjet and Aunt Betty), Stage & Screen, cievents and 99 Bikes generated a combined profit of $31.8million during FY18.

This represented about 8% of the company's global profit last year.

CONCLUSION

In conclusion, I'd like to echo the sentiments expressed by Gary Smith and others by thanking you for your ongoing support of our company.

We aim to deliver further, consistent growth during the years ahead and believe we are well placed to achieve this objective.

While challenges will inevitably arise during FY19 – as they do in any given year – we are starting the new year in a position of strength, given:

- Our strong brand stable that now spans multiple geographies and travel sectors
- Our workforce is more efficient and our cost base is better equipped to deliver profit growth throughout the economic cycle
- The clear strategic blueprint that is in place globally; and
- Our very strong balance sheet that will allow us to capitalise on any opportunities that arise.

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 2018.

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.M. Garnsey (appointed 7 February 2018)

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 13 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 page 10 and Outlook column on page 12 of this report.

DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

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

	2018 $'000	2017 $'000
Final ordinary dividend for the year ended 30 June 2017 of 94.0 cents (2016: 92.0 cents) per fully paid share	94,990	92,873
Interim ordinary dividend for the year ended 30 June 2018 of 60.0 cents (2017: 45.0 cents) per fully paid share	60,639	45,466
	155,629	138,339

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

DIVIDENDS

On 23 August 2018, FLT's directors declared a fully franked 107.0 cents per share final dividend on ordinary shares for the 2018 financial year. The total amount of the dividend is $107.9million. The combined interim and final dividend payments represent a $168.6million return to shareholders, 64% of FLT's statutory NPAT.

ACQUISITIONS SUBSEQUENT TO YEAR END

On 4 July 2018, FLT acquired the remaining 41.5% of Buffalo Tours for $23,518,000, bringing FLT's interest to 100%.

No other material matters have arisen since 30 June 2018.

ENVIRONMENTAL REGULATIONS

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

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: 58	FLT director since 2007. Managing director of Tourism Leisure Corporation, Director of Michael Hill International Limited.	Independent non-executive chairman Remuneration & nomination committee member Audit and risk committee member	15,000
J.A. Eales BA, GAICD Age: 48	FLT director since 2012. Director of Palladium Group (from Mar-10), Magellan Financial Group (from Jul-17), 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: 60	FLT director since 2013. Former audit partner of PricewaterhouseCoopers, with experience in the retail, travel and hospitality sectors. Chairman of Rightcrowd Limited (from Aug-17), Chairman of Goodman Private Wealth Ltd (from Oct-14), Chairman of the Archdiocesan Development Fund, Catholic Archdiocese of Brisbane (from Jan-18), and chairman of the Audit and Risk Committee of Australian Catholic University Limited (from May-15).	Independent non-executive director Remuneration & nomination committee member Audit and risk committee chairman	2,500
C.M.Garnsey Age: 58	FLT Director since Feb-18. Advisor to Federal Minister for Trade and Investment and director of Australian Wool Innovation Limited. Extensive experience in Australian retail industry, marketing and distribution. Former advisory roles include Australian Fashion Week, Melbourne Fashion Festival and CSIRO. Former director of Just Group Limited (2012-2017).	Independent non-executive director Remuneration & nomination committee member Audit and risk committee member	3,000
G.F. Turner BVSc Age: 69	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	15,242,950

No directors held interests in share rights, options or performance rights during the year (2017: nil).

DIRECTORS' REPORT CONTINUED

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.M. GARNSEY	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 2018 and the number of meetings attended by each director were:

	COMMITTEE MEETINGS					
	FULL MEETINGS OF DIRECTORS		AUDIT & RISK		REMUNERATION & NOMINATION	
	A	B	A	B	A	B
G.W. Smith	16	16	4	3	5	5
J.A. Eales	16	16	4	4	5	5
R.A. Baker	16	15	4	4	5	5
C.M. Garnsey	5	5	1	1	1	1
G.F. Turner	16	16	*	*	*	*

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 FY18.

As covered at length in other sections of this annual report, the year to June 30 2018 was another significant period for FLT, both from a trading and from an operational perspective. This is a tribute to our long-standing and respected executives and to our consultants who have led our business through transformation and business as usual throughout the year.

In financial terms, the company exceeded its initial profit expectations and delivered a record underlying PBT, which saw shareholders rewarded with record EPS and dividend returns.

Appropriately, the higher than expected profit growth achieved, which in turn helped fuel the strong growth in shareholder value during the year, led to increased earnings for our people, including the KMP whose remuneration details are outlined within the following pages.

Overall, FLT paid $1.5billion in employee benefits to its people during the year, a 4.3% increase on FY17.

This clearly highlights the strong alignment between the company's remuneration system and shareholder interests, with employees and shareholders both benefitting from the outcomes that were achieved.

COMMON-SENSE OVER CONVENTIONAL WISDOM

Throughout its history, our company has taken a common-sense approach to business rather than adopting conventional off-the-shelf strategies and policies that are neither aligned to our strategic objectives nor our core philosophies.

This common-sense approach is illustrated in our unique remuneration structures, which are purpose-built to meet FLT's short and long-term strategic objectives.

These structures are regularly reviewed and refined to ensure they continue to deliver strong alignment between FLT's shareholders and executives by:

- Tying pay to performance, ensuring our 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 key executives and shareholder interests; and

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
- **FY18:** The 2018 fiscal year
- **LTRP:** Long Term Retention Plan
- **LSL:** Long Service Leave
- **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

- Encouraging key people to pursue long-term careers with the company and to develop businesses that can deliver year-on-year profit growth and sustainable returns into the future

The LTRP, which is now in its fourth year, is an example of FLT's willingness to develop tailor-made offerings that are aligned to key strategic objectives. This program, which was reviewed and endorsed during FY18, is not intended to be a conventional LTI.

It is a hybrid program that first and foremost serves as a long-term retention tool, but secondly, aligns KMP and shareholder interests as key executives build tangible and immediate ownership of the company. We believe ownership among our people is a critical factor in our success and this belief is articulated in our core philosophies.

Our LTRP operates alongside our BOS program, which also serves as an LTI for a small number of key executives.

While the LTRP builds executives' ownership in the company, executives' participation in the BOS program delivers another long-term incentive to grow the individual businesses they run. In tandem, the BOS and the LTRP ensure our executives are invested in growing both their individual businesses and the company overall for the benefit of shareholders.

Generally, shareholders have responded positively to our remuneration system and the policies, beliefs and governance structures which 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 1%.

UNDERSTANDING THE DIFFERENCES

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

For example:

- Our use of STIs as a key component of targeted packages for every executive, rather than as an annual bonus that is only available to executives in a good year, to drive the right outcomes. There are effectively two components of STIs - a targeted STI representing 10% of targeted earnings, which the executive will earn in full if he or she achieves his or her KPIs; and an additional stretch incentive (above and beyond targeted packages) that will become payable if the executive exceeds his or her KPIs. A "floor" is in place, which means executives cannot earn less than 90% of their targeted packages.

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

EXECUTIVE	AGE	TENURE	FIRST FLT ROLE	CURRENT FLT ROLE
Adam Campbell	43	11 years	Risk & Audit	CFO
Chris Galanty	44	21 years	Flight Centre Putney (UK)	EGM – EMEA
Dean Smith	51	22 years	Flight Centre Elizabeth Street (Victoria)	EGM – The Americas
Melanie Waters-Ryan	51	31 years	Flight Centre Queen Street (QLD)	COO

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 have an average tenure of more than 21 years and an average age of 48, as illustrated in Table 1
- Our people are recognised and rewarded appropriately for their achievements in growing our business, helping our company achieve its long-term strategic objectives and delivering sustainable growth in value to our shareholders
- Incentive structures are simple and transparent. To this end, STIs are strictly tied to measurable and reliable outcome-based KPIs. By ensuring the right outcomes are rewarded, we ensure 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 focusing on short-term performance

Of course, another important consideration is to ensure that shareholders are comfortable with and understand our remuneration structures.

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

- We use profit – generally underlying PBT – as the basis of our STIs, which is aligned to our goal of delivering year-on-year earnings growth to benefit all stakeholders
- Our main LTI for KMP, the LTRP, does not have performance hurdles attached to it. As outlined previously, the LTRP is primarily designed as a retention tool and to create employee ownership and it is, to date, achieving this objective; and
- We do not cap STIs for KMP or for our sales people

Uncapped STIs 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. These structures, processes and curbs include reviews by the RNC if earnings exceed expectations and the use of decelerators to slow earnings growth if stretch targets are achieved.

FY18 OUTCOMES AND FY19 EXPECTATIONS

FLT's remuneration system and structures for FY18 were generally in line with FY17.

The company has, however, simplified its disclosure around "at risk" earnings for its executives within this report. This simplification had no impact on actual earnings but led to an increased "fixed" component of executive remuneration within the disclosures that are contained in this section.

By way of background, FLT traditionally classified all STIs as being at risk. This included a component that was effectively guaranteed, so as to give executives a level of certainty around how much they would earn in any given year and to reduce the risk of our key people leaving our company during challenging trading periods.

In effect, executives were previously guaranteed to earn at least 90% of their targeted annual packages (fixed pay plus targeted STIs). This guarantee remains in place but is now disclosed within these accounts as "fixed pay".

Looking ahead to FY19, similar remuneration structures for KMP are again in place with:

- KMP STI structures unchanged, although the targets have been reset, taking into account future growth opportunities; and.
- Targeted packages for KMP also unchanged, with the exception of the increase that will apply to the CFO, who does not earn additional BOS-related returns and whose salary has been determined to sit below the 25th percentile for his peer group

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 and are encouraging behaviour that benefits both the company and its customers.

The company is also currently discussing an EBA with its front-end sales people in Australia with a view to formalizing a system that includes the elements that both our company and our people consider important.

CONCLUSION

While FLT may adjust our system from time to time, the company believes that the remuneration structures it has created for its KMP and people in general:

- 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' long-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.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT – AUDITED

FLT's remuneration report outlines the company's reward framework for directors and other KMP and 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, which is presented in a Question and Answer format, outlines FLT's remuneration policy and the philosophies that underpin it. Information has been categorised under five broad sub-sections:

i. Remuneration philosophies and structures
ii. Alignment with shareholder wealth
iii. Director remuneration
iv. Executive (KMP) remuneration; and
v. 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, strategic objectives and shareholder interests.

Although this reward framework is unique and is tailor-made to suit FLT's specific goals, its ultimate objectives are in line with market practice in that they aim 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's remuneration structures for key executives (excluding NEDs) have also been carefully tailored to ensure they include an appropriate mix of:

- Fixed and variable pay; and
- STIs and LTIs to ensure a strong alignment between executive and shareholder interests for both the short and long-term

Measurable and reliable outcome-based KPIs underpin FLT's STI programs and the company's overall remuneration systems globally. FLT believes that if the right outcomes are rewarded via its incentive programs, the company, its people, its customers and its shareholders will benefit.

FLT's belief in the value of using quantitative and outcome-based STIs to drive the desired outcomes is articulated in the company's core philosophies, which are included in this Annual Report.

The company'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)

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

Within their remuneration, all executives earn a combination of:

- Fixed pay
- Variable STIs; and
- LTIs, which may include share-based compensation and, in some cases, BOS return multipliers (variable)

Three KMP - Melanie Waters-Ryan, Chris Galanty and Dean Smith - also receive returns on their investments in the company's BOS, which is another tailor-made program that encourages FLT's people to build businesses that deliver sustainable returns over the long-term.

Additional detail on each of these components is included in Table 2.

TABLE 2: THE KEY COMPONENTS OF FLT'S REWARD FRAMEWORK

Fixed Pay

Fixed pay typically includes base pay (retainer), LSL provisions and employer superannuation contributions.

FLT does not guarantee annual base pay increases 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 differs from many other companies in that its STI program is not an annual bonus scheme for executives. Rather, all KMP earn STIs as part of their remuneration packages.

These STIs can be categorised in two ways:

Targeted STIs, which are structured in a way that will see an individual earn his or her targeted salary package if he or she achieves the KPIs that are in place; and

Stretch STIs, payments that the executive will earn if his or her businesses exceed their pre-determined targets

All STIs (targeted and stretch) are based on measurable achievements (quantifiable) against KPIs or targets that are set before the start of each year. This transparency means that each employee knows what he or she needs to achieve to earn all or part of his or her targeted STIs or the additional stretch STIs that might become available.

FLT does not guarantee its executives will earn 100% of their targeted STI earnings, which in turns means that the company does not guarantee the annual salary packages its executives will earn.

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

To help ensure that the leaders of some key businesses remain in their roles for the long-term, the company offers a BOS Multiplier program (see section 3). Under this program, invited senior executives become 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, provided they achieve tenure-related hurdles.

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:

1. The ESP, which was offered to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK; and
2. The LTRP, which was offered to various senior executives (refer section 4).

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT - AUDITED (CONTINUED)

HOW ARE EXECUTIVE SALARIES STRUCTURED?

Before the start of each year, executives are offered a targeted salary package which includes:

- A fixed pay component; and
- A targeted STI component (equivalent to 10% of the targeted package) that is based on the company or the executive's individual business achieving the pre-determined KPIs

As outlined previously, the targeted STI component is an integral component of the individual executive's targeted package and is not an annual bonus.

Additional STIs (stretch incentives) will be payable if the company or the executive's individual business surpasses the KPIs set before the start of the year and, in this scenario, his or her earnings will exceed the targeted package.

GIVEN THE COMPANY'S USE OF INCENTIVES, WHAT SAFEGUARDS ARE IN PLACE TO ENSURE KEY EXECUTIVES ARE RETAINED AND NOT UNDULY PUNISHED DURING CHALLENGING YEARS?

To give executives a degree of certainty around their earnings in any given year, FLT traditionally guaranteed that KMP would earn at least 90% of their targeted packages via their retainer, superannuation and a guaranteed minimum incentive component.

To simplify the disclosures within these accounts, FLT has bundled these elements together and recorded them as "fixed pay" for the first time this year, as explained in greater detail in the introductory letter from John Eales which accompanies this Remuneration Report.

REMUNERATION REPORT – AUDITED (CONTINUED)

1ii) ALIGNMENT WITH SHAREHOLDER WEALTH CREATION

HOW DOES FLT ALIGN EXECUTIVE REMUNERATION WITH SHAREHOLDER WEALTH CREATION?

FLT has a simple and logical 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, as outlined above.

KMP KPIs are strictly tied to year-on-year growth in FLT's overall profit and, in some instances, within its key geographic divisions. This means that senior executives' interests are tied to the company's success and are fully aligned with shareholders' interests.

If the company or the key geographic divisions' results exceed expectations, KMP will earn the full component of their targeted STIs, plus additional stretch STIs. Conversely, if the company or the key geographic divisions' results are below expectations, KMP will earn a fraction of their targeted STIs, which means they will not achieve their targeted packages for the year, as illustrated in Table 4.

Given that FLT and its key geographic divisions surpassed the profit targets or KPIs that were set before the start of the year, KMP earnings exceeded the targeted salary packages (fixed pay plus targeted STIs).

Table 3 below illustrates FLT's achievements in the areas that drive shareholder wealth during the past five years:

	FY18	FY17	FY16	FY15	FY14
Profit before income tax	$363.5m	$325.4m	$345.0m	$366.3m	$323.8m
Underlying profit before income tax[1]	$384.7m	$329.5m	$352.4m	$366.3m	$376.5m
Profit after tax	$264.2m	$230.8m	$244.6m	$256.6m	$206.9m
Interim dividend	60.0c	45.0c	60.0c	55.0c	55.0c
Final dividend	107.0c	94.0c	92.0c	97.0c	97.0c
Earnings per share (basic)	260.5c	228.5c	242.4c	254.7c	205.8c
Share price at 30 June	$63.65	$38.30	$31.58	$34.11	$44.45
Increase / (decrease) in share price %	66%	21%	(7%)	(23%)	13%

[1] Underlying PBT for the period 2017/18 excludes $13.3m relating to the ACCC penalty and associated costs and $8.0m relating the NZ Holidays Act remediation and associated costs.
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 all comparatives include the business results.
Underlying PBT is a non-IFRS measure and is unaudited.

FLT exceeded its targets during FY18, 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 4 below.

Table 4

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 STI earnings will typically be:

- Broadly in line with expectations (targeted STIs) in years where profits within their areas of responsibility are in line with expectations (which occurred in FY14 for KMP who were incentivised on FLT's global results)
- Above expectations in years when KMP earn stretch incentives because profits are above expectations and shareholders benefit from higher than expected dividends and EPS (which occurred in FY18); and
- Below expectations in years when KMP do not earn their targeted STIs because profits and ultimately shareholder returns are below expectations (which occurred in FY15-FY17) and the executive has not achieved his or her KPIs

REMUNERATION REPORT – AUDITED (CONTINUED)

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 FY18, FLT paid 77%, (FY17: 71%) of this pool to its NEDs excluding the remuneration paid to Graham Turner, who is an executive director. Fees paid to individual directors were in line with those paid during FY17, with the overall increase reflecting the addition of a new director (Colette Garnsey).

These fees – in the order of $170,000 for directors and $250,000 for the chairman – remain below the median for ASX 50-100 companies of $183,614 and $379,820 respectively (Source: CGI Glass Lewis 2017).

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 Board and RNC discussions relating to his remuneration.

1iv) EXECUTIVE KMP REMUNERATION STRUCTURES

WHAT ARE KMP STIS BASED ON?

During FY18, KMP STIs were based on:

- FLT's Underlying PBT for the CEO, CFO and COO; and
- A combination of divisional PBT (70%) and FLT underlying PBT (30%) for the leaders of FLT's businesses in the Americas (Dean Smith) and EMEA (Chris Galanty)

No executives were remunerated on external factors.

FLT's broader STI structure is outlined in Table 5 below.

REMUNERATION REPORT – AUDITED (CONTINUED)

TABLE 5: 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?

