FLIGHT CENTRE TRAVEL GROUP™

ASX ANNOUNCEMENT FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)

Thursday 25 August, 2016

FY16 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 2016; and
- 2016 Directors' Report, the Financial Report, the Directors' Declaration and the Audit Report

FLIGHT CENTRE TRAVEL GROUP™

APPENDIX 4E: RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF

	JUNE 2016 $'000	JUNE 2015 $'000	CHANGE $'000	CHANGE %
Total transaction value (TTV) [1]	19,305,173	17,597,930	1,707,243	9.7%
Revenue	2,666,176	2,396,989	269,187	11.2%
Net profit before tax	345,043	366,297	(21,254)	(5.8%)
Net profit after tax	244,556	256,553	(11,997)	(4.7%)

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

DIVIDENDS

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

30 June 2015		
Interim dividend	55.0	55.0
Final dividend[3]	97.0	97.0

[2] The record date for determining entitlements to the final dividend of 92.0 cents per share is 16 September 2016. The payment date for the final dividend is 14 October 2016.

[3] Final dividend of 97.0 cents per share for the year ended 30 June 2015 was declared 27 August 2015.

NET TANGIBLE ASSETS

	JUNE 2016 $	JUNE 2015 $
Net tangible asset backing per ordinary security	8.92	8.77

CONTROL GAINED OVER ENTITIES

On 21 December 2015, FLT acquired a 98.66% interest in StudentUniverse.com (SU). Upon successful completion of the statutory squeeze-out in Ireland, FLT now holds 100% interest for consideration of USD$33,077,000 ($46,340,000). SU is a Boston-based business with a strong technology platform and is a leading online travel booking service dedicated to the student and youth sector. The business offers its targeted demographic exclusive deals, including specially negotiated student airfares, and experiences via its websites and mobile apps. As at 30 June 2016, FLT has been able to demonstrate control in accordance with AASB 10 Consolidated Financial Statements.

Other smaller acquisitions that occurred during the period include Koch Overseas, AVMIN Pty Ltd, Worldwide Aviation Services (WAS), BYOjet, Maya Events, and Business Travel Development (FCM Netherlands).

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

25 August 2016

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)

FLIGHT CENTRE TRAVEL GROUP™

ABN 25 003 377 188

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)
CORPORATE DIRECTORY

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

Secretary D.C. Smith

Principal registered office in Australia
Level 2, 545 Queen St Brisbane QLD 4000
+61 7 3170 7979

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

Auditor
Ernst & Young
111 Eagle Street Brisbane QLD 4000

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

www.fctgl.com
ABN 25 003 377 188

KEY DATES 2016/17

25 August 2016
2015/16 full year results released

16 September 2016
2015/16 final dividend record date

14 October 2016
2015/16 final dividend payment date

9 November 2016
Annual General Meeting

23 February 2017*
2016/17 half year results released

23 March 2017*
2016/17 interim dividend record date

13 April 2017*
2016/17 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 25 August 2016. 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 Nomination Committee. Further information on FLT's compliance with the Corporate Governance Principles and Recommendations can be found on the company's website, www.fctgl.com

CONTENTS

CHAIRMAN'S MESSAGE

GARY SMITH

I am pleased to present the Flight Centre Travel Group's annual report to shareholders for the 2016 fiscal year.

While bottom-line results for the 12 months to June 30 2016 were below initial expectations and down slightly on the prior year in a challenging global trading environment, sales grew strongly and important enhancements were made to our business.

These enhancements, which in some cases hampered short-term profit growth, were made with an eye very much on the future and as part of our journey to become:

"The world's most exciting and profitable travel retailer, personally delivering amazing experiences to our people, our customers and our partners"

This journey is well and truly underway and, in many ways, FY16 was an important stepping stone.

FY16 - A YEAR OF INVESTMENT

Against a backdrop of incredibly low airfares and low consumer confidence in some countries during FY16, we:

- Comfortably surpassed our TTV record
- Topped $350million in underlying profit for just the third time in our history
- Achieved a number of milestones - globally and within our geographic regions. For example the Europe business became a GBP1billion sales company and TTV in Australia topped $10billion; and
- Returned $153.4million to our shareholders in fully franked dividends

We also laid the foundations for future growth by:

- Investing in and introducing new systems to benefit our people, lower costs and improve productivity
- Enhancing our global store network through the roll-out of our next generation shop design
- Developing new revenue streams, including new and unique products and brands
- Introducing new people-related initiatives, including flexible workplace arrangements and programs that will increase the level of ownership within our business
- Significantly growing our online presence and digital capabilities; and
- Expanding our corporate travel footprint, mainly through our organic growth but also through small and strategic acquisitions in key markets in Asia (Malaysia), Europe (The Netherlands) and the Americas (Mexico)

As covered in greater detail in the strategy section of this report, we see significant growth potential in these regions in corporate travel.

The Netherlands acquisition was our first foray into Continental Europe, which houses some of the world's largest corporate travel markets, while the acquisition in Malaysia represented our first geographic expansion in Asia for several years.

In all, we completed seven acquisitions.

The largest addition to our omni-channel global network was Boston-based StudentUniverse.com, which was acquired in December 2015. The business has performed strongly since acquisition as well as providing FLT with a platform for rapid future growth in the important student and youth demographic, both in the United States and globally.

Our other online acquisition, BYOjet.com, has also grown TTV strongly and has just been joined in our stable of online brands by the start-up virtual travel agency, Aunt Betty, which officially launched in Australia this month (August 2016).

While these online businesses are performing well and growing at a faster rate than the market overall, we also continue to achieve solid TTV growth in our much larger leisure and corporate businesses.

