APPENDIX 4D
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF	DECEMBER 2019 $'000	DECEMBER 2018 $'000	CHANGE $'000	CHANGE %
Total transaction value (TTV)[1]	12,398,740	11,155,184	1,243,556	11.2%
Revenue	1,546,485	1,461,509	84,976	5.8%
Statutory profit before tax[2]	38,829	127,405	(88,576)	(69.5%)
Statutory profit after tax[2]	22,108	85,024	(62,916)	(74.0%)
Statutory profit attributable to company owners	22,019	84,797	(62,778)	(74.0%)
Underlying profit before tax[3]	102,707	140,411	(37,704)	(26.9%)
Underlying profit after tax[3]	81,548	101,140	(19,592)	(19.4%)

[1] *TTV is non-IFRS financial information and is not subject to audit 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 and other income from other sources. FLT's revenue is, therefore, derived from TTV.*

[2] *Current year results include the impact of AASB 16 Leases. FLT have adopted the modified retrospective approach and have not restated comparatives. The adoption of AASB 16 has resulted in a net increase in retained earnings at 1 July 2019 of $11,604,000 and a decrease in H1'20 profit before tax of $2,145,000. Refer to note 19 for further details.*

[3] *Underlying profit before tax (PBT) and underlying- net profit after tax (NPAT) are non-IFRS measure and not subject to review procedures.*

December 2019 underlying PBT excludes $46,123,000 non-cash write-down to the Global Touring intangible assets, $7,056,000 in non-recurring costs associated with FLT's voluntary decision to re-accommodate customers who would otherwise have lost their money as a result of a supplier collapse, $5,416,000 share of losses on investment in Upside, a technology business developing SME corporate technology that FLT will incorporate into its Corporate Traveller brand, $3,138,000 relating to fair value loss on change in control for Ignite Travel Group, and $2,145,000 loss attributable to AASB 16 leases. Underlying NPAT also excludes the related tax impact of $4,438,000.

December 2018 underlying profit before tax excludes $8,204,000 relating to Flight Centre Global Procurement Network (GPN) wholesale business revenue alignment, $23,767,000 relating to Olympus Tours impairment and $2,557,000 relating to AASB 15 transition. Underlying NPAT also excludes the related tax impact of $3,110,000.

DIVIDENDS

31 DECEMBER 2019	AMOUNT PER SECURITY CENTS	100% FRANKED AMOUNT CENTS
Interim dividend[4]	40.0	40.0
30 JUNE 2019		
Interim dividend	60.0	60.0
Special dividend	149.0	149.0
Final dividend	98.0	98.0

[4] On 27 February 2020, FLT declared an interim dividend for the period ended 31 December 2019. The record date for determining entitlements to the dividends is 27 March 2020 and payment date is 17 April 2020.

NET TANGIBLE ASSETS (NTA)	DECEMBER 2019 $	DECEMBER 2018 $
Net tangible asset backing per ordinary security	0.87	8.71

The current year is impacted by the transition to AASB16 Leases, with the inclusion within NTA of the 'Lease liability' without the inclusion of the 'Right of use assets'. Adjusting for both, the current year NTA backing would have been $6.34 per ordinary security.

APPENDIX 4D CONTINUED

CONTROL GAINED OVER ENTITIES

- On 19 September 2019, FLT purchased the remaining 51% of Ignite for $31,684,500 bringing FLT's shareholding to 100%. Ignite is an Australian based travel marketing group which specialises in the development and distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers and rewards programs.
- On 9 September 2019, FLT acquired 100% of BLC Ventures Ltd (Ixtapa) for an initial consideration of $879,000. Future tranche payments may be required based on the performance of the business for two subsequent 12 month periods post acquisition. Ixtapa is an independent network of home based consultants in Canada and the acquisition will complement FLT's at home agent presence in Canada.

DETAILS OF JOINT VENTURES AND ASSOCIATES

INVESTMENTS IN JOINT VENTURES	DECEMBER 2019	DECEMBER 2018
Pedal Group Pty Ltd	50.0%	50.0%
Go Vacation Vietnam Company Limited	51.0%	51.0%

INVESTMENTS IN ASSOCIATES	DECEMBER 2019	DECEMBER 2018
Biblos America LLC	28.8%	28.8%
The Upside Travel Company	25.0%	0.0%
Ignite Travel Group Limited	-	49.0%

- On 5 April 2019, FLT acquired a 25% interest in The Upside Travel Company (Upside), a Washington DC-based, technology driven business. This investment will allow FLT access to a travel technology platform and software development resource that will enhance its already strong SME offering.
- On 19 September 2019, FLT acquired the remaining 51% of Ignite. As a result of the change in control Ignite is consolidated into the group's results and is no longer treated as an investment in associates.

COMPLIANCE STATEMENT

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

The report should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by FLT in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and *ASX Listing Rules*.

Your directors present their report on the consolidated entity consisting of Flight Centre Travel Group Limited (FLT) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS' REPORT

DIRECTORS

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

G.F. Turner

G.W. Smith

J.A. Eales

R.A. Baker

C. Garnsey

REVIEW OF OPERATIONS AND RESULTS

The Flight Centre Travel Group (FLT) has delivered an underlying profit before tax (PBT) in line with its 2020 fiscal year (FY20) market guidance for the first half (1H).

The $102.7million underlying result was achieved off the back of record global sales, with TTV for the six months to December 31, 2019 reaching $12.4billion and surpassing the record FY19 1H result by $1.2billion.

At 11.2%, the 1H TTV growth rate was FLT's strongest for the period since FY16, as the company delivered record TTV:

- Across all geographic segments – Australia/New Zealand, the Americas, Europe, Middle East and Africa (EMEA) and Asia
- In all countries (in Australian dollars), with the exception of Greater China; and
- In both the leisure and corporate travel sectors.

Underlying PBT was slightly above the mid-point of 1H guidance (underlying result between $90million and $110million), but below the $140.4million result achieved in superior trading conditions during the FY19 1H.

Statutory 1H PBT was lower at $38.8million (FY19 1H: $127.4million), after a series of non-recurring expenses and non-cash adjustments – totalling $63.9million.

The expenses and adjustments were:

- A $46.1million non-cash impairment charge relating to goodwill, brand names and other intangibles in the London-based Global Touring Business, which has under-performed recently
- $7.1million in non-recurring costs associated with FLT's voluntary decision to reaccommodate customers who would otherwise have lost their money as a result of the collapses of wholesalers Tempo and Bentours in Australia and New Zealand
- $5.4million loss from the share of the company's investment in Upside, a US-based SME corporate business with a strong technology offering that FLT will incorporate into its Corporate Traveller brand in the Northern Hemisphere
- A $3.1million non-cash accounting adjustment (loss) to reflect changes in the fair value of the initial investment in the Ignite business, which FLT took 100% ownership of during the 1H; and
- A $2.1million non-cash accounting adjustment (loss) brought about by FLT's transition to the new AASB 16 leasing standard.

Overall results for the period were adversely impacted by various world events that affected global travel patterns and contributed to the high profile collapse of Thomas Cook, Cox & Kings and several smaller operators. These events included Brexit, US-China trade wars, unrest in Hong Kong, a safety-related downturn in travel to the Dominican Republic (a key market for the US leisure business), and a subdued Australian consumer environment.

FLT's profit for the period was also affected by:

- Under-performance in some businesses and brands, predominantly within the leisure and in-destination sectors
- Cost growth, which was inflated by timing factors, acquisitions, one-off expenses and foreign exchange movements. On a normalised basis, costs increased about 4.7%; and
- Lower revenue margin, resulting from ongoing business mix changes linked to the rapid growth in lower margin businesses in recent years, which more than offset further underlying cost margin improvement.