For each executive who is classed as KMP, 90% of targeted earnings is effectively fixed.

Targeted earnings, however, differ from each executive’s overall remuneration, as outlined below.

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

Each year, executives are offered targeted salary packages built around fixed pay (base pay, superannuation) and variable STIs.

In any given year, an executive’s actual earnings may exceed or fall short of the targeted package because STIs are tied to the actual results achieved.

In years of stronger than expected profit growth, STI earnings will exceed the targeted levels and a larger portion of earnings will have been at risk. Conversely, in years of weaker than expected profit growth, STI earnings will be lower than expected and a larger portion of earnings will have been fixed.

DIRECTORS' REPORT CONTINUED

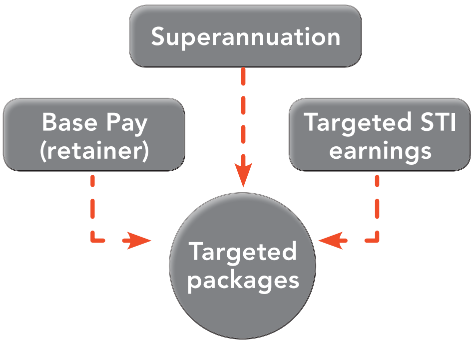
REMUNERATION REPORT – AUDITED (CONTINUED)

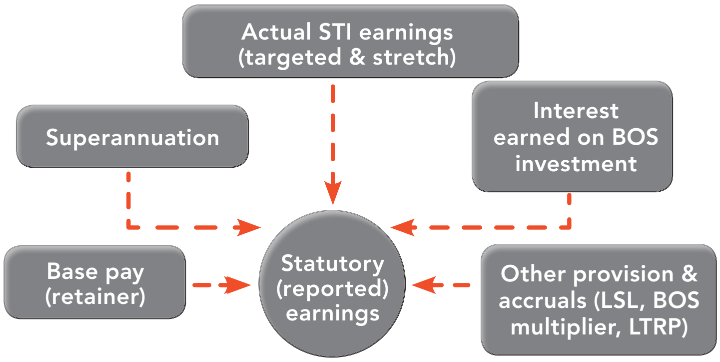
HOW DO THE TARGETED SALARY PACKAGES THAT KMP ARE OFFERED DIFFER FROM OVERALL EARNINGS DISCLOSED IN THIS REPORT?

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

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

The diagrams below illustrate the differences between FLT executives' targeted salary 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 which ensure that executive earnings are aligned to shareholders' interests.

Effectively, KMP earn a small percentage of global profit and, in some cases, a small 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 targeted STIs 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 targeted 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 would have applied had an executive earned 150% of his or her targeted salary package. This decelerator is again in place for FY19.

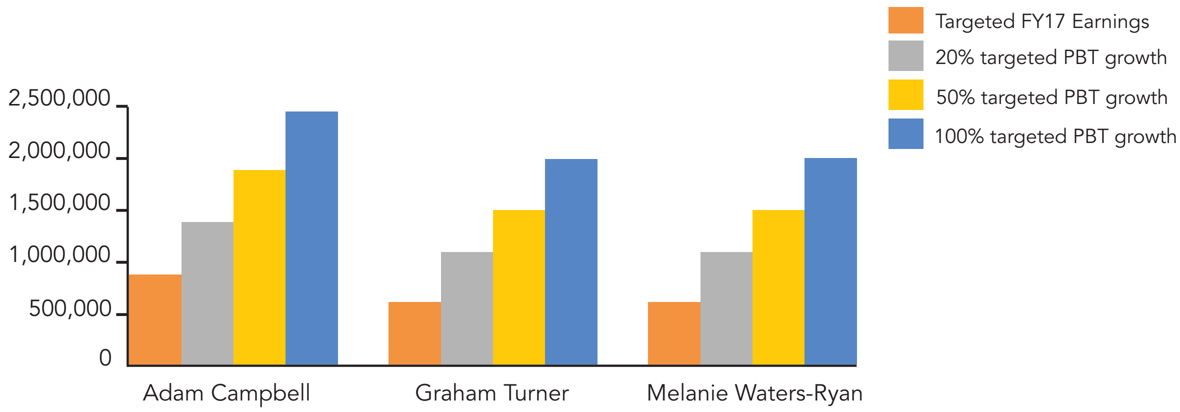
A number of other factors will also limit earnings growth for KMP:

- Firstly, STIs are tied to results achieved by businesses that are now reasonably mature and are, therefore, limited by the relevant business's earnings growth 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.

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 FY18. Had FLT managed to double underlying PBT, targeted earnings would have been $2,282,548, $1,789,725, and $1,809,660 respectively.

REMUNERATION REPORT – AUDITED (CONTINUED)

GRAPH: FIXED PAY AND STIS



As outlined above and based on the median total remuneration for an ASX 50-100 CEO of circa $3.1million (Source: CGI Glass Lewis 2017), Mr Turner would still have earned less than average remuneration had FLT managed to double its PBT during FY18.

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 salary packages and are not aligned to the company's and its shareholders' interests.

EXECUTIVE LONG TERM INCENTIVES (LTIS)

WHAT IS THE LTRP?

The LTRP is a retention tool 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 plan replaced the SEOP and SEPRP, both of which expired in FY15, and was expanded to include a larger group of key executives who were considered crucial to the company's longer term success,

The LTRP aims to:

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

A summary is included on the following page.

REMUNERATION REPORT – AUDITED (CONTINUED)

LTRP summary

Participants:	Key executives globally, including KMP apart from Graham Turner and NEDs.
Award Type:	Annual equity grant of Base Rights and Matched 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. Each Base Right and Matched Right is an exercisable right to receive one fully paid FLT ordinary share on vesting, subject to the conditions outlined below.
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:	Participants in the LTRP receive up to 15% of their targeted salary packages in Base Rights. The number of Base Rights issued is based on a fixed dollar amount of rights granted for each participant divided by the company's share price (Volume Weighted Average Price) over the 10 trading days following release of FLT's full year accounts. For each Base Right granted, the eligible executive also receives a Matched Right, subject to the conditions outlined below. In line with FLT's reporting requirements, the Base Rights and Matched Rights issued are recorded at fair value within the remuneration tables in this report. The Base Rights granted during the plan's first three years (FY16-FY18) vested on July 1 2018. All subsequent Base Rights granted will vest three years after the respective grant date, provided that the executive continues to be employed within FLT at that time. The 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 July 1 2020. Matched Rights granted from FY19 onwards will vest three years after the applicable grant date. The vesting of Matched Rights is conditional on the executive still holding the corresponding Base Rights previously issued under the LTRP, or the associated shares received on exercise of those Base Rights (i.e. the executive has not sold the shares received from the Base Rights) and the executive remaining employed within FLT.
Limits:	Participants receive up to 15% of their targeted salary package in Base Rights under the plan.
Voting and dividend rights:	In return for each Base Right or Matched Right exercised, the executive will receive one fully paid FLT ordinary share with attached voting and dividend rights.
Other key terms:	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. Subject to some conditions, The Board, via its RNC, can also "alter, modify, add to or repeal any provisions of the LTRP's rules".
Clawback:	Not applicable.
FY18 Outcomes:	Shares were granted to 46 key executives globally during FY18. 45 of these executives (97.8%) were retained.

REMUNERATION REPORT - AUDITED (CONTINUED)

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.

In return for each Base Right he or she exercises, the executive will receive 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 base rights under this plan during its first three years of operation (FY16-FY18) and these rights vested on July 1 2018.

For each Base Right granted, the eligible executive also received a matching share right (Matched Right) which will vest on July 1 2020 provided the executive is still employed by FLT and retains his or her initial share rights (or the associated FLT shares), which the Matched Rights relate to.

Subject to these conditions, the executives can 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.

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 met with various stakeholders and considered including performance hurdles in the plan when it was reviewed during FY18, the company elected to continue under the current structure, given the plan's success in achieving its primary objective of retaining key individuals.

Of the 46 participants in the FY18 plan, only one executive chose to leave the company during the year (97.8% retention rate). Only three participating executives have elected to resign since the program was introduced during FY16.

The company also believes that the absence of future performance hurdles, which may or may not be achieved, ensures that its executives' 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, while also being motivated as an owner to deliver longer term value.

ARE OTHER LTIS IN PLACE FOR KMP?

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

To encourage a small group of key executives to remain in senior roles at specific locations for the medium to longer term, the company has tailored an additional LTI program that is aligned to the company's BOS structures.

Three KMP have been included in this BOS Multiplier program (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 he or she remains in his or her role, or an equivalent or more senior position, for between five and 15 years.

REMUNERATION REPORT - AUDITED (CONTINUED)

1v) 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

During the course of the year, the RNC receives regular updates in relation to employee earnings. This allows the RNC to monitor executives' potential earnings against the their divisions' performance and the targets that were set at the start of the year.

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 RNC can normalise earnings by excluding unforeseen items or an acquired business's contributions for the purposes of calculating STIs. During FY18, STIs were based on underlying earnings, which did not include the $13.3m of ACCC fines and associated legal costs and $8.0m relating the NZ Holidays Act remediation and associated costs (FY17 excluded 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 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.

HOW DOES THE COMPANY BALANCE ITS USE OF STIS IN EXECUTIVE REMUNERATION TO 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 can also be adjusted – clawed back or topped up – if required.

In addition to earning STIs, executives are 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 LTRP. In addition to aiding executive retention, this has delivered 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 and other LTI programs in certain circumstances.

REMUNERATION REPORT - AUDITED (CONTINUED)

2 DETAILS OF REMUNERATION

The following tables outline KMP remuneration details for the company and consolidated entity consisting of FLT and the entities it controlled for the year ended 30 June 2018. 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.M. Garnsey[1]

Executive Director

G.F. Turner

[1] *C.M. Garnsey was appointed effective 7 February 2018*

OTHER GROUP KMP

M. Waters-Ryan – COO

A. Campbell – CFO

C. Galanty – EGM – EMEA

D.W. Smith – EGM – The Americas

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 to executives and other employees who are displaced as a result of their roles becoming redundant 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 payment (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.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT – AUDITED (CONTINUED)

KMP

The following table shows the remuneration paid and payable to KMP for the year ended 30 June 2018. 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 33 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					
2018	230,384	-	-	20,049	250,433
2017	230,384	-	-	19,616	250,000
J.A. Eales					
2018	155,251	-	-	14,749	170,000
2017	155,251	-	-	14,749	170,000
R.A. Baker					
2018	155,251	-	-	14,749	170,000
2017	155,251	-	-	14,749	170,000
C.L. Kelly (resigned 2 August 2016)[3]					
2018	-	-	-	-	-
2017	12,478	-	-	1,185	13,663
C.M. Garnsey (appointed 7 February 2018)[3]					
2018	62,100	-	-	5,900	68,000
2017	-	-	-	-	-
EXECUTIVE DIRECTORS					
G.F. Turner					
2018	654,951	445,833	-	20,049	1,120,833
2017	655,384	-	-	19,616	675,000
OTHER GROUP KMP					
M. Waters-Ryan					
2018	674,957	445,805	611,073	20,049	1,751,884
2017	673,384	2,000	539,753	19,616	1,234,753
A. Campbell					
2018	840,821	568,599	-	20,049	1,429,469
2017	772,384	2,000	-	19,616	794,000
C. Galanty					
2018	547,057	252,275	850,896	-	1,650,228
2017	528,846	120,281	658,271	-	1,307,398
D.W. Smith					
2018	812,501	541,668	496,512	-	1,850,681
2017	835,272	253,017	283,854	-	1,372,143
TOTAL KMP COMPENSATION (EXCLUDING LONG TERM BENEFITS)					
2018	4,133,273	2,254,180	1,958,481	115,594	8,461,528
2017	4,018,634	377,298	1,481,878	109,147	5,986,957

[1] No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2017: nil).

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

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

[4] As noted earlier, for each executive who is classed as KMP, 90% of targeted earnings is effectively fixed for both 2018 and 2017, accordingly 2017 disclosures have been restated between cash salary and STI to reflect the 90% fixed salary in cash salary, there is no change to the total remuneration for 2017.

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						
2018	658,433	-	-	-	658,433	-
2017	603,663	-	-	-	603,663	-
EXECUTIVE DIRECTORS						
G.F. Turner						
2018	1,120,833	296,733	-	-	1,417,566	31
2017	675,000	(28,064)	-	-	646,936	-
OTHER GROUP KMP						
M. Waters-Ryan						
2018	1,751,884	129,865	852,000	272,654	3,006,403	63
2017	1,234,753	14,418	999,000	132,482	2,380,653	65
A. Campbell						
2018	1,429,469	37,783	-	314,983	1,782,235	32
2017	794,000	18,740	-	136,173	948,913	0.2
C. Galanty						
2018	1,650,228	-	1,147,238	272,654	3,070,120	73
2017	1,307,398	-	1,269,353	132,482	2,709,233	76
D.W. Smith						
2018	1,850,681	-	546,826	278,776	2,676,283	59
2017	1,372,143	-	531,093	138,075	2,041,311	52
TOTAL KMP COMPENSATION[5]						
2018	8,461,528	464,381	2,546,064	1,139,067	12,611,040	
2017	5,986,957	5,094	2,799,446	539,212	9,330,709	

[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 section 3.*

[3] *Share-based payments represent amounts expensed in relation to rights granted under LTRP Grant 2016 (Grant 1), Grant 2017 (Grant 2) and Grant 2018 (Grant 3), and D.W.Smith's and A. Campbell's include matched rights granted 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. The performance related percentage for 2017 has been restated for re-allocation of fixed component (between cash salary and STI) to ensure comparability.*

[5] *The total for FY17 of $9,330,709 in this table is less than the total for FY17 in the FY17 Remuneration Report of $10,105,210 as it does not include the $774,501 for Rob Flint, the former EGM of Asia and New Zealand who finished with FLT effective 1 July 2017.*

DETAILS OF REMUNERATION PAID AND FORFEITED: CASH BONUSES

For each incentive, the percentage of the available bonus 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.

	% OF TARGETED INCENTIVES	
OTHER GROUP KMP	PAID %	FORFEITED %
G.F. Turner	100%	0%
M. Waters-Ryan	100%	0%
C. Galanty	100%	0%
D.W. Smith	100%	0%
A. Campbell	100%	0%

Additional stretch incentives were paid to KMP for exceeding target STI PBT expectations.

REMUNERATION REPORT - AUDITED (CONTINUED)

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. The service targets for participating KMP are outlined below.

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 its fifth and tenth anniversary, 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 between its tenth and fifteenth anniversary, 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 Mr Smith's BOS note, the final maturity date has changed from the prior year and is now 2027, at which time it must be redeemed.

For Ms Waters-Ryan's BOS note, the final maturity date and redemption multiples have changed from the prior year. The BOS note's final maturity date is now 2028, at which time it must be redeemed, and the final redemption multiple is now 15. The multiple will remain at 10 if the BOS note is redeemed between 2023 and 2027.

Mr Galanty's BOS note matures after 15 years and it must then be redeemed. In this instance, he 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.

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 – it 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 2018 $
M. Waters-Ryan	1 July 2012	100%	-	2018-2028	5	15 times	2,870,964
C. Galanty	1 July 2010	100%	-	2016-2026	5	15 times	6,494,693
D.W. Smith	1 July 2010	100%	-	2016-2027	5	10 times	2,256,362
Total							**11,622,019**

[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.*

REMUNERATION REPORT – AUDITED (CONTINUED)

4 SHARE-BASED COMPENSATION

FLT has a number of share-based plans that allow employees including KMP to take an equity interest in the company, specifically the LTRP and the ESP.

LTRP

The LTRP was introduced as a retention scheme 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.

General terms

Invited participants are granted base rights, for no consideration, in annual tranches over a 12 year period with vesting conditions based upon continued service. At the time base rights are granted, participants are granted a corresponding number of matched rights for no consideration (one matched right for each base right granted).

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

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%).

Vesting requirements

Base rights granted to participants for each tranche will vest on the base rights vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date).

Matched rights granted to participants for each tranche will vest on the matched rights vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date) and the base rights (or shares) in respect of the respective grant continue to be held.

Method of settlement

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

Valuation

The fair value of base and matched rights under the plan is estimated at the date of grant using a fixed dollar amount of rights granted for each participant and the Black-Scholes option pricing model. The fair value is allocated equally over the period from grant date to vesting date, and is included in the remuneration report compensation tables.

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

		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	1 July 2018	1 July 2030	$31.93	1 July 2020	1 July 2030	$28.91
2	1 July 2016	1 July 2018	1 July 2030	$32.99	1 July 2020	1 July 2030	$29.58
3	1 July 2017	1 July 2018	1 July 2030	$46.63	1 July 2020	1 July 2030	$42.46

No base or matched rights vested during FY18 and none were exercised. Additionally, no base or matched rights were forfeited for any KMP.

REMUNERATION REPORT – AUDITED (CONTINUED)

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			GRANT 3			
OTHER GROUP KMP RIGHTS	BALANCE AT 1 JULY 2017 UNVESTED NUMBER	GRANTED NUMBER	BALANCE AT 30 JUNE 2018 UNVESTED NUMBER	BALANCE AT 1 JULY 2017 UNVESTED NUMBER	GRANTED NUMBER	BALANCE AT 30 JUNE 2018 UNVESTED NUMBER	BALANCE AT 1 JULY 2017 UNVESTED NUMBER	GRANTED NUMBER	BALANCE AT 30 JUNE 2018 UNVESTED NUMBER	VALUE OF RIGHTS GRANTED DURING THE YEAR $
M. Waters-Ryan										
Base	3,066	-	3,066	3,082	-	3,082	-	2,306	2,306	107,529
Match	3,066	-	3,066	3,082	-	3,082	-	2,306	2,306	97,913
C. Galanty										
Base	3,066	-	3,066	3,082	-	3,082	-	2,306	2,306	107,529
Match	3,066	-	3,066	3,082	-	3,082	-	2,306	2,306	97,913
D.W. Smith										
Base	3,066	-	3,066	3,082	-	3,082	-	2,306	2,306	107,529
Match	3,066	-	3,066	3,082	-	3,082	-	2,306	2,306	97,913
A. Campbell										
Base	2,453	-	2,453	3,534	-	3,534	-	2,941	2,941	137,139
Match	2,453	-	2,453	3,534	-	3,534	-	2,941	2,941	124,875

The relevant portion of the expense relating to these rights was recognised during the year ended 30 June 2018. Refer to note D3.