Overall, TTV increased in the order of $1.7billion (9.7% growth) during FY16 as we closed in on the $20billion milestone.

Details on our financial performance are included in Adam Campbell's column within this report.

OUR PEOPLE

People are at the heart of our business and are, therefore, our most valuable asset.

Accordingly, we continue to invest significantly in them, both professionally - through learning and development initiatives - and personally - through businesses like Healthwise and Moneywise.

Unfortunately, FY16 was another turbulent year in the travel industry, with ash clouds in Bali, political turmoil, health-related concerns and tragic world events impacting on our people and our customers at various times.

On behalf of our directors, I would like to extend our thanks to our almost 20,000 people globally for their efforts within this challenging environment.

BOARD STRUCTURE

I would also like to thank Cassandra Kelly for her contribution as a non-executive director during the past two years.

As announced earlier this month (August), Cassandra has elected to stand down in order to spend more time with her family and to focus on her other business commitments internationally from her New York base. We wish her every success.

We intend to appoint a new non-executive director and are currently searching for a replacement.

DIVERSITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our company is proud of the diversity within its workforce and is taking steps to build on and enhance its record.

Today, about half of our leaders in Australia are women with our COO, Melanie Waters-Ryan, the highest profile example. To encourage more women to progress through the ranks, a networking group has been formed in Australia with a view to breaking down any barriers that may exist.

In South Africa, FCM has reached Level One, the highest ranking, on the Broad-Based Black Economic Empowerment (BBBEE) scale.

The BBBEE program aims to distribute wealth across a broad spectrum of previously disadvantaged South African society.

FCM's high ranking reflects the efforts the company has made in several key areas, including employment, management, ownership, skills development and training and socially responsible procurement.

We are also taking steps to build on and enhance our record in the CSR area.

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

Co-ordinated "workplace giving" programs are now in place within our major regions, with just under $AU2.5million donated globally during FY16.

In Australia, FLT was recognised as one of the country's most charitable companies, based on its people's workplace giving contributions, in a survey conducted by The Australian Charities Fund.

Responsible Travel is another important area of focus.

FCTGWorldWise has just been created with a view to enhancing the social, economic and environmental impact we have, in addition to better understanding the positive and negative impacts that travel can have on wildlife.

Given our size - we have almost 20,000 people globally and process almost $AU20billion in customer transactions per year - we believe we can make a valuable contribution in these areas, particularly by working closely with suppliers and by educating our consultants and our customers globally.

CONCLUSION

Looking forward to FY17, new challenges are certain to arise but we are well placed to weather any storms.

We have;

- An exceptionally strong balance sheet
- A diverse stable of brands and businesses
- A clear strategic blueprint for the short-term (FY17), the medium-term (2022) and the long-term (2035); and
- A highly experienced management team, headed by Graham "Skroo" Turner. Together, our six-person senior management group has more than 130 years of experience within FLT

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

YEAR IN REVIEW - FINANCE

ADAM CAMPBELL
CHIEF FINANCIAL OFFICER

RESULT OVERVIEW

Globally, TTV increased 9.7% to $19.3billion as the company achieved its 20th year of growth in 21 years as a listed entity.

All 10 of FLT's geographic regions[1] achieved record TTV (in AUD), with Australia topping $10billion for the first time. TTV exceeded $AU1billion in four other regions - the USA, Europe, Canada and New Zealand - and reached $988million in India, Asia and the UAE. Revenue increased 11.2% to $2.7billion, leading to an improved income margin of 13.8%.

As outlined during FY16, bottom-line results and net (profit) margin both decreased year-on-year and were adversely affected by:

- Growth in normal operating expenses - sales and marketing, rent and wages
- Network upgrades, leading to higher capital expenditure and a $12million year-on-year increase in depreciation and amortisation expense. EBITDA was broadly in line with FY15
- Underperformance in some countries and regions. For example, the emerging Asia and UAE businesses together contributed $1.1million to group EBIT during FY16, compared to $10.3million during FY15; and
- Other initiatives that have been implemented to drive longer term growth. These include new businesses and brands, new products and new people-related initiatives

FLT incurred almost $7million in EBIT losses from its internal start-up businesses, brands that were exported to new geographies and small corporate acquisitions that delivered a footprint in new and strategically important markets.

In addition, airfare price wars during the second half slowed TTV growth and affected FLT's ability to achieve the level of dollar-based sales incentives (super overrides) it initially expected.

FLT's average international airfare in Australia decreased by 4% during the second half, while the Airline Reporting Corporation recently reported that the total value of tickets sold by US travel agents during the same period declined 4%, despite 6.2% growth in ticket sales.

Underlying profit before tax (PBT) was $352.4million, in line with FLT's revised expectations and its best result behind FY14 ($376.5million) and FY15 ($366.3million).

The result includes an unforseen $3million loss on forward exchange contracts, relating to the UK-based Top Deck and Back-Roads Touring businesses and as a result of the significant currency devaluations that followed the June 23 Brexit referendum.

As announced previously, some other non-recurring items have been excluded from FLT's underlying PBT, specifically:

- $17.3million in gains ($11million ACCC refund, plus the $6.3million gain on NZ head office sales); and
- $24.7million in non-cash impairment (US leisure and wholesale businesses)

Statutory or actual PBT was $345million, compared to $366.3million during FY15.

Net profit after tax (NPAT) was $246.7million, down 3.8%, at an underlying level or down 4.7% to $244.6million at a statutory level.

[1]FLT's 10 geographic regions are: Australia, New Zealand, Europe (UK, Ireland and the Netherlands), South Africa, Canada, the USA and Mexico, Greater China (Hong Kong and Mainland China), India, the UAE and Singapore-Malaysia

CAP-EX & COSTS

Cap-ex was in line with expectations at $121.0million, compared to $82.9million during FY15.