These lower revenue margin businesses again included:

- The foreign exchange businesses in Australia, New Zealand and India, which together generated almost $1.4billion in TTV (about 11% of group TTV); and
- The online leisure businesses, which underlined FLT's e-commerce credentials by delivering 46.5% TTV growth to $880million (about 7% of group TTV)

1H RESULT DRIVERS & OPERATIONAL HIGHLIGHTS

FLT's 11.2% 1H TTV growth was underpinned by:

- 34% growth in Asia
- 20% growth in EMEA including a strong contribution from acquired FCM France and Switzerland business
- 15% growth in the Americas; and
- 6% growth in Australia/New Zealand, where FLT has high market penetration

Within FLT's Asia segment, the emerging India business delivered 51% TTV growth and overtook Canada to become the company's fourth largest country (by TTV) behind Australia, the United States and United Kingdom.

Globally, the company's corporate travel businesses again out-performed the market and delivered 17% 1H TTV growth to $4.9billion, about 40% of group TTV and leaving them on track to top $10billion during FY20.

Together, FLT's corporate businesses have now achieved a 16.1% compound annual growth rate (CAGR) in TTV over the past decade, making the combined business four-and-a-half times larger than it was during the FY10 1H.

FY20 1H growth was driven by strong client retention and record account wins, with the business securing new contracts valued at $US940million (annualised spend) through to the end of January, including an enterprise-level account with a total contract value exceeding $US1billion.

The North Americas corporate business continued its strong trajectory, delivering 24% TTV growth during the 1H to $1.66billion.

The company has also developed a solid growth platform in Europe, a corporate travel region that is almost as large as the Americas. During the 1H, the UK and Europe-based corporate businesses generated $1billion in TTV for the first time.

Within the corporate travel sector globally, FLT has developed a compelling customer proposition based on:

- An unique two-brand approach – FLT is the only large travel management company (TMC) with two specialist brands with different models and offerings tailored to large market and SME customers
- A winning blend of market leading technology and award-winning people
- Strong global reach, which means the company is one of the few TMCs globally capable of winning and managing large, enterprise, global accounts; and
- A full content suite, which is geared towards delivering the widest choice of air and land content to customers

Within the leisure sector, FLT achieved 6.5% TTV growth globally to $6.7billion.

In Australia, leisure TTV increased 8.4%, despite a marked slowdown in outbound travel which saw 1H short-term resident departures increase by just 1.6% (Source: Australian Bureau of Statistics) – the slowest growth rate since the Global Financial Crisis.

Flight Centre brand sales were flat, with overall leisure TTV growth in Australia predominantly fuelled by emerging and lower cost channels and businesses that FLT has invested in during recent years.

Leisure highlights globally included the 46.5% leisure e-commerce growth, which was driven by:

- The Jetmax online travel agency (OTA) brands, BYOjet and Aunt Betty, which together delivered 59% TTV growth
- flightcentre.com.au, which recorded 54% TTV growth; and
- StudentUniverse, which delivered 19% TTV growth across the US, UK and Australia

In total, e-commerce sales represented about 13% of leisure TTV during the period.

PROFIT

While FLT's overall profit result was below the prior year, several countries and regions achieved new profit records, including South Africa, Singapore, the United Arab Emirates and the overall EMEA segment.

Underlying PBT in EMEA increased 17%, despite Brexit's impacts on the large UK operation, with growth driven by the South Africa, UAE and acquired France-Switzerland businesses.

Although 1H profits decreased year-on-year within FLT's other geographic segments, all countries were profitable on an earnings before interest and tax (EBIT) basis and several key businesses continued their strong trajectories.

The North American corporate business, which has become a material contributor to group earnings, delivered another record profit.

Corporate profit growth across the region was, however, more than offset by softer leisure results, which meant that the overall North America business did not surpass the record $32.6million underlying PBT it delivered last year. The $24.0million FY20 1H result was easily the second best 1H profit in the company's history and was almost triple the $8million FY18 1H result.

1H RESULT DRIVERS & OPERATIONAL HIGHLIGHTS (CONTINUED)

As announced previously, a safety-related downturn in travel to the Dominican Republic cost the US leisure business in the order of $US5million during the 1H.

In the Australian leisure business, in-store margin (gross margin) has recovered in Flight Centre brand, but back-end margin (over-rides) has been adversely affected given that 1H TTV has been relatively flat, leading to lower revenue. Costs increased modestly within this lower revenue environment, which meant that 1H profit was below the PCP.

DIVIDENDS

FLT's PBT translated to an underlying $81.5million net profit after tax (NPAT) and a $22.1million statutory NPAT.

In light of these results, the company's directors today declared a 40 cents per share fully franked interim dividend payable on April 17, 2020 to shareholders registered on March 27, 2020. The $40.4million dividend payment represents a 50% return of underlying NPAT to shareholders.

This followed the record $310million return to shareholders via the FY19 dividends (including a $1.49 per share special dividend) and the $170million return related to FY18 – delivering a total fully franked return to shareholders in the order of $520million during the past two-and-a-half years.

COVID-19

FLT continues to monitor COVID-19's impacts on its corporate and leisure businesses and its potential impacts on travel patterns across both sectors in the upcoming months, which are traditionally the year's peak booking periods.

As outlined in its February 7 update, the Greater China and Singapore corporate businesses – which together generated about 2.5% of group TTV during the FY20 1H – have been significantly impacted by the Chinese inbound and outbound travel shutdowns, which have been key elements in the containment efforts to date.

FLT's corporate businesses elsewhere in the world have also been significantly impacted, particularly during the past three weeks, with companies globally typically amending travel policies to prevent employees from travelling to China and, in some cases, other major business travel hubs in the short-term.

Leisure travel patterns have also been increasingly affected recently, with some customers reviewing short-term holiday plans and monitoring the virus's possible spread to locations outside China and Asia in the future.

It is impossible to predict the virus's impact at this time, but FLT expects it will lead to subdued activity through to the end of FY20.

This is based on the company's previous experiences, particularly in relation to SARS.

The SARS outbreak, which coincided with unrest in the Middle East following the US's invasion of Iraq in March 2003, led to a four-five month international travel downturn.

This temporary downturn was followed by strong outbound travel growth, particularly in Australia, during the fourth quarter of the 2003 calendar year and throughout 2004.

FY20 GUIDANCE

Although FLT has achieved record TTV and an underlying PBT within its targeted range for the 1H, achieving its full year guidance of an underlying PBT between $310million and $350million has become more difficult as a result of COVID-19's emergence late last month and escalation this month.

Based on current trends, the company now believes its underlying full year PBT is likely to be between $240million and $300million, with:

- A result at the bottom of this range based on current trading conditions continuing through to the end of FY20; and
- A result at the top of the range reflecting improved conditions ahead of the peak fourth quarter booking period

It is, of course, an evolving situation and FLT will continue to monitor developments, particularly the ongoing efforts to contain the virus's spread.

In this uncertain climate, FLT will seek to capitalise on any opportunities that arise and believe we are well placed to weather this challenge given:

- A healthy cash position and relatively low debt, which gives customers piece of mind and shields the company from short-term economic downturns
- Scale and diversity, which allows FLT to help customers switch to destinations that are not significantly impacted; and
- FLTs experience with SARS in 2003, when we saw a strong and prolonged leisure sector rebound after a short-term downturn in outbound travel globally

DIRECTORS' REPORT CONTINUED

FY20 GUIDANCE (CONTINUED)

FLT will also work with suppliers to aggressively promote travel to destinations that are not significantly affected – including Australia, the Americas and the UK – to stimulate demand and are already starting to see extremely attractive offers.