ESP

General terms

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

To receive his or her matches shares, 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.

SHAREHOLDINGS

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

	2018					
FLT DIRECTORS	BALANCE AT THE START OF THE YEAR	RECEIVED ON THE EXERCISE OF RIGHTS	ESP PURCHASED SHARES[1]	ESP MATCHED SHARES VESTED[1]	OTHER CHANGES	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.M. Garnsey	-	-	-	-	3,000	3,000
G.F. Turner	15,244,494	-	-	-	(1,544)	15,242,950
OTHER GROUP KMP						
M. Waters-Ryan	85,725	-	-	-	(35,000)	50,725
A. Campbell[1]	1,365	-	198	71	-	1,634
C. Galanty	2,002	-	-	-	-	2,002
D.W. Smith[1]	2,348	-	252	94	-	2,694

[1] A. Campbell and D.W. Smith participated in the ESP and were issued with ordinary shares under the same terms and conditions as all other ESP participants. At period end A. Campbell held 176 and D.W. Smith held 226 conditional matched rights that had been granted under the ESP but had not yet vested.

REMUNERATION REPORT – AUDITED (CONTINUED)

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 (22.51%) (June 2017: 25%), and Graham Turner's son, Matthew Turner's family company Hootie Blowfish Pty Ltd (15.79%) (June 2017: 15.75%). The remaining 11.70% (June 2017: 9.25%) is held by other minor parties, including employees who are not considered related parties.

In previous financial years FLT had made a loan to Pedal Group Pty Ltd. The loan was made on normal commercial terms and conditions and at a market rate. The loan including all outstanding principal and interest was repaid in August 2017. The interest rate on the loan during the year was 3.41% (2017: 3.43% - 3.66%).

	NOTES	2018 $
LOAN TO PEDAL GROUP		
Beginning of the year		3,000,000
Loans repaid		(3,017,468)
Interest charged		17,468
End-of-year	E2	-

During the year, a loan of £260,000 ($473,588) was provided to C. Galanty, a KMP, at a UK commercial interest rate of 1.2%. This is classified as a current loan (refer note C3) as it is repayable within 12 months of year end.

LOAN TO KMP		
Beginning of the year		-
Loans advanced		473,588
Interest charged		1,400
Foreign currency translation		(12,123)
End-of-year	C3	**462,865**

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

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 39.

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

23 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

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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 2018, 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

Ric Roach
Partner
23 August 2018

STATEMENT OF PROFIT OR LOSS

		FOR THE YEAR ENDED 30 JUNE	
REVENUE	**NOTES**	**2018 $'000**	**2017 $'000**
Revenue from the sale of travel services	A2	2,921,440	2,739,734
Other revenue	A2	28,515	29,972
Total revenue		**2,949,955**	**2,769,706**
Other income	A3	2,681	997
Share of profit of joint ventures and associates	E1	2,240	2,341
EXPENSES			
Employee benefits	F1	(1,513,835)	(1,451,041)
Sales and marketing		(185,345)	(199,926)
Rental expense relating to operating leases	F1	(167,887)	(162,831)
Tour operations - cost of sales		(128,374)	(92,370)
Amortisation and depreciation	B7	(77,802)	(74,975)
Finance costs	A4	(25,516)	(28,503)
Other expenses	A4	(492,624)	(437,953)
Profit before income tax expense		**363,493**	**325,445**
Income tax expense	F9	(99,280)	(94,672)
Profit after income tax expense		**264,213**	**230,773**
Profit attributable to:			
Company owners		262,930	230,773
Non-controlling interests		1,283	-
		264,213	**230,773**
Earnings per share for profit attributable to the ordinary equity holders of the company:		**CENTS**	**CENTS**
Basic earnings per share	F2	260.5	228.5
Diluted earnings per share	F2	259.3	227.7

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

		FOR THE YEAR ENDED 30 JUNE	
Other comprehensive income:	**NOTES**	**2018 $'000**	**2017 $'000**
Items that may be reclassified to profit or loss			
Changes in the fair value of financial assets at FVOCI	F8	38	630
Changes in the fair value of cash flow hedges	F8	2,347	(347)
Net exchange differences on translation of foreign operations	F8	13,985	(17,344)
Income tax on items of other comprehensive income	F9	(566)	(40)
Total other comprehensive income		**15,804**	(17,101)
Total comprehensive income		**280,017**	**213,672**
Attributable to:			
Company owners		278,428	213,672
Non-controlling interests		1,589	-
		280,017	**213,672**

The above consolidated statement of 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 2018 $'000	2017 $'000
Receipts from customers[1]		2,884,573	2,699,124
Payments to suppliers and employees[1]		(2,480,898)	(2,300,423)
Royalties received		694	124
Interest received		21,210	24,636
Interest paid		(25,832)	(28,582)
Income taxes paid		(85,410)	(99,525)
Net cash inflow from operating activities	B1	**314,337**	**295,354**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	A5	(60,019)	(9,646)
Acquisition of joint ventures and associates	E1	(1,094)	(47,377)
Payments for property, plant and equipment	F4	(50,957)	(75,786)
Payments for intangibles	F5	(36,326)	(28,338)
Payments for the purchase of financial asset investments	B2	(1,124)	(643)
Proceeds from sale of financial asset investments	B2	-	8,757
Dividends received from joint ventures		533	-
Loans advanced to external parties	C3	-	(5,161)
Loans advanced to related parties	D1/E2	(474)	(6,080)
Loans repaid by related parties	E2	3,017	3,023
Net cash (outflow) from investing activities		**(146,444)**	**(161,251)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	B4	210,645	212,687
Repayment of borrowings	B4	(232,876)	(233,134)
Proceeds from issue of shares	D4	1,153	4,599
Payments for purchase of treasury shares	D4	(13,449)	(2,816)
Proceeds from allocation of treasury shares	D4	3,994	1,015
Dividends paid to non-controlling interests		(35)	-
Dividends paid to members of FLT	B6	(155,629)	(138,339)
Net cash (outflow) from financing activities		**(186,197)**	**(155,988)**
Net (decrease) in cash held		**(18,304)**	**(21,885)**
Cash and cash equivalents at the beginning of the financial year		1,281,648	1,315,386
Effects of exchange rate changes on cash and cash equivalents		9,648	(11,853)
Cash and cash equivalents at end of the financial year	B1	**1,272,992**	**1,281,648**

[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**	**2018 $'000**	**2017 $'000**
Cash and cash equivalents	B1	1,272,992	1,281,648
Financial asset investments	B2	204,148	199,974
Trade and other receivables	F3	845,098	762,274
Other assets	F3	89,205	69,341
Current tax receivables		8,479	15,783
Inventories		1,625	1,243
Other financial assets	C3	1,028	3,000
Derivative financial instruments	C2	12,570	4,538
Total current assets		**2,435,145**	**2,337,801**
Non-current assets			
Property, plant and equipment	F4	247,554	256,196
Intangible assets	F5	612,371	471,494
Investments in joint ventures and associates	E1	38,970	64,657
Deferred tax assets	F9	63,952	54,334
Other financial assets	C3	7,227	11,006
Total non-current assets		**970,074**	**857,687**
Total assets		**3,405,219**	**3,195,488**
LIABILITIES **Current liabilities**			
Trade and other payables	F6	1,565,288	1,514,210
Contingent consideration	A6	10,627	8,231
Borrowings	B4	34,846	55,866
Provisions	F7	48,663	42,702
Current tax liabilities		20,369	7,712
Derivative financial instruments	C2	3,995	6,175
Total current liabilities		**1,683,788**	**1,634,896**
Non-current liabilities			
Trade and other payables	F6	97,514	79,270
Contingent consideration	A6	15,825	3,734
Borrowings	B4	652	-
Provisions	F7	40,921	36,982
Deferred tax liabilities	F9	12,077	11,851
Total non-current liabilities		**166,989**	**131,837**
Total liabilities		**1,850,777**	**1,766,733**
Net assets		**1,554,442**	**1,428,755**
EQUITY			
Contributed equity	D4	404,023	402,759
Treasury shares	D4	(10,934)	(1,801)
Reserves	F8	34,160	12,764
Retained profits		1,122,334	1,015,033
Equity attributable to the Company owners		**1,549,583**	**1,428,755**
Non-controlling interests		4,859	-
Total equity		**1,554,442**	**1,428,755**

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

STATEMENT OF CHANGES IN EQUITY

	NOTES	FOR THE YEAR ENDED 30 JUNE CONTRIBUTED EQUITY $'000	TREASURY SHARES $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000	NON CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 July 2016		**399,236**	**-**	**24,110**	**922,599**	**1,345,945**	**-**	**1,345,945**
Profit for the year		-	-	-	230,773	230,773	-	230,773
Other comprehensive income		-	-	(17,101)	-	(17,101)	-	(17,101)
Total comprehensive income for the year		**-**	**-**	**(17,101)**	**230,773**	**213,672**	**-**	**213,672**
Transactions with owners in their capacity as owners:								
Employee share-based payments	D4/F8	2,945	-	5,747	-	8,692	-	8,692
Issue of shares for business combination	D4/F8	578	-	-	-	578	-	578
Treasury shares	D4/F8	-	(1,801)	8	-	(1,793)	-	(1,793)
Dividends provided for or paid	B6	-	-	-	(138,339)	(138,339)	-	(138,339)
Balance at 30 June 2017		**402,759**	**(1,801)**	**12,764**	**1,015,033**	**1,428,755**	**-**	**1,428,755**
Profit for the year		-	-	-	262,930	262,930	1,283	264,213
Other comprehensive income		-	-	15,498	-	15,498	306	15,804
Total comprehensive income for the year		**-**	**-**	**15,498**	**262,930**	**278,428**	**1,589**	**280,017**
Transactions with owners in their capacity as owners:								
Acquisition reserve	F8	-	-	(4,749)	-	(4,749)	-	(4,749)
Non-controlling interest recognised on change in control	A5	-	-	-	-	-	3,305	3,305
Employee share-based payments	D4/F8	1,264	-	10,637	-	11,901	-	11,901
Treasury shares	D4/F8	-	(9,133)	10	-	(9,123)	-	(9,123)
Dividends provided for or paid	B6	-	-	-	(155,629)	(155,629)	(35)	(155,664)
Balance at 30 June 2018		**404,023**	**(10,934)**	**34,160**	**1,122,334**	**1,549,583**	**4,859**	**1,554,442**

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

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT MATTERS

The following significant events and transactions occurred during or after the end of the reporting period:

ACQUISITIONS DURING THE YEAR

- On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia Limited (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,553,000. The deal also includes additional performance-related payments that the former owners will be entitled to if the business achieves future revenue and profit-related targets.
- On 1 August 2017, FLT acquired 75% of Les Voyages Laurier Du Vallon Inc. (LDV) for a consideration of $17,094,000, and simultaneously entered into a put/call option over the remaining 25%. LDV is a key leisure, corporate and MICE travel agency business based in Quebec City, Canada.
- On 1 August 2017, FLT acquired 100% of Olympus Tours (Olympus) for $27,565,000. 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 31 August 2017, FLT acquired 100% of Travel Managers Group Limited (TMG), for an initial cash payment of $7,939,000, 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. The acquisition gives FLT access to this growth segment of the retail market.
- On 31 August 2017, FLT acquired 100% of Executive Travel Limited (ETL), for an initial cash payment of $10,597,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the former owners will be entitled to if the business achieves future profit-related targets. ETL is New Zealand's largest independent corporate travel management company. The acquisition represents an opportunity for FLT to grow its corporate market share.
- On 29 September 2017, FLT acquired 100% of Travel Partners Holdings Pty Limited (Travel Partners) for $3,508,000. The deal also includes additional performance-related payments that the former owner will be entitled to if the business achieves future TTV growth targets. Travel Partners is an independent network of home based consultants in Australia and the acquisition gives FLT an entry point into the home based agent market in Australia, as well as providing an alternative flexible work environment for its consultants.

Refer to note A5 for further details of these acquisitions.

CHANGE IN CONTROL

- FLT holds a 58.5% shareholding in Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited (Buffalo Tours) and has historically accounted for these as investments in joint ventures. On 1 January 2018, FLT obtained control as a result of a change in the overarching shareholder agreement giving FLT a majority representation on the Board. Therefore the investments are now accounted for as subsidiaries with a non-controlling interest (NCI). Refer to note A5 for further details.

INVESTMENTS IN ASSOCIATES

- On 19 October 2017, FLT invested $908,000 in European Travel Services Centre (ETSC) for a 25% share of the equity. ETSC is a travel technology company specialising in the development, maintenance and licensing of travel technology software and is the sole owner and licensor of the 'chatbot' travel assistance software, Sam :] which is a key technology offering to FLT's corporate customers.

ACQUISITIONS SUBSEQUENT TO YEAR END

- On 4 July 2018, FLT purchased the remaining 41.5% of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited for $23,518,000, bringing FLT's shareholding to 100%.

SIGNIFICANT MATTERS (CONTINUED)

OTHER MATTERS

- On 4 April 2018, the Full Court of the Federal Court issued its penalty decision in relation to the long running competition law case that the ACCC initiated against FLT. This resulted in penalties and associated costs being awarded in favour of the ACCC. FLT settled this liability in May 2018 for a total of $13,250,000. Neither FLT nor the ACCC have appealed the decision, therefore bringing the case to an end. Refer to note H2 for further details.
- Recent clarification to the application of the New Zealand Holidays Act 2003 (the Act) resulted in a large number of government entities and listed and private companies in New Zealand reviewing their employee leave payments under the Act. This is in relation to the period 1 August 2011 to 31 May 2018.

  FLT's New Zealand operations have proactively engaged with external advisors to identify employee pay related issues associated with the application of the Act. This resulted in FLT recognising an expense and related provision for $8,004,000. Refer to note A4.

  FLT is finalising the remediation payment calculations and, pending approvals from the Labour Inspectorate, will commence making payments in early FY19.

  FLT is working to implement the required system and process changes to fully remediate the Payroll processes and systems, in the interim a holiday pay reconciliation process is in place to ensure all holiday pay is correctly paid moving forward.

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

A2 Revenue

A3 Other income

A4 Expenses

A5 Business combinations

A6 Contingent consideration

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 (with the exception of Other Segment as noted below), 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.

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 reportable segment.

AUSTRALIA AND NEW ZEALAND

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

EUROPE, MIDDLE EAST AND AFRICA

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

THE AMERICAS

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

ASIA

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

OTHER SEGMENT

Other segment includes the Travel Experience Network and other 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.

A1 SEGMENT INFORMATION (CONTINUED)

(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, both as agent for various airlines and other service providers and as principal, plus revenue from other sources. FLT's revenue is, therefore, derived from TTV.