The increased cap-ex, which was flagged at the start of the year, was brought about by:

- Head office relocations in Australia, the USA and Singapore, ($19.5million spend)
- IT projects and hardware. This included Microsoft Dynamics' roll-out as FLT's new finance platform. Dynamics has now been introduced in the FCM businesses in Canada and the USA and should be fully deployed globally within three years; and
- Shop upgrades. The company's next generation shop design has been rolled out in key locations, while important elements of the new design have also been added to established shops as part of the refresh or refurbishment program

FLT's other major expense items were wages, rent and sales and marketing.

Following a similar change in Australia during FY15, the company increased front-end sales staff salaries in the United Kingdom and New Zealand during FY16.

Rent costs also increased, as FLT continued to expand its global network. Lease renewals generally increased in line with inflation.

Sales and marketing costs represented 1.2% of TTV, compared to 1.0% during the PCP.

This increase, which led to strong enquiry generation, was brought about by:

- Investment in the Product, Advertising and Customer Experience (PACE) area globally
- Continued use of digital channels, coupled with a renewed investment in traditional media advertising; and
- Additional "strategic" spend in some markets to highlight the discount airfares that FLT had secured for its customers and to stimulate enquiry in a relatively subdued trading climate

NETWORK GROWTH

The company continued to expand its network organically and via strategic acquisitions that have enhanced and diversified the company's sales network.

Acquisitions included:

- StudentUniverse.com, a leading platform for the large student and youth demographic with proprietary technology that allows it to sell exclusive student-only airfares online
- BYOjet, an online business that specialises in ultra low cost airfares
- Aircraft charter and logistics specialist Avmin
- Corporate travel businesses in Mexico, Malaysia and the Netherlands, which have now become part of the global FCM Travel Solutions network; and
- Maya Events in Hong Kong, which has bolstered the local cievents business and given it a full service offering

At June 30, FLT had 14,760 sales staff (up 2.5%) and 2914 sales teams globally.

This sales team growth represented a 3.2% increase over the full year, but was lower than the December 31 balance as a result of some dual teams being consolidated into single teams (particularly in the USA wholesale business).

FLT again exported brands and businesses to new geographies. This saw the launch of:

- Corporate Traveller in Dubai during FY16 and in Singapore, India and Hong Kong in July 2016
- Travel Money, Campus Travel and 4th Dimension in the USA
- cievents in Canada
- Stage & Screen in the UK; and
- Top Deck in Asia

In addition, Aunt Betty was developed as a new online brand for launch in Australia during the first half of FY17.

CASH, CASH FLOW AND DIVIDENDS

FLT's global cash and investment portfolio totalled $1.52billion at June 2016 and included $506.7million in company cash or general funds.

General funds decreased during the year, as expected given that FLT used company cash to fund its acquisitions.

While FLT has maintained a strong balance sheet with minimal borrowings, the company took on $52.4million short-term debt during FY16.

The funds that were borrowed were then reinvested at a superior interest rate to the rate that was attached to the loan, thereby generating a positive return for the company.

Overall, debt at June 30 2016 was $76.8million, giving FLT a $429.9million positive net debt position at year-end.

A $356.6million operating cash inflow was recorded over the full year, a result that was broadly in line with FY15.

FLT's directors declared a fully franked $0.92 per share final dividend to be paid on October 14, 2016. (Record date for shareholders: September 16, 2016).

This follows the $0.60 per share fully franked interim dividend (paid in April 2016) and takes returns related to the full year to $1.52 per share, in line with the dividends declared in both FY14 and FY15.

The total dividends declared in relation to FY16 exceed FLT's current policy of returning 50-60% of NPAT to shareholders and represent:

- A 62% return of underlying NPAT to shareholders
- A 63% return of actual NPAT; and
- A 5% dividend yield (fully franked), based on FLT's year-end share price of $31.58

CAPITAL MANAGEMENT

FLT plans to retain significant cash reserves to allow it to fund growth initiatives throughout its omni-channel network, capitalise on opportunities that arise and buffer it from the impact of future economic downturns.

If FLT's directors believe the company has surplus funds, the board will return funds to shareholders via the method it believes is most appropriate at the time.

Options may include:

- An increased dividend pay-out ratio. FLT currently seeks to return 50-60% of NPAT
- A one-off return. FLT has issued two special dividends previously; or
- A buy-back, an option that FLT may choose to pursue if it believes its share-price is undervalued at the time.

OPERATIONAL REVIEW

Within FLT's businesses, trading highlights included:

- Record TTV in all countries/regions, as outlined previously
- Record EBIT in South Africa and New Zealand; and
- Improved earnings in Australia and Canada, with the latter returning to profit after losses during FY15.

While all countries and regions with the exception of Singapore were profitable for the year, the company's overall profit growth was adversely affected by:

- Disappointing results from the emerging Asia businesses, which together contributed $1.1million to group EBIT during FY16, compared to $10.3million during FY15
- Lower overall profits in Europe and USA, despite strong contributions in the latter from the SME corporate travel business and StudentUniverse.com
- The investment in new brands and businesses (outlined previously); and
- Lower earnings and higher costs in some areas that sit within the "Other Segment" in FLT's accounts. Examples include interest earnings, which decreased and acquisition-related costs, which increased.

SEGMENTED RESULTS: AUSTRALIA

In Australia, TTV again increased at a slightly faster rate (5.1%) than the Australian outbound travel growth rate (4.5%). EBIT increased 2% compared to the prior year and was the second strongest result in the company's history, behind FY14.