The company will also continue the cost focus in this subdued climate and are already introducing flexible work arrangements in our Asia-based businesses that are heavily impacted.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

DIVIDENDS

FLT's directors today declared a 40.0 cents per share fully franked dividend payable on 17 April 2020 to shareholders registered on 27 March 2020. This represents a 184% return of after-tax profit to shareholders (50% of underlying NPAT), in line with FLT's current policy of returning 50-60% of after-tax profit, subject to the business's needs. The interim dividend paid for the half-year ended 31 December 2018 was 60.0 cents per share. A special dividend of 149.0 cents per share was also declared during the half-year ended 31 December 2018.

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 9.

ROUNDING OF AMOUNTS

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

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

G.F. Turner
Director

27 February 2020

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

As lead auditor for the review of the financial report of Flight Centre Travel Group Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ric Roach
Partner
27 February 2020

STATEMENT OF PROFIT OR LOSS

	NOTES	HALF-YEAR ENDED 31 DECEMBER 2019 $'000	2018 $'000
Revenue	4	1,546,485	1,461,509
Other income	5	12,205	19,965
Share of (loss) / profit of joint ventures and associates	6	(3,567)	1,698
Employee benefits		(822,087)	(758,301)
Sales and marketing		(112,715)	(94,526)
Tour operations - cost of sales		(97,631)	(93,118)
Amortisation and depreciation	1/18	(113,445)	(40,987)
Finance costs	1/18	(21,212)	(10,970)
Impairment charge	8	(46,123)	(23,767)
Other expenses	7	(303,081)	(334,098)
Profit before income tax expense		**38,829**	127,405
Income tax expense		(16,721)	(42,381)
Profit after income tax expense		**22,108**	85,024
Profit attributable to:			
Company owners		22,019	84,797
Non-controlling interests		89	227
		22,108	85,024

Earnings per share for profit attributable to the ordinary equity holders of the company:		CENTS	CENTS
Basic earnings per share	14	21.8	84.1
Diluted earnings per share	14	21.6	83.6

Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

	HALF-YEAR ENDED 31 DECEMBER	
	2019 $'000	2018 $'000
Profit after income tax expense	22,108	85,024
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified to profit or loss		
Changes in the fair value of financial assets at FVOCI	19	(40)
Gain/(loss) on cash flow hedges	(1,123)	(926)
Gain/(loss) on net investment hedges	1,600	-
Net exchange differences on translation of foreign operations	5,588	18,342
Income tax on items of other comprehensive income	(104)	255
Total other comprehensive income	**5,980**	**17,631**
Total comprehensive income	**28,088**	**102,655**
Attributable to:		
Company owners	27,998	102,864
Non-controlling interests	90	(209)
	28,088	**102,655**

Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.

The above statement of other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

		HALF-YEAR ENDED 31 DECEMBER	
CASH FLOWS FROM OPERATING ACTIVITIES	**NOTES**	**2019 $'000**	**2018 $'000**
Receipts from customers[1]		1,600,129	1,519,323
Payments to suppliers and employees[1]		(1,677,493)	(1,648,215)
Royalties received		278	169
Interest received		9,461	11,685
Interest paid (non-leases)		(13,623)	(11,665)
Interest paid (leases)	18	(8,414)	-
Income taxes paid		(46,791)	(67,203)
Net cash (outflow) from operating activities		**(136,453)**	**(195,906)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	2b	(7,972)	(7,498)
Acquisition of non-controlling interests in subsidiaries		-	(25,074)
Payments of contingent consideration	3	(11,170)	-
Payments for property, plant and equipment		(29,968)	(29,771)
Payments for intangibles		(29,551)	(20,952)
Payments for the purchase of financial asset investments		(5,137)	(9,457)
Proceeds from sale of financial asset investments		20,030	29,000
Dividends received from joint ventures and associates		-	243
Loans repaid by external parties		-	200
Loans repaid by related parties		-	112
Net cash (outflow) from investing activities		**(63,768)**	**(63,197)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		100,544	16,779
Repayment of borrowings		(72,759)	(18,382)
Payment of principal on lease liabilities	18	(72,817)	-
Proceeds from issue of shares		858	754
Payments for purchase of treasury shares		-	(6,265)
Proceeds from allocation of treasury shares		2,379	2,097
Dividends paid to company owners	12	(99,097)	(108,153)
Distributions paid to non-controlling interests		(145)	(95)
Net cash (outflow) from financing activities		**(141,037)**	**(113,265)**
Net (decrease) in cash held		**(341,258)**	**(372,368)**
Cash and cash equivalents at the beginning of the half year		1,172,252	1,272,992
Effects of exchange rate changes on cash and cash equivalents		5,165	4,352
Cash and cash equivalents at end of the half year	9	**836,159**	**904,976**

[1] Including GST

Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.

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

BALANCE SHEET

	NOTES	AS AT 31 DECEMBER 2019 $'000	AS AT 30 JUNE 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	837,743	1,172,252
Financial asset investments	10	100,333	115,447
Trade receivables		585,951	559,420
Contract assets		343,838	356,124
Other assets		66,575	71,315
Other financial assets		13,521	13,243
Current tax receivables		19,343	12,452
Derivative financial instruments		3,901	7,494
Total current assets		**1,971,205**	**2,307,747**
Non-current assets			
Property, plant and equipment		239,274	239,868
Intangible assets	2d	797,706	768,635
Right of use asset	18	522,229	-
Other assets		3,862	11,543
Other financial assets		6,671	8,022
Investments in joint ventures and associates		69,220	85,549
Deferred tax assets		90,037	72,050
Derivative financial instruments		1,600	-
Total non-current assets		**1,730,599**	**1,185,667**
Total assets		**3,701,804**	**3,493,414**
LIABILITIES			
Trade and other payables		1,268,681	1,517,845
Deferred revenue		56,678	68,660
Contingent consideration	3	3,914	15,400
Lease liability	18	138,036	-
Borrowings		64,723	84,710
Provisions		67,514	54,894
Current tax liabilities		6,065	10,769
Derivative financial instruments		4,900	2,797
Total current liabilities		**1,610,511**	**1,755,075**
Non-current liabilities			
Trade and other payables		814	59,530
Deferred revenue		44,522	48,469
Contingent consideration	3	302	3,181
Lease liability	18	415,520	-
Borrowings		149,659	100,375
Provisions		48,837	48,098
Deferred tax liabilities		23,730	16,368
Total non-current liabilities		**683,384**	**276,021**
Total liabilities		**2,293,895**	**2,031,096**
Net assets		**1,407,909**	**1,462,318**
EQUITY			
Contributed equity	13	406,484	405,626
Treasury shares	13	(9,163)	(11,993)
Reserves		22,829	15,397
Retained profits		987,536	1,053,010
Equity attributable to the company owners		**1,407,686**	**1,462,040**
Non-controlling interests		**223**	**278**
Total equity		**1,407,909**	**1,462,318**

Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.