(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 2018 and 30 June 2017 is shown in the tables on the following pages.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2018	AUSTRALIA & NZ[3] $'000	AMERICAS[3] $'000	EMEA[3] $'000	ASIA $'000	OTHER SEGMENT[3] $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	12,317,384	4,754,838	3,104,249	1,386,358	263,255	21,826,084
Total segment revenue	1,634,810	578,646	440,903	94,793	311,112	3,060,264
Inter-segment revenue	(19,236)	(10,527)	(13,939)	(2,470)	(64,137)	(110,309)
Revenue from external customers	**1,615,574**	**568,119**	**426,964**	**92,323**	**246,975**	**2,949,955**
Statutory EBITDA	**301,746**	**86,401**	**87,576**	**10,301**	**(44,559)**	**441,465**
Depreciation and amortisation	(45,247)	(14,104)	(12,030)	(2,908)	(3,513)	(77,802)
Statutory EBIT	**256,499**	**72,297**	**75,546**	**7,393**	**(48,072)**	**363,663**
Interest income	5,759	3,150	9,835	253	6,349	25,346
BOS interest expense	(17,021)	(2,613)	(2,503)	-	(585)	(22,722)
Other interest expense	(3,688)	(2,682)	(2,411)	(2,460)	8,447	(2,794)
Net profit before tax and royalty	**241,549**	**70,152**	**80,467**	**5,186**	**(33,861)**	**363,493**
Royalty	20,068	(4,047)	(15,044)	(977)	-	-
Net profit before tax and after royalty	**261,617**	**66,105**	**65,423**	**4,209**	**(33,861)**	**363,493**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**256,499**	**72,297**	**75,546**	**7,393**	**(48,072)**	**363,663**
Interest income[2]	1,244	74	996	-	11,707	14,021
BOS interest expense	(17,021)	(2,613)	(2,503)	-	(585)	(22,722)
Net FX (gains) / losses on intercompany loans	-	-	1	-	247	248
ACCC penalty & associated costs	-	-	-	-	13,250	13,250
New Zealand Holidays Act remediation	8,004	-	-	-	-	8,004
Other non-material items	(19)	(58)	(21)	-	(3,204)	(3,302)
Adjusted EBIT / Segment Result	**248,707**	**69,700**	**74,019**	**7,393**	**(26,657)**	**373,162**

[1] *TTV is an un-audited, non-IFRS measure.*

[2] *Land wholesale interest only.*

[3] *The results of the new acquisitions and investments are shown in the following segments: Travel Partners, ETL and TMG in the Australia & NZ segment, LDV in the Americas segment, ETSC investment in associate in the EMEA segment and BHMA and Olympus in the Other segment. Buffalo Tours continues to be presented in the Other segment.*

A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2017 (RESTATED)	AUSTRALIA & NZ[4] $'000	AMERICAS[4] $'000	EMEA[4] $'000	ASIA[4] $'000	OTHER SEGMENT $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1,2]	**11,836,187**	**4,330,211**	**2,706,944**	**1,063,053**	**172,776**	**20,109,171**
Total segment revenue[2]	1,629,703	541,562	388,120	81,726	194,609	2,835,720
Inter-segment revenue[2]	(25,823)	(11,033)	(5,664)	(1,661)	(21,833)	(66,014)
Revenue from external customers[2]	**1,603,880**	**530,529**	**382,456**	**80,065**	**172,776**	**2,769,706**
Statutory EBITDA	**324,531**	**46,834**	**69,825**	**1,763**	**(40,848)**	**402,105**
Depreciation and amortisation	(47,377)	(11,728)	(10,373)	(3,449)	(2,048)	(74,975)
Statutory EBIT	**277,154**	**35,106**	**59,452**	**(1,686)**	**(42,896)**	**327,130**
Interest income	5,799	1,504	7,402	104	12,009	26,818
BOS interest expense	(19,800)	(2,952)	(2,938)	-	(333)	(26,023)
Other interest expense	(2,269)	(1,089)	(2,015)	(1,884)	5,080	(2,177)
Other non-material items	(280)	-	(17)	(6)	-	(303)
Net profit before tax and royalty	**260,604**	**32,569**	**61,884**	**(3,472)**	**(26,140)**	**325,445**
Royalty	10,688	-	(10,688)	-	-	-
Net profit before tax and after royalty	**271,292**	**32,569**	**51,196**	**(3,472)**	**(26,140)**	**325,445**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**277,154**	**35,106**	**59,452**	**(1,686)**	**(42,896)**	**327,130**
Interest income[3]	2,676	63	247	-	10,497	13,483
BOS interest expense	(19,800)	(2,952)	(2,938)	-	(333)	(26,023)
Net FX (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**	**32,211**	**56,795**	**(1,691)**	**(28,726)**	**318,555**

[1] *TTV is an un-audited, non-IFRS measure.*

[2] *TTV and Revenue comparative has been restated to align presentation. Previously revenue from tour operations was presented net of associated cost of sales. This is now presented gross with revenue included in 'Revenue from tour operations' and the corresponding cost of sales shown in expenses as 'Tour operations – cost of sales'. This classification change impacted the TTV, revenue and expenses but has no impact on profit.*

[3] *Land wholesale interest only*

[4] *The results of the acquisitions and investments made during the period are shown in the following segments: Ignite in the Australia & NZ segment, Bibam in the Americas segment, Travellink AB, Opodo and 3mundi acquisitions in the EMEA segment, Sunny and TTG acquisition in the Asia segment and Buffalo in the Other segment.*

A2 REVENUE

REVENUE FROM THE SALE OF TRAVEL SERVICES	2018 $'000	2017 $'000
Commission and fees from the provision of travel	1,943,766	1,869,584
Revenue from the provision of travel	706,143	628,423
Revenue from tour operations[1]	190,608	138,461
Revenue from other operations	80,923	103,266
Total revenue from the sale of travel services	**2,921,440**	**2,739,734**
OTHER REVENUE		
Rents and sub-lease rentals	2,465	2,589
Interest	25,346	26,818
Royalties	704	565
Total other revenue	**28,515**	**29,972**

[1] Revenue from tour operations was previously presented net of associated cost of sales. This is now presented gross, with revenue included in 'Revenue from tour operations' and the corresponding cost of sales shown in expenses as 'Tour operations – cost of sales'. The comparative has been restated to align presentation. This classification change has no impact on profit.

ACCOUNTING POLICY

The group recognises revenue when:

- *The amount of revenue can be reliably measured*
- *It is probable that future economic benefits will flow to the entity; and*
- *Specific requirements have been met for each of the group's activities*

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

REVENUE FROM THE SALE OF TRAVEL SERVICES

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

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

Revenue from tour operations, where FLT is acting as principal, is derived from FLT owned touring and ground-handling operations, including Top Deck Tours Limited, Back Roads Touring Co. Limited, Buffalo Tours and Olympus Tours. It is recognised upon tour departure. Associated cost of sales are disclosed separately in the income statement.

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

	2018 $'000	2017 $'000
Fair value gain on change in control[1]	61	-
Gain on financial liabilities at fair value	2,620	997
Total other income	**2,681**	**997**

[1] *Refer to note A5 for further details on the Buffalo Tours change in control.*

A4 EXPENSES

Profit before income tax includes the following expenses:

FINANCE COSTS	NOTES	2018 $'000	2017 $'000
BOS interest expense	D2	22,722	26,023
Interest and finance charges paid/payable		2,208	2,177
Unwind of make good provision discount	F7	586	303
Total finance costs		**25,516**	**28,503**
OTHER EXPENSES			
Other occupancy costs		67,338	63,871
Consulting fees		92,201	77,456
Communication and IT		98,142	87,625
Net foreign exchange losses		131	1,426
Loss on disposal of Employment Office[1]		-	4,066
New Zealand Holidays Act remediation[2]		8,004	-
ACCC penalty and associated costs[3]		13,250	-
Other expenses		213,558	203,509
Total other expenses		**492,624**	**437,953**

[1] *In the prior period FLT exited its investment in Employment Office, selling its 50% interest to Recruitment Investments Pty Ltd, with a loss on disposal of $4,066,000.*

[2] *In the current period FLT recognised the cost of the New Zealand Holidays Act remediation relating to historic annual leave balances and associated costs of $8,004,000.*

[3] *In the current period FLT paid the ACCC penalty and associated costs of $13,250,000.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A5 BUSINESS COMBINATIONS

A) CURRENT YEAR ACQUISITIONS

SUMMARY OF ACQUISITIONS

During the period FLT announced the acquisitions as set out below.

BESPOKE HOSPITALITY MANAGEMENT ASIA LIMITED

On 24 July 2017, FLT acquired 100% of the share capital in Bespoke Hospitality Management Asia Limited (BHMA), a fast-growing Asia-based hotel management company, for an initial cash payment of $6,553,000. Future tranche payments may be required based on the performance of the business during FY18 and FY19 (refer note A6).

BHMA's current management portfolio includes 14 properties in Bangkok, Phuket, Koh Samui, Pattaya and Chiang Mai, plus an additional 19 properties that are under development and due to open. The 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 footprint in Vietnam and Indonesia.

The goodwill represents the value to FLT of obtaining instant access to a hotel management company which has established market presence and hotel management operating policies, procedures and systems. This acquisition enhances FLTs vertical integration strategy and improves customer experience.

The purchase price accounting has been finalised.

LES VOYAGES LAURIER DU VALLON

On 1 August 2017, FLT acquired 75% of the share capital in Les Voyages Laurier Du Vallon Inc. (LDV) for a consideration of $17,094,000 and simultaneously entered into a put/call option over the remaining 25% (refer note A6). In accordance with the accounting policy disclosed at Note I(g) the 25% NCI is de-recognised and a financial liability for the put/call option is recorded, via the acquisition reserve.

LDV is a key leisure, corporate and MICE travel agency business based in Quebec City, Canada. While FLT had a small existing presence in the region (primarily in Montreal), there were a number of barriers to expansion in Quebec.

The goodwill represents the value to FLT of obtaining instant growth in the Quebec region, an important market to FLT as the second largest travel market in Canada. This acquisition will enable synergies in the North American business.

The purchase price accounting has been finalised.

OLYMPUS TOURS

On 1 August 2017, FLT acquired 100% of the share capital in Olympus Tours (Olympus), a Destination Management Company (DMC) which operates in the key American markets of Mexico, the Dominican Republic and Costa Rica, for a cash payment of $27,565,000.

Olympus' services provided include transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups in Mexico, the Dominican Republic and Costa Rica.

The goodwill represents the value to FLT of obtaining instant access to a DMC business which has an established footprint, in the key operating segment of the Americas. This acquisition enhances FLTs vertical integration strategy and improves customer experience. It also forms a key part of FLTs strategy to establish a global DMC.

The purchase price accounting has been finalised.

TRAVEL MANAGERS GROUP LIMITED

On 31 August 2017, FLT acquired 100% of the share capital in Travel Managers Group Limited (TMG) for consideration of $7,939,000. TMG is a large broker based retail travel group in New Zealand, providing systems and product to approximately 180 home-based agents.

The goodwill recognised represents the value to FLT of obtaining instant growth in the home-based travel agent market in New Zealand. This acquisition will enable synergies in the New Zealand business.

The initial accounting for the business combination is provisional pending finalisation of take-on balance sheets and valuation of intangible assets.

A5 BUSINESS COMBINATIONS (CONTINUED)

EXECUTIVE TRAVEL LIMITED

On 31 August 2017, FLT acquired 100% of the share capital of Executive Travel Limited (ETL) for a cash consideration of $10,597,000. Future payments may be required based on the performance of the business to 31 December 2018 (refer note A6).

ETL is New Zealand's largest independent corporate travel company.

The goodwill recognised represents the value to FLT of immediately growing its market share in the corporate travel market in New Zealand. This acquisition will enable synergies in the New Zealand business.

The initial accounting for the business combination is provisional pending finalisation of take-on balance sheets and valuation of intangible assets.

TRAVEL PARTNERS HOLDINGS PTY LIMITED

On 29 September 2017, FLT acquired 100% of Travel Partners Holdings Pty Limited (Travel Partners) for $3,508,000. The deal also includes additional performance-related payments that the former owner will be entitled to if the business achieves future growth targets (refer note 3). Travel Partners is an independent network of home based consultants in Australia.

The goodwill recognised represents the value to FLT as it provides an entry point into the home based agent market in Australia, as well as providing an alternative flexible work environment for its consultants. This acquisition will enable synergies in the Australian retail business.

The purchase price accounting has been finalised.

BUFFALO TOURS

On 1 January 2018 FLT obtained control of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited as a result of the overarching shareholder agreement giving FLT a majority representation on the Board, with no change to the shareholding of 58.5%. As a result of the change in control Buffalo Tours are now consolidated into the group's results with NCI recognised in respect of the remaining 41.5%.

This acquisition enhances FLTs vertical integration strategy and improves customer experience. It also forms a key part of FLTs strategy to establish a global DMC.

The initial accounting for the business combination is provisional pending finalisation of take-on balance sheets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A5 BUSINESS COMBINATIONS (CONTINUED)

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

	NOTE	BHMA $'000	LDV $'000	OLYMPUS $'000	TMG[1] $'000	ETL[1] $'000	TRAVEL PARTNERS $'000	BUFFALO TOURS[1] $'000	TOTAL $'000
% Ownership		100%	75%	100%	100%	100%	100%	58.5%	
PURCHASE CONSIDERATION									
Cash consideration		6,553	17,094	26,973	7,939	10,597	3,508	-	72,664
Contingent consideration	A6	7,329	6,076	-	-	2,224	970	-	16,599
Working capital adjustments		-	-	592	-	-	-	-	592
Total purchase consideration		**13,882**	**23,170**	**27,565**	**7,939**	**12,821**	**4,478**	**-**	**89,855**
ASSETS AND LIABILITIES ACQUIRED AT FAIR VALUE									
Cash and cash equivalents		173	1,095	2,969	1,801	655	-	6,544	13,237
Accounts receivable[2]		239	1,988	3,260	2,120	2,314	-	7,895	17,816
Prepayments		20	-	-	8	8	-	3,266	3,302
Other assets		41	299	19	22	-	-	757	1,138
Property, plant and equipment	F4	13	640	440	109	51	46	3,172	4,471
Intangible assets	F5	2,865	775	42	-	-	-	602	4,284
Deferred tax assets		-	-	-	-	-	75	-	75
Trade and other payables		(1,744)	(2,205)	(7,787)	(4,031)	(1,982)	-	(11,808)	(29,557)
Provisions		-	-	-	(52)	(394)	(249)	-	(695)
Borrowings		-	-	-	-	-	-	(1,130)	(1,130)
Loan from parent immediately prior to acquisition		-	-	-	-	-	-	(3,071)	(3,071)
Deferred tax liabilities		-	-	(200)	-	-	-	-	(200)
Net identifiable assets and liabilities acquired		**1,607**	**2,592**	**(1,257)**	**(23)**	**652**	**(128)**	**6,227**	**9,670**
Equity accounted value of previous interest		-	-	-	-	-	-	(28,844)	(28,844)
Fair value (gain) on change in control		-	-	-	-	-	-	(61)	(61)
Fair value of previous interest held		**-**	**-**	**-**	**-**	**-**	**-**	**(28,905)**	**(28,905)**
Non-controlling interest within subsidiary[3]		-	-	-	-	-	-	(721)	(721)
Non-controlling interest on change in control[4]		-	-	-	-	-	-	(2,584)	(2,584)
Acquisition reserve[5]	F8	-	6,373	-	-	-	-	-	6,373
Goodwill arising on acquisition[1]	F5	12,275	14,205	28,822	7,962	12,169	4,606	25,983	106,022
		13,882	**23,170**	**27,565**	**7,939**	**12,821**	**4,478**	**-**	**89,855**

[1] Goodwill arising on the ETL and TMG acquisitions is provisional pending the results of audit and valuation of the acquired intangible assets. Goodwill arising on the Buffalo Tours acquisition is provisional pending the finalisation of the take-on balance sheet.

[2] The accounts receivable recorded above approximate the fair value at acquisition date due to the short term nature. The entire receivable is expected to be recovered.

[3] The non-controlling interest within the subsidiary represents the pre-existing investments in non wholly-owned subdiaries held by Buffalo Tours.

[4] The non-controlling interest on change in control is measured at a proportionate share of the recognised amounts of Buffalo Tours net identifiable assets and liabilities.

[5] The acquisition reserve is used to record the initial put options that occur through business combinations in relation to non-controlling interests.

A5 BUSINESS COMBINATIONS (CONTINUED)

PURCHASE CONSIDERATION – CASH OUTFLOW	BHMA $'000	LDV $'000	OLYMPUS $'000	TMG $'000	ETL $'000	TRAVEL PARTNERS $'000	BUFFALO TOURS $'000	TOTAL $'000
Cash consideration	6,553	17,094	26,973	7,939	10,597	3,508	-	72,664
Working capital adjustment	-	-	592	-	-	-	-	592
Less: balances acquired	(173)	(1,095)	(2,969)	(1,801)	(655)	-	(6,544)	(13,237)
Total cash (inflow)/outflow – investing activities	**6,380**	**15,999**	**24,596**	**6,138**	**9,942**	**3,508**	**(6,544)**	**60,019**

FLT has recognised revenue and profit contributions from the date of acquisition to the year-end as follows:

	BHMA $'000	LDV $'000	OLYMPUS $'000	TMG $'000	ETL $'000	TRAVEL PARTNERS $'000	BUFFALO TOURS $'000	TOTAL $'000
REVENUE & PROFIT CONTRIBUTION FROM THE DATE OF ACQUISITION TO YEAR-END								
Revenue	1,997	9,636	10,208	11,250	5,203	5,419	47,172	90,885
Profit / (Loss) before tax	(653)	2,657	581	1,862	1,249	(362)	1,598	6,932

Had the acquisitions occurred on 1 July 2017, revenue and profit contribution for the year would have been:

REVENUE & PROFIT CONTRIBUTION FOR YEAR ENDED 30 JUNE 2018								
Revenue	2,188	11,210	11,363	13,101	6,719	6,975	91,940	143,496
Profit / (Loss) before tax	(1,019)	2,879	651	1,703	1,856	(1,273)	5,796	10,593

FLT's income statement contains the 58.5% share of the Buffalo Tours group profit after tax of $2,086,000 for the period it was an investment in joint venture (1 July 2017 – 31 December 2017).

Acquisition costs

Acquisition-related costs of $848,000 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).

B) RECONCILIATION TO CASH FLOW STATEMENT

	NOTES	$'000
Acquisition of subsidiary - net cash outflow	A5a	60,019
Total outflow of cash - investing activities		**60,019**

C) PRIOR YEAR ACQUISITIONS

The purchase price accounting for Nordics & Germany and Travel Tours Group India have been finalised with no significant changes.

A6 CONTINGENT CONSIDERATION

CURRENT	2018 $'000	2017 $'000
Contingent consideration	10,627	8,231
Total current contingent consideration	**10,627**	**8,231**
NON-CURRENT		
Contingent consideration	15,825	3,734
Total non-current contingent consideration	**15,825**	**3,734**

Contingent consideration is recognised in relation to the acquisitions listed below. FLT has determined that it is classified as Level 3 (2017: Level 3) under the AASB 13 Fair value measurement hierarchy as the main valuation inputs outlined below are unobservable.

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

The put option liabilities that exist, outlined for each company below, have been recognised as a financial liability and in the acquisition reserve of the parent entity.

TOP DECK TOURS LIMITED (TDT)

The financial liability related to the put option for TDT ($4,616,000) has been recorded as part of current contingent consideration as it is now available to exercise at either parties' discretion. The fair value of this liability is calculated as the higher of a multiple of the probability-adjusted EBITDA or a minimum amount payable (floor price). The expected cash flows are currently based on the floor price of $4,616,000.

AVMIN

The financial liability related to the put option for AVMIN ($1,156,000) 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 option at a discount rate of 2.0% for AVMIN. The expected cash flows are based on a multiple of the probability-adjusted EBITDA of between $454,000 and $524,000 at the expected date of exercise in FY2020.

IGNITE TRAVEL GROUP

The financial liability related to the earn out payment for Ignite ($2,604,000) has been recorded as part of non-current contingent consideration. The potential undiscounted amount payable per the share sale agreement is between $nil and $2,604,000. The calculation is based on a multiple of the estimated final audited 30 June 2019 consolidated EBITDA.

TRAVEL TOUR GROUPS INDIA

In relation to the amount payable for the TTG acquisition ($3,734,000), fair value has been established through valuation of the FCM India business. The contingent consideration represents 7.39% of this valuation at the date of acquisition.