Several brands grew strongly, including FX specialist Travel Money Oz, Escape Travel, Flight Centre Business Travel and niche corporate brands Stage & Screen and cievents.

FLT also recorded solid sales and attendance growth at its nationwide Expo program and in several key market sectors, including:

- Youth and mature age coach touring
- Adventure travel; and
- Cruise

The International Airfare Packages (IAPs) that were launched during FY15 as an optional value-added extra for customers booking long haul airfares again performed well and contributed to the margin recovery in FLT's leisure business. A short haul offering, for domestic and Trans Tasman fares, has now been launched in Australia (June 2016).

Low cost carrier (LCC) sales increased strongly off a small base, as part of FLT's NXGen strategy in Australia.

Under this strategy, FLT has:

- Secured mutually beneficial commercial deals with LCCs
- Improved reporting; and
- Enhanced connectivity to give customers who prefer to book online access to LCC airfares and ancillary products, thereby delivering new revenue streams

FLT plans to increase online sales within its leisure travel brands and also through standalone brands that are now part of an online travel agency (OTA) division in Australia.

This OTA division is expected to grow strongly this year and includes:

- The acquired BYOjet business, which specialises in cheap flights; and
- The Aunt Betty start-up, which focuses on package holidays

In corporate travel, FLT recorded modest TTV growth in Australia in a flat market.

This growth was driven by record account wins, which offset the impacts of client down-trading in a subdued market and the loss of some accounts.

SEGMENTED RESULTS: EUROPE

The Europe business, which includes FLT's operations in the UK, Ireland and the Netherlands, generated more than GBP1billion in TTV for the first time and was again FLT's largest profit generator outside Australia.

EBIT decreased slightly in Australian dollars to $47.2million, and was adversely affected by:

- Increased wage costs as a result of changes to sales staff and team leader pay structures
- Investments in the start-up Journeys and Escapes product ranges, which have exceeded internal sales targets since they were introduced
- A market slowdown in the lead-up to and following the Brexit referendum; and
- Relatively soft leisure travel results

Within an uncertain trading climate, FLT's corporate travel brands generally performed strongly, as did Flight Centre Business Travel.

In addition to securing a presence in continental Europe through the FCM Netherlands acquisition, the company has recently expanded into new markets with the first leisure shop opening in Ireland in Dawson Street (central Dublin) this month and an FCBT business set to open in Cardiff (Wales) later in the first half.

FIVE-YEAR SUMMARY	FY16	FY15	FY14	FY13	FY12
TTV	$19,305m	$17,598m	$16,049m	$14,259m	$13,238m
Income Margin	13.8%	13.6%	14.0%	13.9%	13.8%
EBITDA	$413.9m	$417.0m	$378.4m	$395.2m	$330.7m
PBT (statutory)	$345.0m	$366.3m	$323.8m	$349.2m	$290.4m
NPAT (statutory)	$244.6m	$256.6m	$206.9m	$246.1m	$200.1m
Earnings per share	242.4c	254.7c	205.8c	245.6c	200.1c
Dividends per share	152.0c	152.0c	152.0c	137.0c	112.0c
ROE	18.2%	20.2%	18.8%	24.0%	23.3%

FLT has also taken its first steps into the online travel sector in Europe, with the Gapyear social networking business merging with StudentUniverse.com's UK business and BYOjet introduced as a low cost airfare specialist.

Further online expansion this year will see a booking engine added to the flightcentre.co.uk website late in the year.

SEGMENTED RESULTS: USA

In the USA segment, which includes the acquired StudentUniverse.com and Mexico businesses, TTV increased modestly in local currency.

When converted into Australian dollars, TTV exceeded $AU3billion for the first time, consolidating the USA's position as FLT's second largest business by sales (behind Australia).

EBIT was $AU21.2million, compared to the record $AU21.4million result during FY15.

The Liberty leisure and GOGO wholesale businesses' bottom-line results did not meet expectations, which led to the $24.7million writedown of $12.0million in USA segment and $12.7million in Other segment.

StudentUniverse.com grew strongly, generating $230.8million in TTV and $AU3.9million in EBIT, from its acquisition in December to year-end, as did the SME corporate business.

Corporate Traveller, our SME focussed brand, expanded into three new cities - Raleigh, Minneapolis and Orange County - and has been earmarked for launch in Mexico during FY17, along with two new US cities (Oakland and Detroit).

The company invested significantly in its corporate sales force (BDMs), technological enhancements and in its customer offerings, with two new brands introduced in Campus Travel and travel advisory specialist 4th Dimension.

The Travel Money FX business was also introduced in the USA and now has two shops in Manhattan.

SEGMENTED RESULTS: REST OF THE WORLD

Elsewhere in the world:

- The South Africa business achieved strong profit and sales growth, with TTV topping R5billion for the first time
- New Zealand contributed record EBIT and generated more than $AU1billion in TTV for the first time; and
- Canada returned to profit, thanks to strong corporate travel results and the closure of some loss-making leisure businesses late in FY15

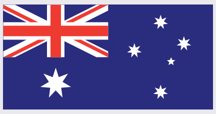
As announced previously, FLT's emerging businesses in Asia, India and the UAE recorded just under $1billion in TTV, but did not achieve the profit growth trajectory that has been seen in recent years.

Contributing factors included a downturn in the oil and gas sector, which has affected corporate travel demand, the loss of some regional corporate accounts, investment in new and emerging businesses and lower airfare yields (prices) in India.

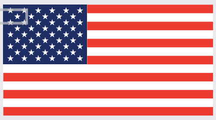
The UAE was the region's best performing business, with record TTV and EBIT growth.