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

STATEMENT OF CHANGES IN EQUITY

	NOTES	FOR THE PERIOD ENDED 31 DECEMBER						
		CONTRIBUTED EQUITY $'000	TREASURY SHARES $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
BALANCE AT 1 JULY 2018		404,023	(10,934)	34,160	1,108,626	1,535,875	4,716	1,540,591
Profit for the half year		-	-	-	84,797	84,797	227	85,024
Other comprehensive income		-	-	18,067	-	18,067	(436)	17,631
Total comprehensive income for the half year		**-**	**-**	**18,067**	**84,797**	**102,864**	**(209)**	**102,655**
Transactions with owners in their capacity as owners:								
Acquisition reserve		-	-	(21,936)	-	(21,936)	(3,219)	(25,155)
Employee share-based payments		754	-	(95)	-	659	-	659
Treasury shares	13	-	(4,263)	-	-	(4,263)	-	(4,263)
Dividends provided for or paid	12	-	-	-	(108,153)	(108,153)	(95)	(108,248)
Balance at 31 December 2018		**404,777**	**(15,197)**	**30,196**	**1,085,270**	**1,505,046**	**1,193**	**1,506,239**
BALANCE AT 1 JULY 2019		405,626	(11,993)	15,397	1,053,010	1,462,040	278	1,462,318
Accounting policy change - AASB16[1]	19	-	-	-	11,604	11,604	-	11,604
Restated total equity as at 1 July 2019		**405,626**	**(11,993)**	**15,397**	**1,064,614**	**1,473,644**	**278**	**1,473,922**
Profit for the half year		-	-	-	22,019	22,019	89	22,108
Other comprehensive income		-	-	5,979	-	5,979	1	5,980
Total comprehensive income for the half year		**-**	**-**	**5,979**	**22,019**	**27,998**	**90**	**28,088**
Transactions with owners in their capacity as owners:								
Employee share-based payments	13	858	-	1,905	-	2,763	-	2,763
Treasury shares	13	-	2,830	(452)	-	2,378	-	2,378
Dividends provided for or paid	12	-	-	-	(99,097)	(99,097)	(145)	(99,242)
Balance at 31 December 2019		**406,484**	**(9,163)**	**22,829**	**987,536**	**1,407,686**	**223**	**1,407,909**

[1] *Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.*

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

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT MATTERS IN THE CURRENT REPORTING PERIOD

The following significant events and transactions occurred during the half-year ended 31 December 2019:

ACQUISITIONS

- On 19 September 2019, FLT purchased the remaining 51% of Ignite for $31,684,500 bringing FLT's shareholding to 100%. Ignite is an Australian based travel marketing group which specialises in the development and distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers and rewards programs.
- On 9 September 2019, FLT acquired 100% of BLC Ventures Ltd (Ixtapa) for an initial consideration of $879,000. Future tranche payments may be required based on the performance of the business for two subsequent 12 month periods post acquisition. Ixtapa is an independent network of home based consultants in Canada and the acquisition will complement FLT's at home agent presence in Canada.

Refer to note 2 for further details of these acquisitions.

AASB 16 INITIAL APPLICATION

- FLT has adopted AASB16 Leases with an initial application date of 1 July 2019. Refer to note 19 for further details.

UNDERLYING ADJUSTMENTS

- A non-cash write-down to the Global Touring intangible assets of $46,123,000 (related tax impact $1,740,000). Refer to note 8 for further details.
- Other expenses (note 7) includes $7,056,000 (related tax impact $2,113,000) of non-recurring costs associated with FLT's voluntary decision to re-accommodate customers following the collapse of wholesalers Tempo and Bentours in Australia and New Zealand.
- Share of (loss)/profit of joint ventures and associates (note 6) includes the company's investment in Upside, a US-based SME corporate business developing a strong technology offering that FLT will incorporate into its Corporate Traveller brand in the Northern Hemisphere. FLT's share of Upside losses amounted to $5,416,000 (related tax impact $364,000).
- A $3,138,000 loss (related tax impact nil) to reflect the change in fair value on the initial investment in Ignite when FLT acquired the remaining 51%. Refer to note 5 for further details.
- The adoption of AASB 16 has resulted in a decrease in H1'20 profit before tax of $2,145,000 (related tax impact $221,000). This decrease represents the impact of now recognising depreciation, amortisation and interest expense under AASB 16 as compared with recognising rental expense on a straight-line basis under AASB 117. Refer to note 19 for further details.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 SEGMENT INFORMATION

(A) BASIS OF SEGMENTATION AND MEASUREMENT

The basis of segmentation and measurement of segment profit or loss has not changed since the 30 June 2019 annual financial statements except for the application of AASB 16 *Leases*, Refer to note 19 for further details on transition adjustments.

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

The segment information provided to the board and global task force for the reportable segments for the half-years ended 31 December 2019 and 31 December 2018 is shown in the following tables:

31 DECEMBER 2019	AUSTRALIA & NZ[2] $'000	AMERICAS[2] $'000	EMEA $'000	ASIA $'000	OTHER SEGMENT $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	**6,318,268**	**2,827,448**	**1,916,218**	**1,187,247**	**149,559**	**12,398,740**
Agency revenue from the provision of travel	705,650	318,226	242,598	47,721	5,753	1,319,948
Principal revenue from the provision of travel	54,260	11,705	3,977	220	2,517	72,679
Revenue from tour operations	-	-	-	-	134,868	134,868
Revenue from other businesses	9,457	1,777	2,137	1,550	4,069	18,990
Total revenue from contracts with customers	**769,367**	**331,708**	**248,712**	**49,491**	**147,207**	**1,546,485**
Statutory EBITDA	**120,080**	**43,643**	**61,872**	**6,968**	**(67,541)**	**165,022**
Depreciation and amortisation	(22,268)	(9,767)	(10,263)	(1,198)	(3,620)	(47,116)
Depreciation and amortisation - ROU Asset[4]	(41,891)	(11,979)	(9,005)	(2,368)	(1,086)	(66,329)
Statutory EBIT	**55,921**	**21,897**	**42,604**	**3,402**	**(72,247)**	**51,577**
Interest income	6,101	4,466	6,303	413	(8,819)	8,464
BOS interest expense	(8,659)	(1,448)	(1,373)	-	1,315	(10,165)
Lease interest expense[4]	(4,659)	(2,144)	(916)	(387)	(308)	(8,414)
Other interest expense	(1,252)	(953)	(1,717)	(905)	2,194	(2,633)
Net profit before tax and royalty	**47,452**	**21,818**	**44,901**	**2,523**	**(77,865)**	**38,829**
Royalty	3,561	-	(3,561)	-	-	-
Net profit before tax and after royalty	**51,013**	**21,818**	**41,340**	**2,523**	**(77,865)**	**38,829**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**55,921**	**21,897**	**42,604**	**3,402**	**(72,247)**	**51,577**
Interest income[3]	422	30	489	-	4,614	5,555
BOS interest expense	(8,659)	(1,448)	(1,373)	-	1,315	(10,165)
(Gain)/loss on contingent consideration	-	(1,833)	-	-	(2,323)	(4,156)
Net FX (gains) / losses on intercompany loans	-	-	(67)	-	(421)	(488)
Global Touring impairment	-	-	-	-	46,123	46,123
Supplier loss	7,056	-	-	-	-	7,056
Upside investment cost	-	-	-	-	5,416	5,416
Fair value loss on Ignite	3,138	-	-	-	-	3,138
Impact of AASB 16 transition[4]	(1,239)	2,150	956	366	(88)	2,145
Other non-material items	(1)	-	(4)	-	94	89
Adjusted EBIT / Segment Result	**56,638**	**20,796**	**42,605**	**3,768**	**(17,517)**	**106,290**

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

[2] *The results of the new acquisitions and investments are shown in the following segments: Ignite in the Australia & NZ segment and Ixtapa in the Americas segment.*