BHMA

Contingent consideration of $5,215,000 to be paid to the shareholders has been recorded as part of non-current contingent consideration. The potential undiscounted amount payable under the agreement is between $nil and $5,215,000. The calculation is based on a multiple of revenue growth within the Asia and non-Asia markets between the calendar years ended 31 December 2018 and 2019.

EXECUTIVE TRAVEL

The financial liability related to the earn out for Executive Travel ($2,218,000) has been recorded as part of current contingent consideration. The fair value of this liability is based on Executive Travel achieving a forecast EBITDA for the financial year ended 31 December 2018, with an additional payment contingent on Executive Travel achieving an agreed level of EBITDA growth between 31 December 2016 and 31 December 2018.

A6 CONTINGENT CONSIDERATION (CONTINUED)

LDV

The financial liability related to the put option for LDV ($6,250,000) has been recorded as part of non-current contingent consideration. The option is exercisable after two years from the acquisition date.

The settlement amount is based on a multiple using the higher of the company's 31 July 2017 EBITDA and EBITDA for the financial year ended 31 July immediately preceding the year the option is exercised.

The expected cash flows are based on the probability-adjusted EBITDA of $2,989,000 at the expected date of exercise in FY2020. The fair value of this liability has been estimated by discounting the value of future expected cash flows at a discount rate of 1.6%.

TRAVEL PARTNERS

The financial liability related to the earn out payment for Travel Partners ($663,000) has been recorded as part of contingent consideration ($63,000 as current with the remaining $600,000 as non-current). The fair value of this liability is based on TTV growth multiples for the three 12 month periods following acquisition.

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

	NOTES	CONTINGENT CONSIDERATION $'000
Opening balance at 1 July 2017		**11,965**
New business combinations	A5	16,599
Other increases / (decreases)		(43)
Unrealised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		(2,069)
Realised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		-
Closing balance at 30 June 2018		**26,452**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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).

	2018 $'000	2017 $'000
General cash at bank and on hand	444,536	425,861
Client cash	828,456	855,787
Total cash and cash equivalents	**1,272,992**	**1,281,648**

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

Profit after income tax for the year	**264,213**	**230,773**
Depreciation and amortisation	77,802	74,975
Net (gain) / loss on disposal of non-current assets	7,084	4,004
Net (gain) / loss on sale of financial assets at fair value	(3,269)	(1,234)
Loss on disposal of shares	-	2,616
Share of (profits) / losses of joint ventures & associates	(2,240)	(2,341)
Fair value adjustment to investment	-	65
Fair value gain on change in control	(61)	-
Fair value adjustments to derivatives	(3,014)	-
Non-cash employee benefits expense - share based payments	9,161	4,457
Net exchange differences	(11,237)	(6,837)
(Increase) / decrease in trade and other receivables and other assets	(74,367)	(98,239)
(Increase) / decrease in deferred tax assets and liabilities	(12,861)	2,045
(Increase) / decrease in inventories	(407)	490
Increase / (decrease) in trade creditors and other payables	41,070	94,648
Increase / (decrease) in net income taxes payable	12,657	(14,180)
Increase / (decrease) in other provisions	9,806	4,112
Net cash inflow from operating activities	**314,337**	**295,354**

B2 FINANCIAL ASSET INVESTMENTS

	2018 $'000	2017 $'000
Equity investments - Fair value through profit or loss (FVTPL)[1]	1,767	643
Debt securities - Fair value through profit or loss (FVTPL)[1]	9,697	4,396
Debt securities - Fair value through other comprehensive income (FVOCI)[1]	96,996	99,246
Debt securities - Amortised cost[2]	95,688	65,689
Repurchase receivable - Amortised cost[2]	-	30,000
Total financial asset investments	**204,148**	**199,974**

[1] *These are investments of general cash.*

[2] *These are investments of client cash.*

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 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 (2017: Level 2) under the AASB 13 Fair value measurement hierarchy.

Equity investments at FVTPL are measured at fair value, which is determined by an independent qualified valuer in accordance with Australian Accounting Standards (AASB's) and International Private Equity and Venture Capital Valuation Guidelines as adopted by Australian Private Equity and Venture Capital Association Limited. FLT has determined that they are classified as Level 3 (2017: Level 3) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique as described above.

From time-to-time, FLT utilises a repurchase agreement to enter into short-term borrowings to manage liquidity risk and / or maximise investment returns (2018:$nil 2017: $26,883,000). Debt securities with a face value of $nil (2017: $30,000,000) and fair value $nil (2017: $30,162,000) 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 2018	AA AND ABOVE $'000	AA- TO A- $'000	BBB+ TO BBB- $'000	NON INVESTMENT GRADE / UNRATED $'000	UNRATED - FX BUSINESS CURRENCY HOLDINGS $'000	TOTAL $'000
Cash and cash equivalents	-	1,029,673	137,505	65,295	40,519	1,272,992
Equity investments - FVTPL	-	-	-	1,767	-	1,767
Debt securities - FVTPL	9,697	-	-	-	-	9,697
Debt securities - FVOCI	-	83,133	13,863	-	-	96,996
Debt securities - Amortised cost	-	85,792	9,896	-	-	95,688
AT 30 JUNE 2017						
Cash and cash equivalents	61	1,022,208	170,728	57,532	31,119	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

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. Unrated currency holdings 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.

MARKET RISK

INTEREST RATE AND FOREIGN CURRENCY RISK

The group holds investments 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.

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

B4 BORROWINGS

CURRENT	NOTES	2018 $'000	2017 $'000
Bank loans		24,525	14,073
Short-term borrowings		-	26,883
Net unsecured notes principal	D2	10,321	14,910
Total current borrowings		**34,846**	**55,866**
NON-CURRENT			
Bank loans		652	-
Total non-current borrowings		**652**	**-**

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

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

BORROWINGS	2018 $'000
Opening balance at 1 July 2017	**55,866**
Cashflow - Proceeds from borrowings[1]	210,645
Cashflow - Repayment of borrowings[1]	(232,876)
Foreign exchange movement	733
Other	1,130
Closing balance at 30 June 2018	**35,498**

[1] *The major component of proceeds from borrowings and repayment of borrowings is in relation to repurchase receivables / short-term borrowings which are turned over multiple times throughout the year. Further details of repurchase receivables are included in note B2.*

The Group classifies interest paid as cash flows from operating activities.

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.
Non-current loan facilities have an average maturity of 2 years (2017: not applicable) and are at fixed rates.

The current interest rates on bank loan facilities range from 3.51% - 8.45% (2017: 1.81% - 9.00%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B4 BORROWINGS (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

To manage liquidity risk, the group has access to additional financing via unused bank loan facilities, repurchase agreements, credit card facilities, bank guarantees and letter of credit facilities. In addition it has access to repurchase receivable facilities as outlined below.

	BANK LOANS & LEASING FACILITIES		CREDIT CARDS		BANK GUARANTEES & LETTERS OF CREDIT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unused	22,822	11,414	104,463	124,865	67,740	34,562
Used	26,109	40,956	53,046	45,593	93,477	105,504
Total facilities	**48,931**	**52,370**	**157,509**	**170,458**	**161,217**	**140,066**

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 borrowings approximates their fair values, as commercial rates of interest are paid and the impact of discounting is not significant.

ASSETS PLEDGED AS SECURITY

From time-to-time, FLT enters into short term borrowings to manage liquidity and / or maximise investment returns. When this occurs, unlisted debt securities are 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	2018 $'000	2017 $'000
Current		-	26,883
Non-current		652	-
Total secured bank loans		**652**	**26,883**
Cash and cash equivalents		58,000	55,000
Repurchase receivable - amortised cost	B4	-	30,000
Total assets pledged as security		**58,000**	**85,000**

Other than the items listed in section B4 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	2018 $'000	2017 $'000
General cash at bank and on hand	B1	444,536	425,861
General financial investments	B2	108,460	104,285
		552,996	**530,146**
Less:			
Borrowings - current	B4	34,846	55,866
Borrowings - non-current	B4	652	-
		35,498	**55,866**
Positive net debt[1]		**517,498**	**474,280**

FLT continues to be in a positive net debt position.

[1] *Net debt = (General cash + general investments) – (current and non-current borrowings). The calculation excludes client cash (refer note B1) and client financial asset investments (refer note B2).*

GEARING RATIO

	NOTES	2018 $'000	2017 $'000
Total borrowings	B4	**35,498**	55,866
Total equity	D4/F8	**1,554,442**	1,428,755
Gearing ratio[2]		**2.3%**	3.9%

[2] *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 $168,565,000 (2017: $140,402,000) return to shareholders, 64% (2017: 61%) of FLT's statutory NPAT. The combined payments represent 60% (2017: 60%) of FLT's underlying NPAT[1].

ORDINARY SHARES	2018 $'000	2017 $'000
Final ordinary dividend for the year ended 30 June 2017 of 94.0 cents (2016: 92.0 cents) per fully paid share	94,990	92,873
Interim ordinary dividend for the year ended 30 June 2018 of 60.0 cents (2017: 45.0 cents) per fully paid share	60,639	45,466
	155,629	**138,339**
DIVIDENDS NOT RECOGNISED AT THE END OF THE YEAR		
Since year-end, the directors have recommended a 107.0 cents per fully paid share (2017: 94.0 cents) final dividend. The aggregate amount of the dividend to be paid on 12 October 2018 out of retained profits at 30 June 2018, but not recognised as a liability at year-end is:	**107,926**	**94,936**
FRANKING CREDITS		
Franking credits available for subsequent financial years based on a tax rate of 30%	306,487	312,017

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 $46,254,000 (2017: $40,687,000).

1 Underlying NPAT is a non-IFRS measure.
June 2018 underlying PBT excludes $13,250,000 relating to ACCC fine and associated costs and $8,004,000 relating to New Zealand Holidays Act remediation and associated costs. Underlying PAT also excludes the related tax impact of $225,000 and $2,241,000 respectively.
June 2017 underlying PBT excludes $4,066,000 loss on disposal of Employment Office investment. Underlying PAT also excludes the related tax impact of $303,000.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

DIVIDENDS PAYABLE	2018 $'000
Opening balance at 1 July 2017	-
Dividends declared - parent entity	155,629
Dividends declared - attributable to non-controlling interest	35
Cashflow - Dividend payment	(155,664)
Closing balance at 30 June 2018	-

B7 CAPITAL EXPENDITURE

OVERVIEW

In the current and prior year FLT has focused on its technological offering, through development of a number of IT projects to support FLT's future strategy.

DEPRECIATION	NOTES	2018 $'000	2017 $'000
Buildings	F4	1,028	874
Plant and equipment	F4	63,194	60,156
Total depreciation		**64,222**	**61,030**
AMORTISATION			
Brand names and customer relationships	F5	172	232
Software	F5	13,408	13,713
Total amortisation		**13,580**	**13,945**
Total depreciation and amortisation		**77,802**	**74,975**
ADDITIONS			
Plant and equipment	F4	52,355	102,641
Intangibles	F5	36,326	31,018
Total additions		**88,681**	**133,659**

All depreciation & amortisation is included in the line items above. Therefore, there is no depreciation & amortisation included in 'Tour operations - Cost of sales' line item in the income statement directly attributable to the delivery of tour services.

CONTRACTUAL COMMITMENTS

Neither the parent entity, nor the group, have any contractual obligations to purchase plant and equipment or intangible assets at balance date (2017: $nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

C2 Derivative financial instruments

C3 Other financial assets

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 $739,956,000 (2017: $639,909,000), included as part of the cash balance, 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.

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

2018	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
Non-derivatives						
Trade and other payables	1,449,924	-	-	-	1,449,924	1,449,924
Contingent consideration	10,627	15,969	-	-	26,596	26,452
Borrowings	34,846	59	593	-	35,498	35,498
Total non-derivatives	**1,495,397**	**16,028**	**593**	**-**	**1,512,018**	**1,511,874**
Derivatives						
Derivatives - net settled	**3,995**	**-**	**-**	**-**	**3,995**	**3,995**
2017						
Non-derivatives						
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**

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

2018 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	1,272,992	(12,730)	12,730	9,889	(8,091)
Equity securities - FVTPL	1,767	-	-	-	-
Debt securities - FVTPL	9,697	(97)	97	-	-
Debt securities - FVOCI	96,996	(764)	764	-	-
Debt securities - Amortised cost	95,688	(957)	957	-	-
Trade and other receivables	860,545	-	-	8,164	(6,680)
Other assets	24,078	-	-	-	-
Derivative financial instruments	12,570	-	-	8,594	(7,032)
Other financial assets	8,255	-	-	-	-
FINANCIAL LIABILITIES					
Trade and other payables	1,449,924	-	-	(22,171)	18,140
Contingent consideration	26,452	-	-	(2,448)	2,003
Borrowings - current	34,846	(389)	389	-	-
Borrowings - non-current	652	(5)	5	-	-
Derivative financial instruments	3,995	-	-	(6,401)	5,238
Total increase / (decrease)		**(14,942)**	**14,942**	**(4,373)**	**3,578**

2017 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	1,281,648	(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)

2018 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	96,996	(119)	114	-	-
Derivative financial instruments	12,570	-	-	22,829	(18,678)
FINANCIAL LIABILITIES					
Derivative financial instruments	3,995	-	-	7,842	(6,416)
		(119)	**114**	**30,671**	**(25,094)**

2017 FINANCIAL ASSETS					
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)
		58	**(55)**	**21,835**	**(17,865)**

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	2018 $'000	2017 $'000
Forward foreign exchange contracts - FVTPL	3,233	2,258
Forward foreign exchange contracts - designated in a cash flow hedge	9,337	2,280
Total current derivative financial instrument assets	**12,570**	**4,538**
CURRENT LIABILITIES		
Forward foreign exchange contracts - FVTPL	2,438	2,369
Forward foreign exchange contracts - designated in a cash flow hedge	1,557	3,806
Total current derivative financial instrument liabilities	**3,995**	**6,175**

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 (2017: 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

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.

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. 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.

C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

Hedge accounting has been applied in FLT's Global Procurement ("GPN") business and from 1 July 2017 its UK based Global Touring business. GPN seeks to reduce variability by entering into forward foreign exchange contracts upon collection of customer deposits. Global Touring seeks to reduce variability on forecast payments to suppliers by entering into forward foreign exchange contracts upon publication of its brochures. Global Touring also enter into GBP forward exchange contracts to minimise variability in its London based head office costs.

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 2018, 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 2018 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 - 2018	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	57,085	414	0.6391	414
British Pound	1,461	189	0.5658	189
Hong Kong Dollar	28,000	179	6.0256	179
New Zealand Dollar	(26,200)	281	1.0797	281
US Dollar	100,400	5,615	0.7718	5,615
Fiji Dollar	46,600	449	1.5800	449
Other[1]		653		653
		7,780		**7,780**

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)	1.566 2	(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)**

[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 2018 on the balance sheet of the group is as follows:

CASH FLOW HEDGES - 2018		CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000	CASH FLOW HEDGE RESERVE $'000
Foreign currency receipts	British Pound	(39)	89
	New Zealand Dollar	(206)	2
	South African Rand	(214)	(16)
	US Dollar	4,152	-
	Other[1]	109	-
Foreign currency payments	Euro	77	49
	British Pound	53	(4)
	US Dollar	(10,291)	1,219
	Other[1]	(924)	(64)
			1,275

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)

[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 2018 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 expenses as net foreign exchange losses.

CASH FLOW HEDGES OF FORECAST FOREIGN CURRENCY TRANSACTIONS	HEDGING GAIN /(LOSS) RECOGNISED IN OCI $'000	IN-EFFECTIVENESS RECOGNISED IN THE INCOME STATEMENT $'000	AMOUNT RECLASSIFIED FROM OCI TO THE INCOME STATEMENT $'000
2018	**2,347**	**1,060**	**-**
2017	(347)	102	-

C3 OTHER FINANCIAL ASSETS

	NOTES	2018 $'000	2017 $'000
Loans to related parties[1]	D1/E2	463	3,000
Loans to external parties		565	-
Total current other financial assets		**1,028**	**3,000**
Loans to related parties[1]	E2	-	4,097
Loans to external parties		5,525	5,161
Security deposits		1,702	1,748
Total non-current other financial assets		**7,227**	**11,006**

[1] *As part of the change in control of Buffalo Tours, the loan of $3,071,379 is now eliminated on consolidation (refer to note E2). During the period a loan was granted to a KMP, refer note D1 for terms and conditions.*

ACCOUNTING POLICY

Loans to related parties and external 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

	2018 $	2017 $
Short-term employee benefits	8,345,934	5,877,810
Post-employment benefits	115,594	109,147
Long-term benefits	3,010,445	2,804,540
Share-based payments	1,139,067	539,212
Total KMP compensation[1]	**12,611,040**	**9,330,709**

[1] *The total for FY17 of $9,330,709 in this table is less than the total for FY17 in the FY17 Remuneration Report of $10,105,210 as it does not include the $774,501 for Rob Flint, the former EGM of Asia and New Zealand who finished with FLT effective 1 July 2017.*

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.

During the year, a loan of £260,000 ($473,588) was provided to C. Galanty, a KMP, at a UK commercial interest rate of 1.2%. This is classified as current loan to related party (refer note C3) as it is repayable within 12 months of year end.

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.

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.

	2018 $'000	2017 $'000
Unsecured notes principal	73,260	91,369
Loans held for unsecured notes	(62,939)	(76,459)
Net unsecured notes principal	**10,321**	**14,910**

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	2018 $'000	2017 $'000
Employee benefits	F7	11,622	8,712

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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)
- Transformation Incentive Plan (TIP)

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:

	2018 $'000	2017 $'000
Long term retention plan	6,427	3,712
Employee share plan	1,899	745
Transformation incentive plan	835	-
Total expenses arising from share-based payment transactions	**9,161**	**4,457**

Directors are not eligible to participate in the LTRP, the ESP or the TIP.