GLOBAL RESULTS

EBIT, EBITDA, TTV and turnover are non-IFRS measures and are unaudited. For reconciliation of EBIT, refer to note A1 Segment Information in the financial statements. EBIT represents adjusted EBIT.



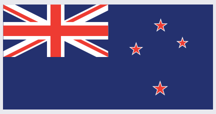
AUSTRALIA
TTV: $10.0b,
up 5% in AUD
EBIT: $261.7m
Businesses: 1561



USA & MEXICO
TTV: $3.0b,
up 22% in AUD
(up 8% in local currency)
EBIT: $21.2m
Businesses: 290

EUROPE
(includes UK, Netherlands & Ireland)
TTV: $2.2b,
up 14% in AUD
(up 6% in local currency)
EBIT: $47.2m
Businesses: 299

CANADA
TTV: $1.2b,
up 3% in AUD
(up 2% in local currency)
EBIT: $0.7m
Businesses: 234



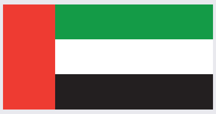
NEW ZEALAND
TTV: $1.0b,
up 17% in AUD
(up 20% in local currency)
EBIT: $18.0m
Businesses: 199

SOUTH AFRICA
TTV: $490m,
up 4% in AUD
(up 14% in local currency)
EBIT: $12.1m
Businesses: 171

INDIA
TTV: $419m,
up 9% in AUD
(up 2% in local currency)
EBIT: $0.2m
Businesses: 71

GREATER CHINA
TTV: $271m,
up 17% in AUD
(down 7% in local currency)
EBIT: $0.0m
Businesses: 44

SOUTH EAST ASIA
TTV: $192m,
up 15% in AUD
(up 9% in local currency)
EBIT: ($2.2m)
Businesses: 23



UNITED ARAB EMIRATES
TTV: $105m,
up 23% in AUD
(up 9% in local currency)
EBIT: $2.0m
Businesses: 16

IMPROVEMENT STRATEGIES

MELANIE WATERS-RYAN
CHIEF OPERATING OFFICER

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

In simple terms, the keys to achieving this goal include:

- Having famous and distinctive brands with expertise
- Having scalable growth; and
- Making it easy for our customers to buy from us

While we have not yet reached our ultimate destination, our strategic evolution is well and truly underway, with detailed plans in place for the short and longer-term.

FLT'S KILLER THEME AND STRATEGIC JOURNEYS

In many ways, these plans can trace their roots back to our initial "Killer Theme" - our journey from travel agent to world class retailer - and the seven mini-themes that underpinned it.

These mini themes have been summarised in the chart below:

As each of these themes became engrained in the business and were expanded to include strategies to further develop our business model and our people focus, we shifted and renamed these as six key journeys.

These journeys have been outlined below in the table and in the accompanying narrative.

The Brand and Product Journey has seen every brand further develop a clear brand offering, proposition and customer target.

Each brand is continuously challenged to become famous in the market and must offer unique products - including service products - that its customers value to reinforce its specialisations.

For example, Flight Centre is an airfare specialist brand and, accordingly, has strong customer propositions and unique products that are built around flights. These include the IAPs that were launched in Australia late in FY15.

The Physical Journey is about ensuring our shops and offices across all brands are stimulating places that showcase our products and expertise and has led to significant changes during the past few years.

Through the P2P Index, which is illustrated below, we have a clear picture of how our different shops and businesses should look and operate, based on the location/type of business and its purpose.

For example, flagship locations can operate with different staffing structures and skill-sets and with less phone and email enquiry than a typical community shop.

The P2P Index and our strategy of fostering a P2P culture has also played a critical role in our Sales Journey and our aim of creating sticky and deep relationships with customers.

We are proactively using mobile phones and laptops, as well as Chat, with a view to delivering instant quality responses across the various distribution channels.

Servicing the queue and getting back to every customer must be a priority and our Sales Journey is focussed around using all channels and distribution models to ensure all of our customers are looked after promptly.

Our Business Journey has focussed on the ownership mechanisms that are in place within our company, along with cost reduction and elimination of unnecessary tasks and processes.

The People Journey has seen FLT create a more flexible workplace, with more of our staff now able to work compressed weeks, job share or pursue part-time opportunities.

The Digital Journey is about:

- Growing our online brands
- Providing digital tools for our people
- Driving the blended model; and
- Improving back office efficiency

We are embracing digital tools and mobile apps, like Book With Me, Key To The World and Sam, a highly interactive customer app that was launched last month in the USA.

Sam, or SmartAssistant for Mobile, has been designed to simplify life for corporate travellers and merges a travel-intelligent "chatbot" with the expertise of a skilled FCM consultant.

Sam can help customers with all aspects of their travel, including itineraries, gate changes, driving directions, weather, restaurant recommendations and reservations. A "call or SMS my consultant" option has also been built in to the app to connect customers to their travel managers 24 hours a day.

Our commitment in this area was also reinforced early in FY17, with Atle Skalleberg's appointment as FLT's chief digital officer.

Atle was previously StudentUniverse.com's managing director and has played a key role in the business's success as it has become one of the world's leading travel booking services for the student and youth sector.

As CDO, he will play a central role in guiding FLT's strategies and improving the group's digital commerce capabilities - including its online presence, user experiences and booking services - to help the company become the global leader in blending offline and online travel services and meet the demands of tech-savvy leisure travellers.

Other recent developments in this area, including the merger of Gapyear and StudentUniverse.com in the UK, the Aunt Betty launch in Australia and BYOjet's introduction in the UK, have been summarised in Adam Campbell's column.