[3] *Land wholesale interest only.*

[4] *Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.*

1 SEGMENT INFORMATION (CONTINUED)

31 DECEMBER 2018	AUSTRALIA & NZ $'000	AMERICAS $'000	EMEA $'000	ASIA $'000	OTHER SEGMENT[2] $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	5,982,129	2,455,543	1,594,634	885,061	237,817	11,155,184
Agency revenue from the provision of travel	686,697	276,436	204,286	43,302	25,042	1,235,763
Principal revenue from the provision of travel	50,982	11,908	3,278	93	1,231	67,492
Revenue from tour operations	-	-	-	-	135,052	135,052
Revenue from other businesses	9,043	2,251	3,498	2,637	5,773	23,202
Total revenue from contracts with customers	**746,722**	**290,595**	**211,062**	**46,032**	**167,098**	**1,461,509**
Statutory EBITDA	**102,582**	**39,208**	**43,359**	**6,823**	**(24,665)**	**167,307**
Depreciation and amortisation	(22,001)	(7,328)	(6,849)	(1,434)	(3,375)	(40,987)
Statutory EBIT	**80,581**	**31,880**	**36,510**	**5,389**	**(28,040)**	**126,320**
Interest income	3,057	3,606	5,290	422	(321)	12,054
BOS interest expense	(8,292)	(1,248)	(1,403)	-	1,331	(9,612)
Other interest expense	(1,293)	(1,644)	(1,153)	(2,013)	4,746	(1,357)
Net profit before tax and royalty	**74,053**	**32,594**	**39,244**	**3,798**	**(22,284)**	**127,405**
Royalty	6,769	-	(6,769)	-	-	-
Net profit before tax and after royalty	**80,822**	**32,594**	**32,475**	**3,798**	**(22,284)**	**127,405**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**80,581**	**31,880**	**36,510**	**5,389**	**(28,040)**	**126,320**
Interest income[3]	655	27	330	-	6,357	7,369
BOS interest expense	(8,292)	(1,248)	(1,403)	-	1,331	(9,612)
(Gain)/loss on contingent consideration	-	0	-	(859)	(3,163)	(4,022)
Net FX (gains) / losses on intercompany loans	-	-	(2)	-	(1,515)	(1,517)
GPN revenue alignment	-	-	-	-	(8,204)	(8,204)
Olympus tours impairment	-	-	-	-	23,767	23,767
Impact of AASB 15 adjustments	(927)	-	-	-	(1,630)	(2,557)
Other non-material items	(25)	-	28	(8)	(10)	(15)
Adjusted EBIT / Segment Result	**71,992**	**30,659**	**35,463**	**4,522**	**(11,107)**	**131,529**

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

[2] The results of the new acquisition Umapped and Buffalo Tours are shown in the Other segment.

[3] Land wholesale interest only.

2 BUSINESS COMBINATIONS

(A) CURRENT YEAR ACQUISITIONS

SUMMARY OF ACQUISITIONS

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

Ignite

On 19 September 2019, FLT purchased the remaining 51% of Ignite for $31,684,500 bringing FLT's shareholding to 100%.

Ignite is an Australian based travel marketing group which specialises in the development and distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers and rewards programs.

The goodwill represents the benefit of full deployment and integration of Ignite's "readymade" holiday package model through FLT's leisure network to deliver new offerings and choices to FLT customers, as well as attracting a new customer segment to FLT.

The initial accounting for the business combination is provisional, pending finalisation of the take on balance sheet and valuation of other intangibles.

Details of the purchase consideration, the provisional net assets acquired and provisional goodwill are set out in the table below.

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

	NOTES	IGNITE $'000
% OWNERSHIP		100%
Purchase Consideration		
Cash consideration		31,685
Total purchase consideration		**31,685**
Assets and liabilities acquired at fair value		
Cash and cash equivalents		24,306
Trade and other receivables		41,581
Contract assets		1,530
Other assets		9,785
Property, plant and equipment		384
Intangible assets	2d	3,197
Right of use asset		2,261
Deferred tax assets		361
Trade and other payables		(79,025)
Lease liability		(2,261)
Current tax payable		(265)
Provisions		(258)
Net identifiable assets and liabilities acquired		**1,596**
Equity accounted value of previous interest		(12,938)
Fair value loss / (gain) on change in control	5	3,138
Fair value of previous interest held		**(9,800)**
Goodwill arising on acquisition	2d	**39,889**
		31,685

2 BUSINESS COMBINATIONS (CONTINUED)

PURCHASE CONSIDERATION - CASH OUTFLOW	IGNITE $'000
Cash consideration	(31,685)
Less: balances acquired	24,306
Total cash outflow - investing activities	**(7,379)**

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

REVENUE & PROFIT CONTRIBUTION FROM THE DATE OF ACQUISITION TO PERIOD-END	IGNITE $'000
Revenue	10,723
Profit / (Loss) before tax	194

Had the acquisition occurred on 1 July 2019, revenue and profit contribution for the half-year would have been:

REVENUE & PROFIT CONTRIBUTION FOR PERIOD ENDED 31 DECEMBER 2019	IGNITE $'000
Revenue	18,000
Profit / (Loss) before tax	711

Acquisition costs

Acquisition-related costs of $63,000 have been recognised in the statement of profit or loss (other expenses) and in operating cash flows in the statement of cash flows (payments to suppliers and employees).

Ixtapa

On 9 September 2019, FLT acquired 100% of BLC Ventures Ltd (Ixtapa) for an initial consideration of $879,000. Future tranche payments of $622,000 (refer note 3) may be required based on the performance of the business for two subsequent 12 month periods post acquisition. Ixtapa is an independent network of home based consultants in Canada.

The goodwill of $1,074,000 recognised represents the value to FLT as it will complement FLT's at home agent presence in Canada.

The revenue and profit contributions are not material to the group.

The accounting for the business combination is provisional.

(B) RECONCILIATION TO CASH FLOW STATEMENT

	$'000
Ignite acquisition	(7,379)
Ixtapa acquisition	(593)
Total net cash outflow on acquisition	**(7,972)**
Acquisition of subsidiary - net cash outflow	(7,972)
Total outflow of cash - investing activities	**(7,972)**

(C) PRIOR YEAR ACQUISITIONS

CASTO

The purchase price accounting for Casto Travel US LLC (Casto) has been finalised during the period. FLT has completed a review of the customer relationships obtained and determined that $3,024,000 should be attributed to these, with a corresponding reduction in goodwill. The customer relationships have been determined to have a useful life of five years and will be amortised over this period.

2 BUSINESS COMBINATIONS (CONTINUED)

3MUNDI

The purchase price accounting for 3mundi remains provisional pending finalisation of the take on balance sheet. FLT has completed a review of the customer relationships obtained and determined that $19,921,000 should be attributed to these, offset by deferred tax liability of $5,976,000, with a corresponding reduction in goodwill. The customer relationships have been determined to have a useful life of five years and will be amortised over this period.

(D) RECONCILIATION OF INTANGIBLE ASSETS MOVEMENTS

	NOTES	GOODWILL $'000	BRAND NAMES, LICENCES AND CUSTOMER RELATIONSHIPS $'000	SOFTWARE $'000	TOTAL $'000
Balance at 1 July 2019		**598,639**	**18,803**	**151,193**	**768,635**
Additions		-	16	36,588	36,604
Acquisitions	2a	40,963	-	3,197	44,160
Customer relationships recognised on acquisition	2c	(16,969)	22,945	-	5,976
Amortisation		-	(3,221)	(11,107)	(14,328)
Impairment charge		(25,830)	(11,145)	(9,148)	(46,123)
Exchange differences		2,003	(149)	928	2,782
Balance at 31 December 2019		**598,806**	**27,249**	**171,651**	**797,706**

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(A) FAIR VALUE HIERARCHY

There have been no changes to the classification of financial instruments within the fair value hierarchy from 30 June 2019. All financial instruments are stated at their carrying amount, which approximates fair value with the exception of debt securities measured at fair value through other comprehensive income (FVOCI). The valuation techniques of financial instruments are described below:

DEBT SECURITIES

Refer to note 10 for valuation techniques of financial asset investments.