ACCOUNTING POLICY AND VALUATION

The fair value of performance rights granted are 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 nonmarket 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 and the length of the vesting period. At the reporting period's end, the entity revises its estimate of the number of rights that are expected to become exercisable and the most likely vesting period. The employee benefit expense recognised each period takes into account the most recent estimate.

LONG TERM RETENTION PLAN (LTRP)

GENERAL TERMS

Invited participants are granted base rights, for no consideration, in annual tranches over a 12 year period with vesting conditions based upon continued service. At the time base rights are granted, participants are granted a corresponding number of matched rights for no consideration (one matched right for each base right granted).

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

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%).

VESTING REQUIREMENTS

Base rights granted to participants for each tranche will vest on the base rights vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date).

Matched rights granted to participants for each tranche will vest on the matched rights vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date) and the base rights (or shares) in respect of the respective grant continue to be held.

D3 SHARE-BASED PAYMENTS (CONTINUED)

METHOD OF SETTLEMENT

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

VALUATION

The fair value of base and matched rights under the plan is estimated at the date of grant using a fixed dollar amount of rights granted for each participant and the Black-Scholes option pricing model. The fair value is recognised in the balance sheet as part of reserves over the period that the right vests with a corresponding expense recognised in the employee benefits costs.

The rights held by 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	VESTED NUMBER	UNVESTED NUMBER	VALUE PER RIGHT AT GRANT DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
2018									
GRANT 3									
Base	1/07/2017	1/07/2030	-	63,199	(2,153)	-	61,046	$46.63	12 years
Match	1/07/2017	1/07/2030	-	63,199	(2,153)	-	61,046	$42.46	12 years
GRANT 2									
Base	1/07/2016	1/07/2030	83,121	-	(3,429)	(3,985)	79,692	$32.99	12 years
Match	1/07/2016	1/07/2030	83,121	-	(7,414)	-	75,707	$29.58	12 years
GRANT 1									
Base	1/01/2016	1/07/2030	77,975	-	(7,032)	(2,862)	70,943	$31.93	12 years
Match	1/01/2016	1/07/2030	77,975	-	(9,894)	-	68,081	$28.91	12 years
2017									
GRANT 2									
Base	1/07/2016	1/07/2030	-	84,765	(1,644)	-	83,121	$32.99	13 years
Match	1/07/2016	1/07/2030	-	84,765	(1,644)	-	83,121	$29.58	13 years
GRANT 1									
Base	1/01/2016	1/07/2030	80,603	-	(2,628)	-	77,975	$31.93	13 years
Match	1/01/2016	1/07/2030	80,603	-	(2,628)	-	77,975	$28.91	13 years

[1] *During the period two LTRP participants finished with FLT and, at the discretion of management, a total of 6,847 rights under the LTRP were vested early to the participants.*

Other than noted above, no other LTRP rights were exercised during the period 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 fair value of matched shares allocated (but not issued) under the plan is estimated at the date of grant using the Black-Scholes option pricing model and 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:	NOTES	2018	2017
Issued under the plan to participating employees	D4	-	10,722
Allocated from the share trust to participating employees	D4	13,200	-
Purchased on-market under the plan to participating employees		4,235	4,024
		17,435	**14,746**
WEIGHTED AVERAGE MARKET PRICE OF MATCHED SHARES:			
Issued	D4	-	$32.03
Allocated from share trust	D4	$50.06	-
Purchased on-market		$54.23	$31.88

D3 SHARE-BASED PAYMENTS (CONTINUED)

TRANSFORMATION INCENTIVE PLAN (TIP)

GENERAL TERMS

In March 2018, a long term incentive plan was approved by the Board. The TIP is designed to drive sustainable growth across the Group and remunerate a small number of key executives involved in the transformation program, based on the Group's five year growth targets, with performance hurdles aligned to the group transformation targets of 7% TTV cumulative annual growth rate (CAGR) and return to net margin of 2% by 2020-2022.

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

The KMP and directors do not currently participate in the TIP.

VESTING REQUIREMENTS

Each performance right awarded is subject to the following vesting conditions:

- The participant must remain employed with FLT during the vesting period;
- The participant must remain in a position of at least equal influence on the Group's performance; and
- Achievement of profit before tax targets by 2022, which are based upon achieving the transformation targets of 7% TTV cumulative annual growth rate (CAGR) and return to net margin of 2% by 2020-2022.

METHOD OF SETTLEMENT

The maximum contractual term of the performance rights is four years and three months and there are no cash settlement alternatives for the participants.

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

VALUATION

The rights were issued at no consideration. The assessed fair value at grant date was measured using the Black-Scholes method. The following table list the inputs to the model:

	GRANT 1
Fair value at measurement date	$46.70
Dividend yield (%)	3.92%
Exercise price ($)	-
Risk-free interest rate (%)	2.48%
Expected life of performance rights (years)	4.32
Share price ($)	$55.13

The fair value at grant date is recognised in the balance sheet as part of reserves over the period that the performance right vests with a corresponding expense recognised in the employee benefits costs.

MOVEMENTS DURING THE YEAR

		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	VESTED NUMBER	UNVESTED NUMBER	VALUE PER RIGHT AT GRANT DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
2018								
GRANT 1								
31/03/2018	30/06/2022	-	225,080	-	-	225,080	$46.70	4 years

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

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 2016		**100,927,520**		**399,236**
ESP		90,836	$32.42	2,945
ESP matched shares		10,722	$0.00	-
Share issued as consideration for BYOjet		19,737	$29.29	578
Closing Balance 30 June 2017		**101,048,815**		**402,759**
ESP		24,836	$50.89	1,264
Closing Balance 30 June 2018		**101,073,651**		**404,023**

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	NOTES	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 ESP		31,908	$31.81	1,015
Closing Balance 30 June 2017		**(53,114)**		**(1,801)**
Purchase of shares by share trust		(263,547)	$51.03	(13,449)
Allocation of shares to ESP		88,078	$49.11	4,326
Allocation of shares to ESP matched shares		13,200	$50.06	661
Allocation of shares to LTRP		6,847	$45.72	313
Gain/(loss) in equity on allocation of shares				(984)
Closing Balance 30 June 2018		**(208,536)**		**(10,934)**

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

E2 Related party transactions

E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

OVERVIEW

ASSOCIATES

FLT made the following investments in associates:

- On 19 October 2017, FLT invested $908,000 in European Travel Services Centre (ETSC) for a 25% share of the equity and incurred acquisition costs. ETSC is a travel technology company specialising in the development, maintenance and licensing of travel technology software and is the sole owner and licensor of the 'chatbot' travel assistance software, Sam :] which is a key technology offering to FLT's corporate customers.

FLT continues to hold its investments in three other associates as follows:

- A 49% share in Ignite Travel Group Limited (Ignite). 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.
- A 24.1% share in Biblos America LLC (Bibam). Bibam is an Argentina based travel and technology group with a strong presence in the on and offline leisure, corporate and wholesale sectors.
- A 25% share in 3mundi. 3mundi is a travel and technology company with operations in France, Switzerland and Spain. FLT have initially invested 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.

JOINT VENTURES

FLT holds investments in 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.
- A 51% shareholding in Go Vacation Vietnam Company Limited (GVVC) is held by Buffalo Tours One Member Vietnam Company Limited, a subsidiary of Buffalo Tours (Singapore) Pte Ltd. GVVC is a tour company incorporated in Vietnam. As part of the change in control on 1 January 2018, this is now shown as part of the FLT consolidated results as an investment in joint venture.
  Per the relevant agreements, Buffalo Tours only hold 50% voting rights in GVVC and hence have joint control over the entity's economic activities, and therefore recognise this as an investment in a joint venture.

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

BUFFALO TOURS

- FLT holds investments in Buffalo Tours (Singapore) Pte Ltd (58.5%) and its investment in Buffalo Tours (Hong Kong) Limited (58.5%). These are destination management companies incorporated in Singapore and Hong Kong respectively.
- FLT recognised a change in control from joint venture to subsidiary as follows:
  - On 1 January 2018, FLT obtained control of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited as a result of a change in the overarching shareholder agreement giving FLT a majority representation on the Board.
  - The investments are now recognised as subsidiaries with a non-controlling interest recognised for the remaining 41.5%.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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.

	2018 $'000	2017 $'000
Interest in joint ventures	13,349	38,707
Interest in associates	25,621	25,950
Total	**38,970**	**64,657**

SHARE OF RESULTS	2018 $'000	2017 $'000
Profit from joint ventures	3,635	2,023
(Loss) / profit from associates	(1,395)	318
Total comprehensive income	**2,240**	**2,341**

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 2018 audit. This was initially at the finalisation of the June 2017 audit, however this was subsequently amended.
- 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 amended contract includes an advance payment of $4,000,000 to the original owners in respect of future tranches payable upon finalisation of the June 2018 audit.

The contract also grants Ignite's original owners a conditional put option at the end of June 2019 (initially June 2018, amended as per above) which is highly unlikely to vest. As at 30 June 2018, 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 grants 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 2018, 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 2018.

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.

Transactions between FLT and Buffalo Tours are disclosed as related party transactions up until 31 December 2017. Effective 1 January 2018, Buffalo Tours became a subsidiary, and as such is no longer included in the related party disclosures as all transactions eliminate on consolidation.

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 22.51% (June 2017: 25%), and Graham Turner's son, Matthew Turner's family company Hootie Blowfish Pty Ltd 15.79% (June 2017: 15.79%). The remaining 11.70% (June 2017: 9.21%) is held by other minor parties including employees who are not considered related parties.

KMP COMPENSATION AND OTHER TRANSACTIONS

KMP disclosures are set out in note D1.

TRANSACTIONS WITH RELATED PARTIES

INCOME FROM JOINT VENTURE & ASSOCIATE-RELATED PARTIES	2018 $	2017 $
Management fees	6,950	17,911
Travel and conference	313,474	398,441
Advertising and marketing	403	8,326
Interest income	17,468	160,382
Override income	424,906	849,811
Other	87,870	270,825
EXPENSES TO JOINT VENTURE & ASSOCIATE-RELATED PARTIES		
Recruitment advertising expense	-	525,241
Other	36,904	-
INCOME FROM DIRECTOR-RELATED ENTITIES		
Marketing	385,250	365,022
Travel and conference	93,161	-
Other	-	31,400
EXPENSES TO DIRECTOR-RELATED ENTITIES		
Conference expense	170,368	103,291

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

E2 RELATED PARTY TRANSACTIONS (CONTINUED)

OUTSTANDING BALANCES

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

JOINT VENTURES & ASSOCIATES	2018 $	2017 $
Current receivables	3,011	688,262
DIRECTOR-RELATED ENTITIES		
Current receivables	880	2,876
Current payables	7,395	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.

LOANS TO RELATED PARTIES

LOANS TO JOINT VENTURE & ASSOCIATE-RELATED PARTIES	NOTES	2018 $	2017 $
Beginning of the year		7,097,145	3,820,369
Loans advanced		-	6,079,796
Loans repaid		(3,017,468)	(3,022,971)
Loans consolidated[1]		(3,071,379)	-
Other		(978,329)	-
Interest charged		17,468	178,458
Foreign exchange movement		(47,437)	41,493
End-of-year	C3	-	**7,097,145**

[1] *On 1 January 2018 FLT obtained control of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hong Kong) Limited as a result of the overarching shareholder agreement giving FLT a majority representation on the Board. As a result of the change in control Buffalo Tours are consolidated into the group's results and the loan advanced of $3,071,379 is now eliminated on consolidation.*

Loans to related parties were made on normal commercial terms and conditions with the exception of loans with Buffalo Tours at 0% interest rate. The interest rate on the remaining loans during the year was 3.14% (2017: 3.49% - 5%).

No amounts were provided for or written off during the period.

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
- Employee benefits
- Rent expense
- Operating lease commitments

F2 Earnings per share

F3 Trade and other receivables and other assets

F4 Property, plant and equipment

F5 Intangible assets

F6 Trade and other payables

F7 Provisions

F8 Reserves

F9 Tax

F10 Auditor's remuneration

F11 Seasonality

F1 OTHER EXPENSES

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

EMPLOYEE BENEFITS EXPENSE

	2018 $'000	2017 $'000
Defined contribution superannuation expense	77,103	74,890
Other employee benefits expense	1,436,732	1,376,151
Total employee benefits expense	**1,513,835**	**1,451,041**
Staff numbers[1]	20,257	19,531

In addition to the employee benefits expense disclosed above, 'Tour operations - Cost of sales' in the income statement includes $3,667,000 (2017: $3,457,000) relating to employee costs directly attributable to the delivery of tour services.

RENTAL EXPENSE RELATING TO OPERATING LEASES

Rent expense[2]	167,887	162,831
Sales teams[1]	2,882	2,966

[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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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:

	2018 $'000	2017 $'000
Within one year	134,465	139,381
Later than one year but not later than five years	353,558	368,760
Later than five years	146,191	171,173
Total operating lease commitments	**634,214**	**679,314**

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 260.5 cents (2017: 228.5 cents), up 14.0% on the prior comparative period. At an underlying level[1], EPS increased 20.2% to 279.1 cents (2017: 232.3 cents).

BASIC EARNINGS PER SHARE	2018 CENTS	2017 CENTS
Profit attributable to the company's ordinary equity holders	260.5	228.5
DILUTED EARNINGS PER SHARE		
Profit attributable to the company's ordinary equity holders	259.3	227.7
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	262,930	230,773
WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share[2]	100,943,195	100,978,145
Adjustments for calculation of diluted earnings per share:		
Share rights	474,856	366,193
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	101,418,051	101,344,338

[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.

F2 EARNINGS PER SHARE (CONTINUED)

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

LTRP, TIP & ESP

Rights granted under the LTRP and ESP are considered contingently issuable ordinary shares. They are included in the determination of diluted earnings per share to the extent to which they are dilutive, based on the number of shares that would be issuable if the end of the period were the end of the contingency period.

Rights granted under the TIP are considered contingently issuable ordinary shares if the performance condition is satisfied at the balance sheet date. They are included in the determination of diluted earnings per share to the extent to which they are dilutive. At 30 June 2018, the performance conditions are not satisfied and as such are not included as part of the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.

The rights are not included in the determination of basic earnings per share. Details of the incentive plans are set out in note D3.

F3 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	2018 $'000	2017 $'000
Trade receivables	594,206	532,970
Override receivables	266,339	242,426
Less: Provision for impairment of receivables	(15,447)	(13,122)
Total trade and other receivables	**845,098**	**762,274**
GST receivable	5,854	497
Prepayments	59,273	41,802
Accrued interest	5,119	4,046
Other receivables	18,959	22,996
Total other assets	**89,205**	**69,341**

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

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).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F3 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

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

TRADE RECEIVABLES	2018 $'000	2017 $'000
US Dollar	60,593	11,420
Euro	4,825	3,926
Great British Pound	3,023	2,998
Thai Baht	1,706	630
New Zealand Dollar	1,310	917
Fijian Dollar	1,069	682
South African Rand	951	50
Other	2,180	797

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

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:	2018 $'000	2017 $'000
At 1 July 2017	**13,122**	**10,741**
Bad debts expense[1]	8,249	7,688
Changes due to foreign exchange translation	(102)	(191)
Receivables written off during the year as uncollectible	(5,822)	(5,116)
At 30 June 2018	**15,447**	**13,122**

[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 2016	FREEHOLD LAND & BUILDINGS $'000	PLANT & EQUIPMENT $'000	TOTAL $'000
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**
OPENING BALANCE AT 1 JULY 2017			
Cost	33,087	528,446	561,533
Accumulated depreciation	(7,867)	(297,470)	(305,337)
Net book amount at 1 July 2017	**25,220**	**230,976**	**256,196**
Additions	399	51,956	52,355
Acquisitions	-	4,471	4,471
Disposals[1]	-	(3,003)	(3,003)
Depreciation expense	(1,028)	(63,194)	(64,222)
Exchange differences	(111)	1,868	1,757
Net book amount at 30 June 2018	**24,480**	**223,074**	**247,554**
AT 30 JUNE 2018			
Cost	33,355	551,258	584,613
Accumulated depreciation	(8,875)	(328,184)	(337,059)
Net book amount at 30 June 2018	**24,480**	**223,074**	**247,554**

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 2016	GOODWILL $'000	BRAND NAMES, LICENCES AND CUSTOMER RELATIONSHIPS[1] $'000	SOFTWARE[2] $'000	TOTAL $'000
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 1 July 2016	**366,926**	**14,120**	**66,537**	**447,583**
Additions	-	-	31,018	31,018
Acquisitions	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)
Impairment	-	-	-	-
Net book amount at 30 June 2017	**371,808**	**14,822**	**84,864**	**471,494**
OPENING BALANCE AT 1 JULY 2017				
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**
Additions	-	-	36,326	36,326
Acquisitions	106,022	4,142	142	110,306
Other	1,651	-	-	1,651
Disposals[3]	-	-	(2,958)	(2,958)
Exchange differences	6,117	423	2,592	9,132
Amortisation	-	(172)	(13,408)	(13,580)
Net book amount at 30 June 2018	**485,598**	**19,215**	**107,558**	**612,371**
Cost	560,463	94,457	182,366	837,286
Accumulated amortisation (including accumulated impairment losses)	(74,865)	(75,242)	(74,808)	(224,915)
Net book amount at 30 June 2018	**485,598**	**19,215**	**107,558**	**612,371**

[1] Definite life brand names are amortised over their expected useful life, not exceeding 15 years. Customer relationships are amortised over their expected useful life, not exceeding seven years.

[2] Relates predominately to software which is 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.