SHORT-TERM THEMATIC GOAL: TO INCREASE PRODUCTIVITY

An organisation of our size will always have a number of big priorities, which will inevitably lead to competing use of people, time, money and other resources.

It is, therefore, important that we set an overriding thematic goal that is identified as the single most important priority for the business over the short-term.

Person to Person (P2P) index

FLT's current thematic goal globally is: "To increase consultant productivity".

In order to achieve this goal, FLT has deployed various short-term strategies or Action items, as illustrated in this table below.

FLT'S ACTION-ITEMS

Some of these actions are now complete, while others remain works in progress.

FLT's global leadership group will review the impact of these Action items on consultant productivity in the coming months and will also establish the thematic goal for the remainder of FY17 and into FY18.

LONGER TERM GROWTH STRATEGIES

FLT's longer term plans are built around growth in six key areas - referred to internally as Janus Pathways - during the next five years and beyond:

1. Leisure travel retailing, the business that currently generates the bulk of the company's sales
2. In-destination travel experiences, an area that today includes FLT's touring (Top Deck and Back-Roads) and destination management businesses (Buffalo Tours joint venture)
3. Corporate travel - FLT is one of the largest corporate travel managers in the world and generates about 33% of its global sales from its dedicated corporate brands
4. The student and youth market, a multi-billion dollar travel sector that is tipped to grow rapidly
5. Non-travel businesses that operate in sectors adjacent to travel (education) or that use the FLT business model (bikes); and
6. Travel investment and acceleration, which is a new area of focus and will allow FLT to work with and invest in innovative travel-related start-ups

In terms of leisure travel retailing, FLT will continue to grow strongly in this segment globally.

Growth during the past 30 years has mainly been organic and primarily through growing consultants, shops and brands globally. In the years ahead, we will grow across multiple distribution channels, as well as in the traditional Bricks and Mortar network, to dominate the leisure travel market in many countries and in many key segments.

Our P2P index will focus our growth across the different channels, from low touch online and contact centre offerings to higher touch home-based agent and event models, so that we achieve:

- Better scale
- More choice for our customers; and
- A successful model at all levels across the world.

Our leisure division is a world leader when it comes to creating famous, specialized brands that deliver amazing travel experiences and are incredibly easy to buy from.

Growth in our in-destination brands and companies, also means we can be best-in-world at ensuring our customers have amazing travel experiences at-destination with the security of FLT people behind not just the sale but the travel itself.

While our In-destination Travel Experiences Network has been growing rapidly, we expect the rate of expansion to accelerate significantly during the next five to six years.

In the medium term, the network is expected to comprise six distinct but aligned business divisions focused on distributing and delivering amazing in-destination experiences to our customers, while delivering solid returns and leveraging FLT's existing global distribution network.

These divisions are likely to include:

- Destination Management Companies (DMCs)
- Tour Operators
- Hotel businesses, plus
- Distribution, product procurement and shared services businesses

The goal is to create best-in-category products which appeal to the entire industry, reducing the reliance on the FLT network as the sole source of distribution.

In corporate travel, FLT has built a strong platform and has become one of the top five travel managers globally.

While we have established a solid and consistent growth record over more than 20 years since we first launched a dedicated offering in this sector, the size of the future opportunity in corporate travel is enormous.

Currently, we operate company-owned businesses in just seven of the world's top 15 corporate travel markets, with Australia the only top-15 market where we have more than 5% market-share.

There is a clear opportunity to increase our presence in other key international markets, as we did during FY16 with the acquisition of our former licensee in the Netherlands.

In simple terms, our corporate travel growth plan is to become a more dominant player with a strong network of specialised brands by:

- Super-investing in our organic, Village-based SME model (Corporate Traveller & Flight Centre Business Travel)
- Acquiring, organically building and growing FCM to become the largest multi-national Travel Management Company (TMC)
- Investing in specialist brands to dominate specialist market segments, as we are doing now with Stage & Screen (entertainment and sport), Campus Travel (education) and cievents (MICE); and
- Creating economies of scale, particularly in relation to systems and products

The student and youth demographic is another great growth opportunity.

Our goal is to build a global online and offline business, targeting the 18-30s, that will make FLT:

- The dominant global retailer of student and under-30s travel products through both the StudentUniverse.com and Student Flights brands; and
- A major provider of student and under-30s travel experiences including touring, accommodation and event-based products

Expansion in this sector is expected to come via organic growth of our businesses and through strategic acquisitions.

The StudentUniverse.com acquisition has given FLT a powerful online platform and there are clear opportunities to fast-track its growth globally by working in conjunction with FLT's businesses in other key markets, including China, Canada, Europe and India.

In addition to its bikes and education businesses, FLT's non-travel operations include an emerging financial division that has solid future growth prospects.

Opportunities for this business include overseeing and providing:

- Foreign exchange - principally the Travel Money business and Key To The World, which was officially launched in Australia this month
- Offerings for FLT staff and external clients, including financial planning, tax returns for travel industry professionals, home loans and money coaching; and
- Other travel and non-travel financial services, including interest-free holidays

Interest-free holiday options were introduced in the Escape Travel brand in Australia and have now been made available to FLT's other leisure businesses via an agreement with FlexiGroup, which was announced earlier this month. Student Flights in Australia has also introduced a lay-buy option for customers.