DERIVATIVE FINANCIAL INSTRUMENTS

FORWARD FOREIGN EXCHANGE CONTRACTS

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 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 (30 June 2019: Level 2) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique described above.

CROSS CURRENCY INTEREST RATE SWAP CONTRACTS

Cross currency interest rate swaps are measured at fair value, which is calculated as the present value of the estimated future cash flows. Estimate of future cash flows are based on quoted swap rates, interbank borrowing rates and forward exchange rates.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a cash flow hedge or a net investment hedge. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The cross currency interest rate swaps are classified as Level 2 under the AASB 13 Fair value measurement hierarchy, based on the valuation technique described above.

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

ACCOUNTING POLICY: NET INVESTMENT HEDGE

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

As outlined above FLT uses a cross currency interest rate swap as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

CONTINGENT CONSIDERATION

Contingent consideration is recognised in relation to the acquisitions listed below. FLT has determined that it is classified as Level 3 (30 June 2019: 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.

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.

AVMIN PTY LIMITED (AVMIN)

The financial liability related to the put option for AVMIN ($1,330,000) has been recorded as part of current contingent consideration. The potential undiscounted amount of this liability has been estimated as the value of future expected cash flows for the settlement of the put option for AVMIN. The expected cash flows are based on a multiple of the average NPAT for year ended 30 June 2019 and the forecast NPAT for the year ended 30 June 2020.

BESPOKE HOSPITALITY MANAGEMENT ASIA LIMITED (BHMA)

Contingent consideration of ($386,000) to be paid to the shareholders has been recorded as part of current contingent consideration. The potential undiscounted amount payable under the agreement is between $nil and $386,000. 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.

BLC VENTURES LTD (IXTAPA)

The financial liability related to the earn out payment for Ixtapa ($615,000) has been recorded as part of the contingent consideration ($313,000 as current with the remaining $302,000 as non-current). The potential amount of this liability is based on a multiple of expected EBITDA for two subsequent 12 month periods post acquisition. The non-current portion of this liability has been estimated by discounting the value of future expected cash flows at a discount rate of 2.3%.

LES VOYAGES LAURIER DU VALLON (LDV)

The financial liability related to the LDV acquisition was settled for $7,842,000 during the period. No contingent consideration remains at period end.

TRAVEL PARTNERS HOLDINGS PTY LTD (TRAVEL PARTNERS)

The financial liability related to the earn out payment for Travel Partners ($244,000) has been recorded as part of current contingent consideration. The potential undiscounted amount of this liability is based on TTV growth multiples for the three 12 month periods following acquisition.

UMAPPED INC (UMAPPED)

The financial liability related to the hold back payments for Umapped ($1,641,000) has been recorded as part of current contingent consideration. The first hold back payment was settled for $3,328,000 during the period. The second hold back payment is expected to be settled on the second anniversary of acquisition, September 2020. The potential undiscounted amount of this liability has been estimated as the value of future expected cash flows for the settlement of the hold back payments which under the agreement is between $nil and $1,641,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	NOTES	CONTINGENT CONSIDERATION $'000
Opening balance 1 July 2019		**18,581**
New business combinations	2a	622
Payment of contingent consideration		(11,170)
(Gains) / losses recognised in the statement of profit or loss	5	(4,156)
Other unrealised (gains)/ losses including net foreign exchange movements recognised in the statement of profit or loss		339
Closing balance 31 December 2019		**4,216**
Current contingent consideration		3,914
Non-current contingent consideration		302
Total contingent consideration		**4,216**

(B) FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

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

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

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

4 REVENUE

	HALF-YEAR ENDED	
	31 DECEMBER 2019 $'000	31 DECEMBER 2018 $'000
Agency revenue from the provision of travel[1]	1,319,948	1,235,763
Principal revenue from the provision of travel	72,679	67,492
Revenue from tour & hotel operations	134,868	135,052
Revenue from other businesses	18,990	23,202
Total revenue from contracts with customers	**1,546,485**	**1,461,509**

[1] In the prior period agency revenue from the provision of travel included a one-off gain for the December 2018 half-year reporting period of $8,204,000 related to the Flight Centre Global Procurement Network (GPN) wholesale business. The gains were brought about by system improvements which allowed FLT to accurately calculate and capture a component of leisure volume incentives within the GPN business at the time of booking using the most likely method, rather than after the consumer has travelled, in line with the FLT policy.

Additional disaggregation of revenue by geographic region is presented in note 1 Segment Information.

5 OTHER INCOME

	NOTES	HALF-YEAR ENDED 31 DECEMBER 2019 $'000	HALF-YEAR ENDED 31 DECEMBER 2018 $'000
Fair value loss on Ignite Travel Group		(3,138)	-
		(3,138)	**-**
Interest		8,464	12,054
Rent and sub-lease rentals		1,333	1,103
Net foreign exchange gains		1,390	2,786
Gain on contingent consideration	3a	4,156	4,022
		15,343	**19,965**
Total Other Income		**12,205**	**19,965**

6 SHARE OF (LOSS) / PROFIT OF JOINT VENTURES AND ASSOCIATES

SHARE OF RESULTS	HALF-YEAR ENDED 31 DECEMBER 2019 $'000	HALF-YEAR ENDED 31 DECEMBER 2018 $'000
Profit from continuing operations - joint ventures[1]	1,843	1,690
(Loss) / profit from continuing operations - associates[2]	(5,410)	8
Total	**(3,567)**	**1,698**

[1] *Joint venture results include share of profit from Pedal Group of $1,887,000 (2018: $1,704,000)*

[2] *Associate results include share of losses from Upside Travel Group ($5,416,000) (2018: nil). This has been recognised as an underlying adjustment.*

7 OTHER EXPENSES

	HALF-YEAR ENDED 31 DECEMBER 2019 $'000	HALF-YEAR ENDED 31 DECEMBER 2018 $'000
Other occupancy costs	36,975	35,439
Rent expense[1]	12,700	81,026
Consulting fees	44,956	38,491
Independent agent consulting fees	20,435	16,271
Communication and IT	73,077	55,714
Supplier loss	7,056	-
Other expenses	107,882	107,157
Total other expenses	**303,081**	**334,098**

[1] *Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16.*

8 IMPAIRMENT CHARGE

FLT has recorded a non-cash write-down to goodwill, brand names and other intangibles of $46,123,000 in Top Deck Tours and Backroads/Global Touring CGU. Top Deck Tours is a tour operator providing trips for people aged 18 to 39 throughout Europe, Australia and New Zealand, North America, the Middle East, Asia and North Africa and Africa. Backroads is a tour operator specialising in small-group, regional and tailor-made tours throughout the UK and Europe. Post impairment, the remaining goodwill in the Global Touring CGU is $10,888,000.

Top Deck Tours growth has deteriorated during the period which has been caused by a decline in customers. This has resulted in the impairment recognised in the period to 31 December 2019.

For the purposes of impairment testing, a value in use methodology was applied. The assets, excluding goodwill, in each of Top Deck Tours and Backroads were first tested for impairment. The value in use models were then combined and the Global Touring CGU goodwill was tested.

The key assumptions used in the models are as follows:

- Five to seven-year budgeted EBITDA based on management's forecast of revenue from tour services, taking into account expected TTV/sales growth based on passenger bookings
- 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
- A rate of 2.5% (30 June 2019: 2.0%) was used to extrapolate cash flows beyond the budget period to calculate a terminal value.