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:

	GOODWILL		INDEFINITE LIFE BRAND NAMES & LICENCES	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Australia Leisure	122,027	116,397	-	-
UK Corporate	66,326	66,079	-	-
Global Touring	35,080	35,080	-	-
Top Deck Tours[1]	-	-	11,145	11,145
Australia FCM	30,446	30,446	-	-
Olympus	28,822	-	-	-
USA Corporate	28,365	27,279	-	
Buffalo	26,143	-	-	
Canada	18,689	2,426	-	
Student Universe	18,118	18,118	-	-
Other[2]	111,582	75,983	1,308	1,221
Total	**485,598**	**371,808**	**12,453**	**12,366**

[1] *Top Deck Tours goodwill (along with Backroads goodwill) was reallocated to Global Touring CGU during the year to more accurately reflect the way management is monitoring activities. Prior year comparatives have also been restated.*

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

FLT owns these brands and licences and intends to continue to use them indefinitely.

CURRENT YEAR

There are no impairment charges in the current year.

IMPAIRMENT TESTS

There were no indicators of impairment of any CGU's within FLT. Consistent with other periods, a value-in-use calculation was prepared using the key estimates in (a) below.

F5 INTANGIBLE ASSETS (CONTINUED)

PRIOR YEAR

There were no impairment charges in the prior year.

IMPAIRMENT TESTS

FLT's impairment testing for 2017 indicated impairment risk existed for the Indian CGU and the Top Deck Tours CGU. 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 CGU was $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.

The recoverable amount of the Top Deck Tours CGU assets was $55,807,000 which was above the carrying value of the assets 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.

(A) KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

GOODWILL & BRANDNAMES CGU	PRE-TAX DISCOUNT RATE 2018 %	2017 %
Australia, including Leisure & FCM	13.5	14.3
Europe, including UK Corporate	11.3	14.3
United States, including Retail, Corporate & Student Universe	14.3	13.9
India	21.0	20.8
Global Touring	12.1	-
Top Deck Tours	12.1	12.1
Other countries (excluding those listed above)	13.2	14.3

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 values were not applied to all CGUs as they were not required to support the carrying amount. The exception was Global Touring group in the current year and the United States and India in the prior year, where a rate of 2% (2017: 2.0% and 4.0%) was used to extrapolate cash flows beyond the budget period and calculate a terminal value.

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, forecast 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 in the current or prior comparative period.

Goodwill is recorded based on the fair value of the business acquired on the acquisition date. Should this value fall, impairment of assets (including goodwill) may arise in future periods.

F6 TRADE AND OTHER PAYABLES

CURRENT	2018 $'000	2017 $'000
Trade payables	479,121	396,496
Client creditors	967,967	989,774
Accrued unsecured note interest	2,836	3,683
Annual leave	45,192	41,893
Straight-line lease & lease incentive liability	9,213	9,361
Unearned income	60,959	73,003
Total current trade payables	**1,565,288**	**1,514,210**
NON-CURRENT		
Straight-line lease & lease incentive liability	60,427	55,992
Unearned Income	37,087	23,278
Total non-current trade payables	**97,514**	**79,270**

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:

	2018 $'000	2017 $'000
US Dollar	242,572	235,325
Euro	60,723	57,968
Fijian Dollar	24,644	23,014
Great British Pound	18,403	20,758
Thai Baht	17,720	19,358
New Zealand Dollar	16,187	17,193
Canadian Dollar	11,976	12,174
Singapore Dollar	10,405	10,733
Japanese Yen	4,477	-
Hong Kong Dollar	4,397	10,817
CFP Franc	3,494	4,592
United Arab Emirates Dirham	3,077	3,555
Other	9,870	9,904

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	2018 $'000	2017 $'000
Employee benefits - long service leave		36,593	32,121
Employee benefits - BOS Multiplier	D2	11,622	8,712
Make good provision		448	1,869
Total current provisions		**48,663**	**42,702**
NON-CURRENT			
Employee benefits - long service leave		17,682	16,521
Employee benefits		533	-
Make good provision		22,706	20,461
Total non-current provisions		**40,921**	**36,982**

MOVEMENTS IN PROVISIONS

Movements in each class of provision, other than employee benefits, for the financial year are set out below:

MAKE GOOD PROVISION	NOTES	2018 $'000
Carrying amount at start of year		22,330
Additional provisions recognised		2,926
(Decrease)/increase in discounted amount arising from passage of time and discount rate adjustments	A4	586
Utilised		(2,763)
Other changes		75
Carrying amount at end of year		**23,154**

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:

	2018 $'000	2017 $'000
Long service leave obligations expected to be settled after 12 months	**28,633**	**25,825**

F8 RESERVES

RESERVES	NOTES	2018 $'000	2017 $'000
Cashflow hedge reserve		1,275	(428)
Financial assets at FVOCI reserve		550	434
Share-based payments reserve		28,119	17,472
Acquisition Reserve		(13,725)	(8,976)
Foreign currency translation reserve		18,247	4,262
Total reserves		**34,466**	**12,764**

Total reserves includes $306,000 attributable to non-controlling interests as outlined in the statement of comprehensive income and statement of contributed equity.

MOVEMENTS IN RESERVES:

CASH FLOW HEDGE RESERVE

	NOTES	2018 $'000	2017 $'000
Balance 1 July		**(428)**	**(185)**
Gains/(losses) on cash flow hedges		2,347	(347)
Deferred tax	F9	(644)	104
Balance 30 June		**1,275**	**(428)**

FLT apply hedge accounting under AASB 9 Financial Instruments. See note C2 for further details.

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 C2.

Ineffectiveness of $1,060,000 (2017: $102,000) has been recognised in the statement of profit or loss.

FINANCIAL ASSETS AT FVOCI REVALUATION RESERVE

	NOTES	2018 $'000	2017 $'000
Balance 1 July		**434**	**(52)**
Revaluation gross		38	630
Deferred tax	F9	78	(144)
Balance 30 June		**550**	**434**

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F8 RESERVES (CONTINUED)

SHARE-BASED PAYMENTS RESERVE

	NOTES	2018 $'000	2017 $'000
Balance 1 July		**17,472**	**11,717**
Share-based payments expense		8,885	4,310
Treasury share transactions		10	8
Deferred tax	F9	1,752	1,437
Balance 30 June		**28,119**	**17,472**

The share-based payments reserve is used to recognise the fair value of rights or shares issued under the LTRP, ESP and TIP as they vest over the vesting period.

ACQUISITION RESERVE

	NOTES	2018 $'000	2017 $'000
Balance 1 July		**(8,976)**	**(8,976)**
Put/Call options entered into as a result of business combinations		(6,373)	-
Derecognition of NCI on acquisition		1,624	-
Balance 30 June		**(13,725)**	**(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

	NOTES	2018 $'000	2017 $'000
Balance 1 July		**4,262**	**21,606**
Net exchange differences on translation of foreign operations		13,985	(17,344)
Balance 30 June		**18,247**	**4,262**

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

	2018 $'000	2017 $'000
Current tax	112,942	93,574
Deferred tax	(8,330)	4,677
Adjustments for current tax of prior periods	(5,332)	(3,579)
Income tax expense	**99,280**	**94,672**
Deferred income tax expense / (benefit) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(7,173)	1,001
Increase / (decrease) in deferred tax liabilities	(1,157)	3,676
	(8,330)	**4,677**

(i) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $'000	2017 $'000
Profit before income tax expense	363,493	325,445
Tax at the Australian tax rate of 30% (2017 - 30%)	**109,048**	**97,634**
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible / (assessable) amounts	1,516	(29)
Changes in tax rate	(3,673)	-
Tax credits	(1,336)	-
Fines, penalties and legals	3,871	-
Other amounts	(146)	1,947
	109,280	**99,552**
Tax losses not recognised	1,592	1,261
Effect of different tax rates on overseas income	(6,260)	(2,562)
Under / (over) provision of prior year's income tax	(5,332)	(3,579)
	(10,000)	**(4,880)**
Income tax expense	**99,280**	**94,672**

(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.

	2018 $'000	2017 $'000
Net deferred tax - (credited) / debited directly to equity	(1,752)	(1,437)

(iii) Tax expense / (income) relating to items of other comprehensive income

	2018 $'000	2017 $'000
Financial assets at FVOCI	(78)	144
Cash flow hedges	644	(104)
Total tax expense / (income) relating to items of other comprehensive income	**566**	**40**

(iv) Unrecognised potential deferred tax assets

	2018 $'000	2017 $'000
Unused tax losses for which no deferred tax asset has been recognised (non-capital)	15,982	2,374
Temporary differences relating to brand name impairment (capital) and other intangibles	42,289	42,289
Other	2,800	176
	61,071	**44,839**
Potential tax benefit at 30% (2017 - 30%)	**18,321**	**13,452**

Unused tax losses in 2018 were incurred by entities in Australia, Hong Kong, Mexico, Malaysia, Philippines and Singapore (2017: South Africa and Singapore). In most cases, the unused tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F9 TAX (CONTINUED)

B) DEFERRED TAX ASSETS (DTA)

The balance comprises temporary differences attributable to:	2018 $'000	2017 $'000
Employee benefits	33,786	30,013
Property, plant and equipment and intangibles	15,018	14,532
Leasing	17,480	16,457
Accruals	9,318	5,706
Losses	4,097	5,119
Provisions	217	244
Doubtful debts	3,824	3,539
Trade and other receivables	4,387	4,095
Other	2,146	2,133
	90,273	**81,838**
Set-off of deferred tax liabilities pursuant to set-off provisions	(26,321)	(27,504)
Net deferred tax assets	**63,952**	**54,334**

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:	2018 $'000	2017 $'000
Trade and other receivables	22,064	18,587
Property, plant and equipment and intangibles	13,981	17,487
Leasing	317	341
Other	2,036	2,940
	38,398	**39,355**
Set-off of deferred tax liabilities pursuant to set-off provisions	(26,321)	(27,504)
Net deferred tax liabilities	**12,077**	**11,851**

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).

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:	2018 $'000	2017 $'000
An audit or review of the financial report of FLT and any other entity in the consolidated group	1,365,445	1,201,407
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	164,181	323,189
Other services	89,753	360,315
	1,619,379	**1,884,911**
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	1,386,642	1,459,042
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	195,187	226,128
Special audits required by regulators	39,147	20,050
Other services	66,035	20,308
	1,687,011	**1,725,528**
	3,306,390	**3,610,439**
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	27,126	25,419
Other services in relation to FLT and any other entity in the consolidated group		
Special audits required by regulators	-	-
Other services in relation to FLT and any other entity in the consolidated group	5,075	5,133
	32,201	**30,552**

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 10% of the group's underlying net profit before tax or 10% of the group's net assets are considered material to the group.

			EQUITY HOLDING	
	COUNTRY OF INCORPORATION	CLASS OF SHARES/ OWNERSHIP	2018 %	2017 %
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 requirement 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 a number of entities which contain non-controlling interests. These represent less than 5% of the group's underlying net profit before tax or less than 5% of the groups net assets. Therefore these are not individually material to the group and as such the individual income statement's, balance sheet's and cashflow statements will not be separately disclosed.

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.

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	**2018 $'000**	**2017 $'000**
Revenue from the sale of travel services	1,392,029	1,392,163
Other revenue	68,304	55,895
Total revenue	**1,460,333**	**1,448,058**
Other income	61	8,204
Share of profit from joint ventures and associates	3,100	2,541
EXPENSES		
Employee benefits	(764,318)	(750,366)
Sales and marketing	(94,853)	(94,602)
Rental expenses relating to operating leases	(96,248)	(90,873)
Amortisation and depreciation	(37,461)	(38,262)
Finance costs	(10,981)	(14,601)
Other expenses	(265,252)	(237,750)
Profit before income tax expense	**194,381**	**232,349**
Income tax expense	(57,246)	(64,623)
Profit after income tax expense	**137,135**	**167,726**
STATEMENT OF COMPREHENSIVE INCOME		
Changes in the fair value of financial assets at FVOCI	38	630
Changes in the fair value of cash flow hedges	1,807	(347)
Income tax income/(expense) on items of other comprehensive income	(464)	(40)
Total comprehensive income for the year	**138,516**	**167,969**
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS		
Retained profits at the beginning of the financial year	784,905	755,518
Profit from ordinary activities after income tax expense	137,135	167,726
Dividends provided for and paid	(155,629)	(138,339)
Retained profits at the end of the financial year	**766,411**	**784,905**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G2 DEED OF CROSS GUARANTEE (CONTINUED)

	AS AT 30 JUNE	
ASSETS **Current assets**	**2018 $'000**	**2017 $'000**
Cash and cash equivalents	585,426	654,213
Financial asset investments	204,148	200,285
Trade and other receivables	414,362	401,073
Other assets	54,498	39,818
Current tax receivable	10,097	13,499
Inventories	5	236
Derivative financial instruments	8,410	-
Other financial assets	565	3,000
Total current assets	**1,277,511**	**1,312,124**
Non-current assets		
Property, plant and equipment	111,984	128,808
Intangible assets	72,457	55,741
Investments accounted for using the equity method	798,058	714,519
Deferred tax assets	46,593	41,848
Other financial assets	254,172	254,339
Total non-current assets	**1,283,264**	**1,195,255**
Total assets	**2,560,775**	**2,507,379**
LIABILITIES **Current liabilities**		
Trade and other payables	806,878	809,860
Contingent consideration	4,676	7,017
Borrowings	6,189	37,162
Provisions	38,975	35,324
Derivative financial instruments	-	554
Total current liabilities	**856,718**	**889,917**
Non-current liabilities		
Trade and other payables	478,364	387,963
Contingent consideration	9,576	1,130
Provisions	33,805	31,719
Total non-current liabilities	**521,745**	**420,812**
Total liabilities	**1,378,463**	**1,310,729**
Net assets	**1,182,312**	**1,196,650**
EQUITY		
Contributed equity	404,023	402,759
Treasury shares	(10,934)	(1,801)
Reserves	22,812	10,787
Retained profits	766,411	784,905
Total equity	**1,182,312**	**1,196,650**

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 2018 $'000	PARENT 2017 $'000
Current assets	1,471,991	1,437,055
Total assets	**2,793,040**	**2,682,948**
Current liabilities	807,346	865,290
Total liabilities	**1,922,193**	**1,798,755**
Contributed equity	404,023	402,759
Treasury shares	(10,934)	(1,801)
RESERVES		
Financial assets at FVOCI revaluation reserve	550	434
Share-based payments reserve	28,119	17,472
Cash-flow hedge reserve	838	(428)
Acquisition Reserve	(8,976)	(8,976)
Retained profits	457,227	474,733
Total shareholders' equity	**870,847**	**884,193**
Profit after tax for the year	**138,123**	**164,709**
Total comprehensive income	**139,504**	**164,952**

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

UNSECURED	PARENT 2018 $'000	PARENT 2017 $'000
United Kingdom	61,677	93,283
India	30,494	24,630
China	19,156	11,628
Ireland	9,306	9,289
Hong Kong	7,842	4,958
Singapore	6,201	18,485
New Zealand	4,816	4,862
Canada	2,661	2,606
Dubai	1,579	8,969
Other	6,669	6,601
Total	**150,401**	**185,311**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

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.

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 2018 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:

	2018 $'000	2017 $'000
Within one year	83,714	88,785
Later than one year but not later than five years	204,931	224,525
Later than five years	67,661	83,264
Total parent entity operating lease commitments	**356,306**	**396,574**

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

H2 Contingencies

H3 Events occurring after the end of the reporting period

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

FLT have an agreement with AirTree Ventures 2 Partnership LP to invest $5,000,000 into the venture capital fund. To date FLT has received capital calls to the value of $1,767,000 leaving $3,233,000 to be called in the future. The amount to be called has not been recognised as a liability at period end as FLT does not have a present obligation. The obligation only arises upon receipt of the capital call notices.

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 4 April 2018, the Full Court of the Federal Court issued its penalty decision in relation to the long running competition law case that the ACCC initiated against FLT. This resulted in penalties and associated costs being awarded in favour of the ACCC. FLT settled this liability in May 2018 for a total of $13,250,000, refer to note A4 for expense. Neither FLT, nor the ACCC have appealed the decision, therefore bringing the case to an end. At 30 June 2018, there are no remaining contingencies in relation to this case.

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 awarded by the Federal Court, and which FLT paid in May 2014, and this was reflected in FLT's 2013/14 results.

On 31 July 2015, FLT won its appeal in the 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 in August 2015 (interest and costs not calculated or paid), and the penalties were included in FLT's financial results for the half year ended 31 December 2015.

On 28 August 2015, the ACCC appealed, announcing that it would seek special leave from the High Court of Australia 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 delivered on 14 December 2016.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

H2 CONTINGENCIES (CONTINUED)

On 14 December 2016, a majority of 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 and the matter was referred back to the Full Court of the Federal Court of Australia to determine penalties. 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. FLT was also held liable for a portion of the ACCC's legal costs. The Full Court reserved its judgement and this was delivered on 4 April 2018.

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 regulatory 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

On 4 July 2018, FLT purchased the remaining 41.5% of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited for $23,518,000, bringing FLT's shareholding to 100%.

DIVIDENDS

On 23 August 2018, FLT's directors declared a final dividend for the year ended 30 June 2018. Refer to note B6 for details.

No other matters have arisen since 30 June 2018.

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 2017.

In 2016 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.

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

As outlined above and in note A2 Revenue, certain prior period amounts have been reclassified to conform to the current period's presentation.

(B) CHANGES IN ACCOUNTING POLICY

In 2017, FLT adopted the amendments to AASB 107 that were issued as part of the IASB's disclosure initiative. Disclosures have been included for the roll-forward of liabilities arising from financing activities.

No other new standards or amendments became effective in the current reporting period that have a material impact on FLT.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 2018 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.

FLT reassesses its interests in joint arrangements and associates for changes in control at least annually or where there has been changes in circumstances including but not limited to changes to shareholdings and shareholder agreements.

Upon gaining control, FLT remeasures its existing investment to fair value with any difference between the carrying amount and its fair value recognised in the profit or loss. The transaction is then accounted for in accordance with the acquisition method of accounting, refer note I(g) Business Combinations.