Incubation and acceleration is an exciting new area of focus and has two core functions:

- A Business Accelerator focused on fast-tracking start-ups' growth, utilizing core aspects of our business as the vehicle to scale the start-up's growth and value; and
- An Investment Arm tasked with identifying and investing in emerging businesses with established customer bases

WORLDWIDE TOP PERFORMERS

HALL OF FAME:
JEANNE FERNANDEZ
USA

TOP BDM:
ALEX ARMSTRONG
EUROPE

TOP WHOLESALE CONSULTANT:
EMMA BULL
NEW ZEALAND

TOP RETAIL SPECIALIST CONSULTANT:
LUKE HARDAKER
AUSTRALIA

DIRECTORS' AWARD:
CHRIS WILKS
AUSTRALIA

TOP TICKETER:
ALEXANDRA PARSONS
AUSTRALIA

DIRECTORS' AWARD:
TIZIANO GALIPO
AUSTRALIA

HALL OF FAME:
JO RENDALL
NEW ZEALAND

TOP RETAIL LEISURE CONSULTANT:
TRUDY LAGERMAN
USA

DIRECTORS' AWARD:
ANDREW STARK
SOUTH AFRICA

TOP CORPORATE:
JANE KOTZE
SOUTH AFRICA

OUTLOOK

GRAHAM TURNER
CHIEF EXECUTIVE OFFICER

FY17 will be another important year for FLT, as its long-term strategic evolution continues.

As outlined elsewhere in this report, this evolution has been underway for a number of years and has seen our company invest significantly in initiatives that will drive future growth.

For example, we have:

- Upgraded our omni-channel sales network by rolling out a new shop design, enhancing online offerings and generally making it easier for customers to transact and interact with our brands
- Implemented new systems and tools to improve consultant-to-customer dealings and lower costs
- Launched new people-related initiatives to develop expertise and aid professional growth.
- Enhanced our diversity by acquiring businesses, launching new brands and exporting successful businesses to other countries; and
- Designed and introduced new and unique product ranges

In addition to developing products like the IAPs, we have taken steps to own the product "at-destination" via the businesses that now form part of our travel experience network. This is unique product that is manufactured, merchandised and priced by our businesses.

While we are starting to see some returns on the multi-million dollar investments we are making, our focus remains very much on the longer term and building strong foundations for the future.

NETWORK EXPANSION

FLT will continue to grow its global network during FY17.

Overall, we expect to increase sales staff numbers by 6-8%, which will see our global workforce top 20,000 people during the course of the year.

We will also increase sales team numbers and will soon reach the 3000-business milestone.

TTV is expected to exceed $20billion for the first time, nine years after we surpassed the $10billion milestone.

Our growth will primarily be organic and will vary from country to country and from brand to brand, depending on the relevant brand's maturity and performance.

Growth will obviously be more rapid in emerging brands and in businesses that are performing well and have strong scope for expansion.

You will also see variations in the way our brands grow.

For example, Flight Centre brand in Australia will primarily grow in the sales channels that sit towards the edges of the P2P Index.

This index focuses our growth across the different models, from online travel agent to home-based agencies, so that we achieve better scale, more choice for our customers and a successful model at all levels across the world.

Shop growth in Australia will predominately be in larger footprint stores that house multiple sales teams.

The new George Street hyperstore in Sydney is a high profile example of this growth strategy. The shop, which opened this month, will house about 150 leisure and wholesale sales people when fully operational and boasts several new design features, including a Virtual Reality Zone, an interactive Explore Zone and private consultation booths.

We will also continue to export brands, as evidenced by:

- Corporate Traveller's recent move into Asia (Singapore, Hong Kong and India)
- Flight Centre brand's introduction in Ireland this month; and
- BYOjet's launch in the UK

Next month, we also expect to launch Corporate Traveller in the Netherlands, where it will operate alongside the acquired FCM business.

Similarly, we will launch Corporate Traveller in Mexico early in the second half, plus FCBT in Cardiff (Wales) and Flight Centre in Namibia in October.

ACQUISITIONS

FLT will again complement its organic growth by acquiring businesses that deliver vertical or horizontal growth opportunities.

Vertical opportunities allow us to increase margins or secure a greater share of the overall travel wallet from being the manufacturer of the product (such as Top Deck or Buffalo Tours), to the wholesaler (such as Infinity) to the retailer.

Horizontal opportunities fast-track TTV growth. For example, through new shops or entering new countries.

MARKET CONDITIONS AND OPPORTUNITIES

While there is a degree of uncertainty within our key economies at the start of the new financial year, we see clear growth opportunities globally and will be disappointed if we don't improve on our FY16 performance.

In Australia, we want to grow overall market-share in both corporate and leisure travel, as well as growing within key market segments.

The outbound travel market continues to grow - albeit at a slower rate than in the past - despite fluctuations in consumer confidence.

This growth is, in part, being fuelled by cheap international airfares, with the deals we have secured and advertised during the past three to four months among the cheapest we have ever seen.

While lower ticket prices can curb our opportunity for TTV growth in the short-term, cheap fares are hugely positive for our customers and we will continue to promote them proactively and aggressively.

Market dynamics within the aviation sector in Australia remain fairly stable with:

- International capacity growing healthily during the 2016 calendar year to date
- Strong competition between carriers, with more than 50 passenger airlines servicing Australia; and
- Overall load factors on international routes under some pressure but generally holding up reasonably

This increased capacity and lower seat utilisation has contributed to the airfare price wars that we have seen in recent months.

We have also formed solid relationships with LCCs in Australia and elsewhere and have been proactively working with them to increase their load factors.

As stated previously, the impending change to credit card surcharge laws in Australia will affect our business but we don't believe the impact will be material.

Some amendments will be necessary, but we believe we will recoup any lost revenue through other new initiatives, including the expanded range of IAPs and the new agreement with FlexiGroup.

In the UK, the BREXIT referendum has adversely affected consumer confidence and demand for travel in both the corporate and leisure sectors at the start of FY17.