Management have applied a pre-tax discount rate of 15.7% (30 June 2019: 15.7%) based on available market data and data from other comparable listed companies within the travel sector.

IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Given the Global Touring CGU was written down to its recoverable amount at 31 December 2019, any change in key assumptions would cause the Global Touring CGU's carrying value to exceed its recoverable amount.

9 CASH AND CASH EQUIVALENTS

	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
General cash at bank and on hand	186,773	336,523
Client cash	650,970	835,729
Total cash and cash equivalents	**837,743**	**1,172,252**
Reconciliation to Statement of Cash Flows		
Cash and cash equivalents	837,743	1,172,252
Bank overdraft	(1,584)	-
Balance per Statement of Cash Flows	**836,159**	**1,172,252**

10 FINANCIAL ASSET INVESTMENTS

	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
Equity investments - Fair value through profit or loss (FVTPL)[1]	4,213	3,111
Debt securities - Fair value through profit or loss (FVTPL)[1]	5,264	4,661
Debt securities - Fair value through other comprehensive income (FVOCI)[1]	8,168	7,987
Debt securities - Amortised cost[2]	29,688	99,688
Repurchase receivable - Amortised cost[2]	53,000	-
Total financial asset investments	**100,333**	**115,447**

[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 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 (2019: Level 2) under the AASB 13 *Fair value measurement* hierarchy, based on the valuation technique as described above.

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 (2019: Level 3) under the AASB 13 *Fair value measurement* hierarchy, based on the valuation technique as described above.

11 NET DEBT

	NOTES	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
General cash at bank and on hand	9	186,773	336,523
General financial investments	10	17,645	15,759
		204,418	**352,282**
Less:			
Borrowings - current		64,723	84,710
Borrowings - non-current		149,659	100,375
		214,382	**185,085**
Net debt[1]		**(9,964)**	**167,197**

FLT is currently in a net debt position (2019: positive net debt position).

[1] *Net debt = (general cash + general investments) – (current + non-current borrowings). The calculation excludes client cash and client financial asset investments. The calculation also excludes the impact of AASB16 Leases in respect of the current and non current lease liabilities.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 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) in line with current policy, subject to the business's needs.

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

The interim dividend payment represents a $40,394,000 (2018: $60,657,000) return to shareholders, 183.5% (2018: 71.1%) of FLT's statutory NPAT attributable to owners of $22,019,000. It represents 49.6% (2018: 59.8%) of FLT's underlying NPAT[1] attributable to owners of $81,459,000.

	HALF-YEAR ENDED	
ORDINARY SHARES	DECEMBER 2019 $'000	DECEMBER 2018 $'000
Final ordinary dividend for the year ended 30 June 2019 of 98.0 cents (2018: 107.0) per fully paid share.	99,097	108,153

Since half-year end the directors have recommended the following dividend. These are per fully paid ordinary share fully franked. The aggregate amount of the proposed dividend expected to be paid on 17 April 2020 out of retained profits at 31 December 2019, but not recognised as a liability at the end of the half year are as follows:

	AMOUNT PER SECURITY CENTS	AMOUNT PER SECURITY CENTS
Interim dividend	40.0	60.0
Special dividend	-	149.0
	40.0	**209.0**

	$'000	$'000
Interim dividend	40,394	60,657
Special dividend	-	150,631
	40,394	**211,288**

[1] *Underlying NPAT is a non-IFRS measure and not subject to review procedures.*

December 2019 underlying PBT excludes $46,123,000 relating to Global Touring impairment, $7,056,000 costs incurred on supplier loss, $5,416,000 share of losses on investment in Upside, a technology business developing SME corporate technology that FLT will incorporate into its Corporate Traveller brand, $3,138,000 relating to fair value loss on change in control for Ignite Travel Group, and $2,145,000 loss attributable to AASB 16 leases. Underlying NPAT also excludes the related tax impact of $4,438,000.

December 2018 underlying PBT excludes $8,204,000 relating to GPN revenue alignment, $23,767,000 relating to Olympus Tours impairment and $2,557,000 relating to AASB 15 transition. Underlying NPAT also excludes the related tax impact of $3,110,000.

13 CONTRIBUTED EQUITY

OVERVIEW

Typically movements in contributed equity relate to shares issued under the employee share plan (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 issued capital during the period.

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

DETAILS	NUMBER OF AUTHORISED SHARES	WEIGHTED AVERAGE ISSUE PRICE	$'000
Opening Balance 1 July 2018	101,073,651		404,023
ESP	14,645	$51.50	754
Closing Balance 31 December 2018	**101,088,296**		**404,777**
Opening Balance 1 July 2019	**101,108,842**		**405,626**
ESP	23,538	$36.45	858
Closing Balance 31 December 2019	**101,132,380**		**406,484**

RECONCILIATION OF TREASURY SHARES

The following reconciliation summarises the movements in treasury shares held in a share trust for future allocation to the ESP and LTRP (long term retention plan).

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

DETAILS	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	$'000
Opening Balance 1 July 2018	(208,536)		(10,934)
Purchase of shares by share trust	(110,305)	$56.80	(6,265)
Allocation of shares to ESP	40,195	$52.17	2,097
Allocation of shares to ESP matched shares	2,854	$62.37	178
Gain/(loss) in equity on allocation of shares			(273)
Closing Balance 31 December 2018	**(275,792)**		**(15,197)**

DETAILS	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	$'000
Opening Balance 1 July 2019	(215,079)		(11,993)
Allocation of shares to ESP	53,156	$44.71	2,377
Allocation of shares to ESP matched shares	3,579	$43.87	157
Allocation of shares to LTRP	12,186	$41.93	511
Gain/(loss) in equity on allocation of shares			(215)
Closing Balance 31 December 2019	**(146,158)**		**(9,163)**

14 EARNINGS PER SHARE

OVERVIEW

Statutory earnings per share (EPS) was 21.8 cents (2018: 84.1 cents), down 74.1% (2018: down 16.9%) on the prior comparative period. At an underlying level[1], EPS decreased 19.4% (2018: decreased 1.0%) to 80.7 cents (2018: 100.1 cents).

	HALF-YEAR ENDED	
Basic earnings per share	**31 DECEMBER 2019 CENTS**	**31 DECEMBER 2018 CENTS**
Profit attributable to the company's ordinary equity holders	21.8	84.1
Diluted earnings per share		
Profit attributable to the company's ordinary equity holders	21.6	83.6
Reconciliations of earnings used in calculating earnings per share	**$'000**	**$'000**
Profit after tax attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	22,019	84,797
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]	100,943,401	100,833,029
Adjustments for calculation of diluted earnings per share:		
Share rights	888,291	569,258
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**101,831,692**	**101,402,287**

[1] Underlying EPS is a non-IFRS measure and is not subject to audit or review procedures. Refer to note 12 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.

Refer to note 19 for details regarding the changes in accounting policies on adoption of AASB 16 that resulted in a change to profit and EPS.

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

LONG TERM RETENTION PLAN (LTRP), EMPLOYEE SHARE PLAN (ESP) AND TRANSFORMATION INCENTIVE PLAN (TIP)

Rights granted under the LTRP and entitlements to matched shares under the ESP are considered contingently issuable ordinary shares as at 31 December 2019. 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 31 December 2019, 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 and entitlements are not included in the determination of basic earnings per share.

15 CONTINGENT ASSETS AND LIABILITIES

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 would be 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 period 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.

16 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

DIVIDENDS

On 27 February 2020, FLT's directors declared an interim dividend for the half-year ended 31 December 2019, to be paid out of existing company general cash. Refer to note 12 for details.