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 recognises any non-controlling interest, in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

IV. 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.

V. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 are 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.

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 nonfinancial 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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.

Where there are NCIs, these are measured at either the acquisition date fair value or the proportionate share of the net identifiable assets acquired.

For some acquisitions, Put and Call options over NCI's are entered into simultaneously when business combinations are initially recorded. For these acquisitions, it has been determined that the option does not provide the parent with a present ownership interest in the shares subject to the Put. The NCI is treated as having been acquired when the Put option is granted (ie it is de-recognised) and a financial liability at fair value is recorded for the NCI Put. The difference between the liability recorded at fair value and the NCI de-recognised is recorded in the acquisition reserve in equity in accordance with AASB 10. 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.

(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, LICENCES AND CUSTOMER RELATIONSHIPS

Other intangible assets, such as brand names, licences 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 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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 of AASB 9 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 to 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.

Management classifies its investments at initial recognition and reevaluates this classification each reporting date.

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 at amortised cost 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 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

IV. IMPAIRMENT – EXPECTED CREDIT LOSSES

FLT applies both the 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.

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 F6.

(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 shortterm 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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. 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(Q) EMPLOYEE BENEFITS

I. WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for employees' wages and salaries, including nonmonetary 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.

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 noncash assets transferred or liabilities assumed, is recognised in other income or other expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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 installments. 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, assets and liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 2018 reporting period. FLT is in the process of determining the impact of these new standards and interpretations.

I. AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 was issued by the AASB in December 2014 and replaces virtually all revenue recognition requirements, including those as set out in AASB 118 Revenue.

The standard 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. It is likely that the full retrospective transition approach will be adopted.

FLT has substantially completed its detailed analysis of the impact of AASB 15 in 2018.

Based on the analysis performed, there will be changes to revenue recognition in the following areas:

- Principal services provided in retail/corporate environments

  Under AASB 15 there is more detailed guidance on identifying performance obligations. From time-to- time FLT develop and offer products in its retail and corporate agency business' which are principal in nature. Where these are material, they will be disclosed separately from agency services.

- Revenue from tour operations

  Under AASB 15 revenue is broadly recognised as services are provided. Practically this means revenue from tour operations will be recognised over the duration of the tour. This represents a deferral of revenue compared to the current policy, whereby revenue is recognised at tour departure. Due to the seasonality of tours, the net cut-over impact of the adjustments on the income statement is expected to be minimal. Under the likely transition approach of the full retrospective method, the approximate net impact will be a decrease in opening retained earnings of $2,400,000. The approximate net impact on FY18 PBT will be a decrease of $1,100,000.

- Lump-sum consideration from contracts with customers

  From time-to-time, lump sum amounts are received from suppliers, who under AASB 15 are deemed to be FLT's customer. Depending on the specific terms of the contract, some amounts which were previously recognised upfront will now be spread over the duration of the contract term and associated contract costs, previously expensed as incurred, will be capitalised as fulfilment assets and amortised over the same term. Under the likely transition approach of the full retrospective method, the approximate net impact will be a decrease in opening retained earnings of $8,500,000 with a corresponding increase in unearned revenue. The approximate net impact on FY18 PBT will be an increase of $1,400,000 as the unearned revenue is release.

- Lump-sum consideration from other contracts

  Lump sum amounts are also received from suppliers, where due to the contractual relationships FLT is defined as the customer, but earns net income. The principles of AASB 118 were previously applied in determining the timing and recognition of the net income. Therefore on transition, the principles of AASB 15 will be applied consistent with the revenue recognition regarding lump sum amounts from customers (refer above). Depending on the specific terms of the contract, some amounts which were previously recognised upfront will now be spread over the duration of the contract term and associated contract costs, previously expensed as incurred, will be capitalised as fulfilment assets and amortised over the same term.

  Under the likely transition approach of the full retrospective method, the approximate net impact will be a decrease in opening retained earnings of $14,600,000 due to the capitalisation of expenses as a fulfilment asset of $2,100,000 and the deferral of income of $16,600,000. The approximate net impact on FY18 PBT will be an increase of $4,500,000 as the fulfilment asset is unwound and the unearned income is released.

In summary, the impact of AASB 15 adoption is expected to be an approximate net decrease in retained earnings at 1 July 2017 of $25,500,000 and an increase in FY18 PBT of $4,800,000.

Disclosure

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

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

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

II. 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 in 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.

The group is continuing its assessment on the effect of AASB16 on its consolidated financial statements however the impact is not yet reasonably estimable.

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

III. AASB INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. FLT will apply interpretation from its effective date. Since FLT operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, FLT may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

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 consolidated financial statements and notes of Flight Centre Travel Group Limited for the financial year ended 30 June 2018 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 2018 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 2018.

On behalf of the board

G.F. Turner
Director

Brisbane

23 August 2018

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Independent Auditor's Report to the Members of Flight Centre Travel Group Limited

Opinion

We have audited the financial report of Flight Centre Travel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 30 June 2018, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and 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 2018 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.

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1. Impairment Testing of Goodwill and Other Intangible Assets

Why Significant	How our audit addressed the key audit matter
Note F5 discloses the goodwill and other intangible assets allocated to each of the Group's individually significant cash generating units (CGUs). The annual impairment assessment of intangible assets performed by the Group was a key audit matter due to the value of intangible assets relative to total assets and the degree of estimation and assumptions involved in the assessment, specifically concerning future discounted cash flows.	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: ▶ Assessed the mathematical accuracy of the cash flow model. ▶ Considered the historical reliability of the Group's cash flow forecasts. ▶ Assessed whether the forecasts were consistent with our knowledge of the business including Board approved budgets, corroborating our work with external information where possible. ▶ Assessed the sensitivities of the impairment model to reasonably possible changes in assumptions relating to cash flow forecasts, terminal growth rates and discount rates applied. ▶ Considered the related financial report disclosures. 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 to the financial statements.

2. Business acquisitions

Why Significant	How our audit addressed the key audit matter
Business acquisitions was a key audit matter due to the number of acquisitions which resulted in business combinations and investments in associates during the year. Notes A5 and E1 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 the following: ▶ Assessed whether the transaction was accounted for in accordance with the applicable Australian Accounting Standard. ▶ Assessed the Group's determination of the purchase price accounting including identification and fair value attributable to intangible assets acquired. ▶ Assessed the Group's determination of fair value of any contingent consideration. ▶ Ensured the adequacy of financial report disclosures included in Notes A5 and E1 to the financial statements.

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3: Recoverability of override receivable

Why Significant	How our audit addressed the key audit matter
The recoverability of the override receivable was 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 Note F3 in the financial report.	Our audit procedures included the following: ▶ Verified the receipt of a sample of override receivables recorded at 30 June 2018 subsequent to year end. ▶ Examined a sample of the override contracts held with the Group's suppliers for verification of contract terms including guaranteed payments and volume incentives. ▶ Ensured renegotiations are supported by adequate documentation. ▶ Assessed the methodology used to derive the override revenue accrual at 30 June 2018, 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. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

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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.

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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 2018.

In our opinion, the Remuneration Report of Flight Centre Travel Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
23 August 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 30 July 2018.

(A) DISTRIBUTION OF EQUITY SECURITIES

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS
1-1,000	16,413
1,001-5,000	2,063
5,001-10,000	155
10,001-100,000	81
100,001 and over	26

There were 333 holders of less than a marketable parcel of ordinary shares.

(B) EQUITY SECURITY HOLDERS

TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

NAME	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Gainsdale Pty Ltd[1]	15,200,000	15.0%
Gehar Pty Ltd[1]	14,470,851	14.3%
James Management Services Pty Ltd[1]	12,989,750	12.9%
Bennelong Australian Equity Partners[1]	7,338,400	7.3%
Vinva Investment Mgt	1,930,019	1.9%
BlackRock Investment Mgt - Index	1,863,526	1.8%
Vanguard Group	1,504,445	1.5%
AQR Capital Mgt	1,393,770	1.4%
Airlie Funds Mgt	1,333,023	1.3%
Friday Investments Pty Limited	1,313,769	1.3%
L1 Capital	1,254,606	1.2%
Norges Bank Investment Mgt	1,200,366	1.2%
Vanguard Investments Australia	1,166,258	1.2%
Selector Funds Mgt	1,077,534	1.1%
State Street Global Advisors	903,343	0.9%
APG Asset Mgt	894,339	0.9%
Wilson Asset Mgt	793,701	0.8%
Trinity Holdings	750,000	0.7%
Realindex Investments	738,841	0.7%
BlackRock Investment Mgt (Australia) - Index	726,780	0.7%
	68,843,321	**68.1%**

[1] *Substantial holder (including associate holdings) in the company*

Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd are party to a "deed of pre-emption" initially issued 5 October 1995 and amended 19 June 2018, which binds each of the parties to give first right of refusal on the purchase of shares in the company. The deed automatically terminates if the parties collectively hold less than 35% of the total issued share capital of FLT at any time.

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. It 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 and Governance 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

	2018 $'000	2017 $'000
Current tax	112,942	93,574
Deferred tax	(8,330)	4,677
Adjustments for current tax of prior periods	(5,332)	(3,579)
Income tax expense	**99,280**	**94,672**
Deferred income tax expense / (benefit) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(7,173)	1,001
Increase / (decrease) in deferred tax liabilities	(1,157)	3,676
	(8,330)	**4,677**

(i) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $'000	2017 $'000
Profit before income tax expense	363,493	325,445
Tax at the Australian tax rate of 30% (2017 - 30%)	**109,048**	**97,634**
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible / (assessable) amounts	1,516	(29)
Changes in tax rate	(3,673)	-
Tax credits	(1,336)	-
Fines, penalties and legals	3,871	-
Other amounts	(146)	1,947
	109,280	**99,552**
Tax losses not recognised	1,592	1,261
Effect of different tax rates on overseas income	(6,260)	(2,562)
Under / (over) provision of prior year's income tax	(5,332)	(3,579)
	(10,000)	**(4,880)**
Income tax expense	**99,280**	**94,672**

(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.

	2018 $'000	2017 $'000
Net deferred tax - (credited) / debited directly to equity	(1,752)	(1,437)

(iii) Tax expense / (income) relating to items of other comprehensive income

	2018 $'000	2017 $'000
Financial assets at FVOCI	(78)	144
Cash flow hedges	644	(104)
Total tax expense / (income) relating to items of other comprehensive income	**566**	**40**

(iv) Unrecognised potential deferred tax assets

	2018 $'000	2017 $'000
Unused tax losses for which no deferred tax asset has been recognised (non-capital)	15,982	2,374
Temporary differences relating to brand name impairment (capital) and other intangibles	42,289	42,289
Other	2,800	176
	61,071	**44,839**
Potential tax benefit at 30% (2017 - 30%)	**18,321**	**13,452**

Unused tax losses in 2018 were incurred by entities in Australia, Hong Kong, Mexico, Malaysia, Philippines and Singapore (2017: South Africa and Singapore). In most cases, the unused tax losses have no expiry date.

INCOME TAX PAID AND INCOME TAX PAYABLE

(i) Calculation of current tax expense	NOTES	2018 $'000	2017 $'000
Current income tax expense of current period	F9	112,942	93,574
Adjustments for current tax of prior periods	F9	(5,332)	(3,579)
Current income tax expense		107,610	89,995
(ii) Reconcilliation of income tax expense to income tax paid and payable			
Net current tax liability/(receivable) at the beginning of the period		(8,071)	3,331
Less income tax paid		(87,649)	(101,397)
Current income tax expense	(i)	107,610	89,995
Net current tax liability/(receivable) at the end of the period		11,890	(8,071)

EFFECTIVE COMPANY TAX RATES

	2018 %	2017 %
Effective tax rate - Australia	29.52%	28.01%
Effective tax rate - Global	27.31%	29.09%

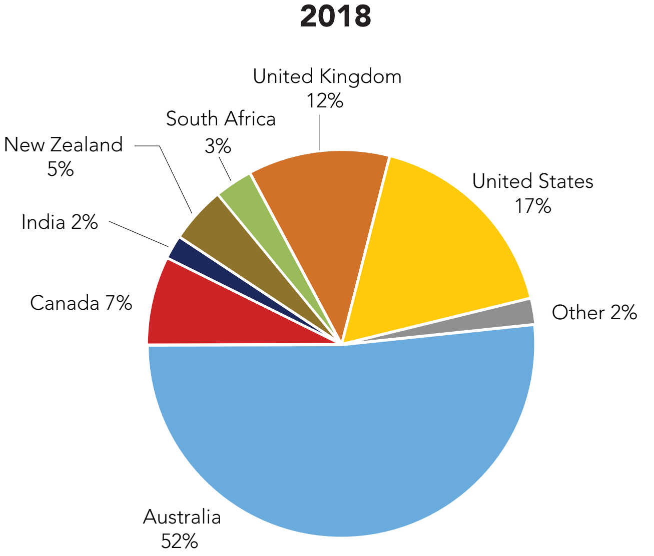
The key factors driving the corporate tax rate below the statutory rate in the 2018 year are per the adjustments disclosed in the numerical reconciliation of income tax expense to prima facie tax payable note above. Primarily, the difference between the Australian corporate tax rate of 30% and FLT's effective tax rate of 27.31% is the effect of different tax rates on overseas income, including a US tax rate change from 35% to 28% for current tax payable and 21% for deferred tax balances.

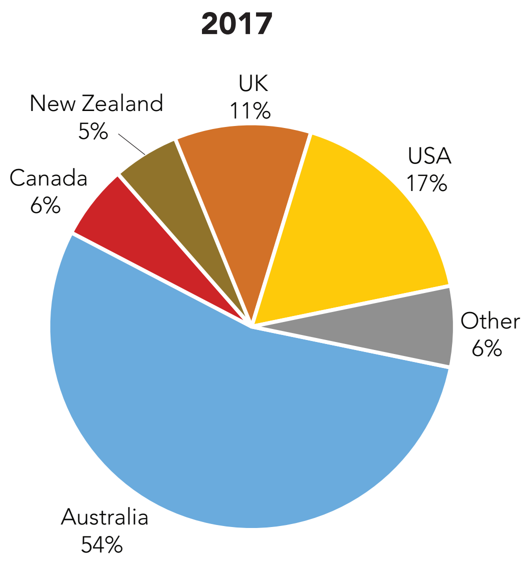
TAX CONTRIBUTION SUMMARY

	2018			2017		
	AUSTRALIA	OTHER COUNTRIES	TOTAL	AUSTRALIA	OTHER COUNTRIES	TOTAL
TAXES PAID BY/ON BEHALF OF FLT	$'000	$'000	$'000	$'000	$'000	$'000
Corporate income tax	56,672	27,899	84,571	67,956	29,941	97,897
Employment taxes (payroll tax, FBT)	35,237	89,843	125,080	36,947	45,841	82,788
Withholding taxes	2,168	909	3,077	556	2,815	3,371
TAXES COLLECTED ON BEHALF OF OTHERS						
GST/VAT (collected and remitted)	37,214	67,516	104,730	39,485	65,945	105,430
GST/VAT (paid but reclaimed)	(39,303)	(72,292)	(111,595)	(46,838)	(69,576)	(116,414)
PAYG/PAYE/salary withholding	146,851	107,589	254,440	150,214	132,988	283,202
Total Tax Contribution	**238,839**	**221,464**	**460,303**	**248,320**	**207,954**	**456,274**

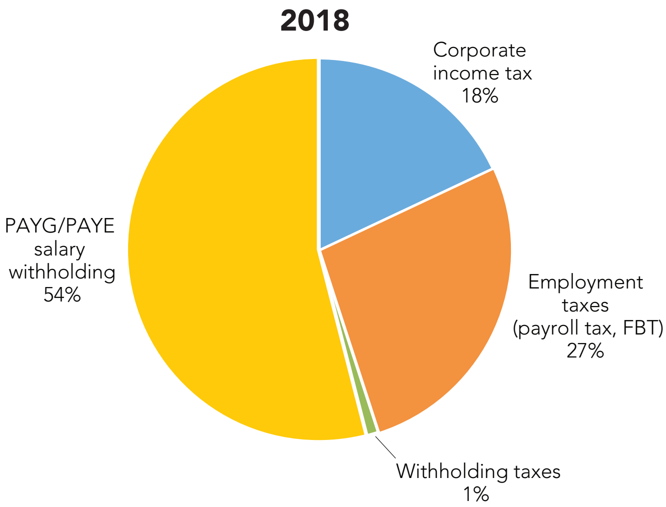
TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

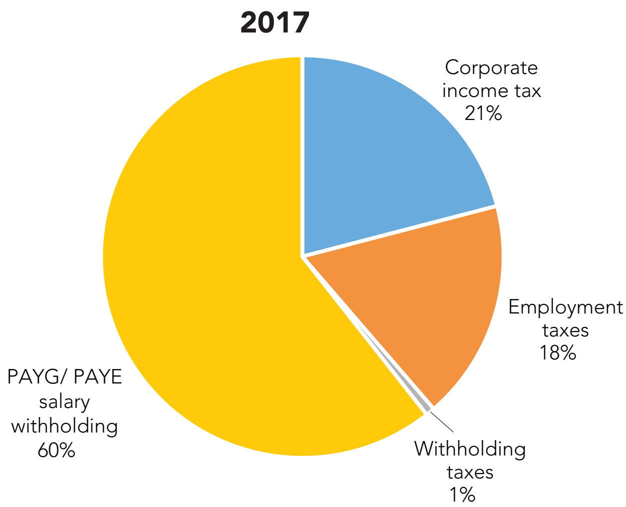
TOTAL TAX CONTRIBUTION BY COUNTRY





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. FLT subsidiaries may own other brandnames, trademarks and 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.
Group Cost and Income Allocations	FLT and its overseas subsidiaries may enter into global contracts with suppliers and / or customers for which income and / or expenses may be allocated amongst the group.