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

17 SEASONALITY

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

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

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

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

18 LEASES

FLT transitioned to AASB16 Leases on 1 July 2019. Refer to note 19 for further details. This note provides information for leases where the group is a lessee.

AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

	HALF YEAR ENDED 31 DECEMBER 2019 $'000
Rent income from sub-leasing of right-of-use asset	1,333
Interest expense on lease liabilities	(8,414)
Rental expense relating to short-term and low-value leases	(12,700)
Depreciation/amortisation expense of right-of-use assets	(66,329)
	(86,110)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 LEASES (CONTINUED)

UNDERLYING ADJUSTMENT

FLT have adopted the modified retrospective approach and have not restated comparatives. As guidance was given to the market excluding the impact of AASB 16 Leases the net impact of adoption has been calculated as outlined below and shown as an underlying adjustment.

The adoption of AASB 16 has resulted in a decrease in H1'20 profit before tax of $2,145,000 (related tax impact $221,000).

This decrease represents the impact of now recognising depreciation, amortisation and interest expense under AASB 16 as compared with recognising rental expense on a straight-line basis under AASB 117. Rental expense is still recognised for short-term and low-value leases. Had AASB 117 Leases still been applicable for the half-year ended 31 December 2019, rent expense would have been $85,298,000 (December 2018: $81,026,000).

AMOUNTS RECOGISED IN THE STATEMENT OF FINANCIAL POSITION

The balance sheet shows the following amounts relating to leases:

	RIGHT OF USE ASSETS				LEASE LIABILITIES
	PROPERTY $'000	OFFICE EQUIPMENT $'000	SOFTWARE $'000	TOTAL $'000	TOTAL $'000
Balance at 1 July 2019 (transition)	**553,530**	**122**	**1,934**	**555,586**	**594,884**
Additions	31,328	357	974	32,659	31,489
Depreciation and amortisation expense	(65,837)	(23)	(469)	(66,329)	
Interest expense	-	-	-	-	8,414
Lease liability repayment	-	-	-	-	(81,231)
Exchange differences	313	-	-	313	-
Balance as at 31 December 2019	**519,334**	**456**	**2,439**	**522,229**	**553,556**

	31 DECEMBER 2019 $'000
Current	138,036
Non-current	415,520
Total lease liabilities	**553,556**

Refer to note 19 for further details of AASB16 Leases transition.

AMOUNTS RECOGNISED IN THE STATEMENT OF CASHFLOW

	HALF -YEAR ENDED 31 DECEMBER 2019 $'000
Operating - payments of interest	(8,414)
Investing - payments of principal	(72,817)
Total cash (outflow) relating to leases	**(81,231)**

18 LEASES (CONTINUED)

ACCOUNTING POLICY

FLT leases various offices, retail stores, equipment and software. Rental contracts are typically made for fixed periods of 1 year to 6 years.

Contracts may contain both lease and non-lease components. For leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- *fixed payments (including in-substance fixed payments), less any lease incentives receivable*
- *variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date*
- *amounts expected to be payable by the group under residual value guarantees*
- *the exercise price of a purchase option if the group is reasonably certain to exercise that option, and*
- *payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- *where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received*
- *uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by FLT, which does not have recent third party financing, and*
- *makes adjustments specific to the lease, eg term, country, currency and security.*

FLT is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- *the amount of the initial measurement of lease liability*
- *any lease payments made at or before the commencement date less any lease incentives received*
- *any initial direct costs, and*
- *restoration costs.*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with a value less than US$5,000 (AUD $7,500).

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

(A) BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Flight Centre Travel Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

The accounting policies adopted are consistent with those applied at 30 June 2019, except for the adoption of AASB 16 *Leases* and AASB Interpretation 23 *Uncertainty over Income Tax Treatment* as outlined below.

RECLASSIFICATION

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

(B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

FLT applied for the first time AASB 16 Leases. The Group has elected to recognise the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application.

As required by AASB 134 *Interim Financial Reporting* the nature and effect of these changes are disclosed below.

Several other amendments and interpretations that became applicable to FLT for the first time for the 31 December 2019 interim half-year report did not result in a change to the group's accounting policies or require any retrospective adjustments.

AASB 16 *Leases*

FLT has adopted AASB16 Leases from 1 July 2019.

AASB16 supersedes AASB117 *Leases*, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Under AASB16, a contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under AASB117, a lease was either a finance lease (on balance sheet) or an operating lease (off balance sheet). AASB16 requires lessees to recognise a lease liability reflecting future lease payments and a "right of use asset" if the recognition requirements of a lease are met. The consolidated statement of profit or loss no longer includes operating lease expenditure but is impacted by the recognition of interest on the lease liability and amortisation expenses for the right of use assets.

Lessor accounting under AASB16 is substantially unchanged from AASB117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB117. Therefore, AASB16 did not have an impact for leases where the Group is the lessor.

For previously classified operating leases, the lease liabilities are measured at the present value of the remaining lease payments, discounted at the relevant incremental borrowing rates as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if AASB16 had been applied since the commencement date, discounted using the relevant incremental borrowing rate at the date of initial application: the Group applied this approach to leases in Australia that had fixed annual rent increment and all New Zealand leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has adopted AASB16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB117 and Interpretation 4. The date of initial application was 1 July 2019.

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

FLT has elected to use the following practical expedients:

(i) Grandfathering of leases

FLT applied AASB16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore the definition of a lease under AASB16 was applied only to contracts entered into or changed on or after 1 July 2019.

(ii) Lease term end date within 12 months of transition date

FLT has opted not to recognise right-of-use assets and liabilities for leases with less than 12 months lease term from 1 July 2019.

(iii) Initial direct costs

FLT will exclude initial direct costs from the measurement of right-of-use assets.

(iv) Use of hindsight

FLT has elected to use hindsight for the purposes of measuring the right-of-use asset. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms and options) based on circumstances on or after the lease commencement date.

FLT has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and lease of low value assets, including IT equipment. FLT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(v) Onerous lease determination

FLT relied on previous assessments on whether its leases were onerous under AASB137 Provisions, contingent liabilities and contingent assets immediately before the date of initial application as an alternative to performing an impairment review under AASB136.

Impact on financial statements

The effect of adoption of AASB 16 as at 1 July 2019 increase/(decrease) is as follows:

Assets	1 JULY 2019 $'000
Right of use asset	555,586
Other assets (prepayments)	(9,580)
Deferred tax asset	(505)
Derivative financial instrument	(1,129)
Total	**544,372**
Liabilities	
Trade and other payables	(67,053)
Lease liabilities	594,884
Deferred tax liabilities	4,937
Total	**532,768**
Total adjustment on equity	
Retained earnings	11,604

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

Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities recognised in the balance sheet as at 31 December 2019 is provided below:

	$'000
Operating lease commitment disclosed as at 30 June 2019	**680,178**
Weighted average incremental borrowing rate as at 1 July 2019	3.52%
Discounting using incremental borrowing rate	627,967
Less:	
Short-term and low-value leases recognized on straight line basis	(14,323)
Non-lease components	(18,760)
Lease liabilities recognised as at 1 July 2019	**594,884**

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.

FLT applies significant judgement in identifying uncertainties over income tax treatments. FLT operates in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, FLT considered whether it has any uncertain tax positions. FLT determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have a material impact on the consolidated financial statements of FLT.

(C) NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

There are no new accounting standards and interpretations which have been published that are not mandatory for the 31 December 2019 reporting period that materially impact FLT.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of Flight Centre Travel Group Limited for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

G.F. Turner
Director

27 February 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Flight Centre Travel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 31 December 2019, the statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
27 February 2020