While it is impossible to predict a timeframe for recovery, we believe travel patterns will start to return to normal as the year progresses, as market volatility subsides and as customers become more comfortable with their financial position and outlook.

We are also well placed to weather this subdued outlook, given our brand and geographic diversity, the strength of our business and our local management team's track record of success in tough trading climates.

In the USA, travellers continue to benefit from exceptionally cheap airfares, as highlighted elsewhere in this report.

This creates opportunities for our businesses, particularly Liberty, and one of our priorities will be to expand and improve our sales and marketing capabilities.

The new dNA (Digital North Atlantic) team in Boston, which has grown out of the StudentUniverse.com business, will play a key role in this regard.

Other improvement opportunities in the short-term include:

- Accelerated TTV growth globally as business improvement initiatives gain traction and through new revenue streams. Already, new products have been launched, including the Key To The World digital travel wallet, and new offerings have been delivered to customers
- Improvement in Asia, following the reduced profits during FY16, as new businesses start to deliver better returns and through a solid pipeline of corporate account wins
- Stronger contributions from acquired businesses, particularly StudentUniverse.com, which is performing well and growing globally; and
- Better returns on start-ups, including Aunt Betty, which is now operating in Australia

During FY17, we also expect significant growth in online sales. We will target TTV in the order of $1billion from our online businesses and through better use of our established websites.

GUIDANCE - FY17

In relation to FY17 profit expectations, FLT believes it is too early to provide meaningful guidance, given the uncertain environment, low airfare yields and ongoing investments, but will be disappointed if it does not exceed its underlying FY16 profit results.

The trading conditions experienced during the fourth quarter of FY16 continued into July but the company has started to see some signs of recovery in August, led by the Australian business.

FLT will continue to monitor conditions and its performance and expects to provide more detailed commentary on its FY17 expectations at the Annual General Meeting on November 9, 2016. By then, FLT will have a clearer picture of the trading environment in its key geographies and an insight into its first quarter trading performance.

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 2016.

DIRECTORS

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

G.F. Turner

G.W. Smith

J.A. Eales

R.A. Baker

C.L. Kelly was a director throughout the financial year until her resignation on 2 August 2016.

PRINCIPAL ACTIVITIES

The group's principal continuing activities consisted of travel retailing in both the leisure and corporate travel sectors, plus 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 2016/17 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 pages 8 to 11 and Outlook column on pages 12 to 13 of this report.

DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

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

	2016 $'000	2015 $'000
Final ordinary dividend for the year ended 30 June 2015 of 97.0 cents (2014: 97.0 cents) per fully paid share, paid on 16 October 2015	97,817	97,670
Interim ordinary dividend for the year ended 30 June 2016 of 60.0 cents (2015: 55.0 cents) per fully paid share, paid on 14 April 2016	60,537	55,438
	158,354	153,108

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

DIVIDENDS

On 25 August 2016, FLT's directors declared a fully franked 92.0 cents per share final dividend on ordinary shares for the 2016 financial year. The total amount of the dividend is $92.9 million. The combined interim and final dividend payments represent a $153.4 million return to shareholders, 63% of FLT's statutory NPAT.

No other material matters have arisen since 30 June 2016.

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: 56	FLT director since 2007. Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered Accountant. Director of Tourism Events Queensland and Michael Hill International Limited.	Independent non-executive chairman Remuneration & nomination committee member Audit and risk committee member	15,000
J.A. Eales BA, GAICD Age: 46	FLT director since 2012. Director of Palladium Group, International Quarterback, Australian Rugby Union Limited, Executive Health Solutions and FujiXerox-DMS Asia Pacific. 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 (Acct) Age: 58	FLT director since 20 September 2013. Former audit partner of PricewaterhouseCoopers, with experience in the retail, travel and hospitality sectors. Chairman of John Goodman & Co Ltd since October 2014, chairman of International Justice Fund Limited since April 2015, chairman of Employment Office Australia Pty Ltd since June 2015, advisory board member and Audit and Risk Committee member for the Catholic Development Fund, Archdiocese of Sydney since 2011, and chairman of the Audit and Risk Committee of the Australian Catholic University Limited since May 2015.	Independent non-executive director Remuneration & nomination committee member Audit and risk committee chairman	2,500
C.L. Kelly BEc(Hons) Age: 42	FLT director from 1 September 2014 until her resignation on 2 August 2016. Co-founder and chair of corporate advisory firm Pottinger, Pottinger Analytics and technology company Atomli, deputy chairwoman of Treasury Corporation of Victoria, chairwoman of Allpress International, director of UNSW Foundation Limited and The Resolution Project. Extensive experience in executive management and advisory roles for major corporations and governments in both Australia and overseas. Areas of expertise include strategic growth, cross border mergers and acquisitions, leadership, finance, risk and compliance, and governance and stakeholder management.	Independent non-executive director Remuneration & nomination committee member Audit and risk committee member	400
G.F. Turner BVSc Age: 67	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.	Managing Director	15,244,487

No directors held interests in share rights, options or performance rights during the year (2015: nil).

SKILLS AND EXPERIENCE

The current mix of skills and experience represented by the NEDs currently on the board, is as follows:

	G.W. SMITH	J.A. EALES	R.A. BAKER	C.L. KELLY
Core industry	√	√	√	
Senior executive	√		√	√
Finance/capital markets			√	√
Audit/accounting	√		√	
Legal				
Regulatory/public policy	√			√
International markets		√		√
Strategy/Risk management	√	√	√	√
Governance	√	√	√	√
Marketing/communications	√	√		
Technology/IT				

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 also held positions with Wilson Group Limited (formerly Wilson HTM), Ashurst (formerly Blake Dawson) 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 2016 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	4	3	3
J.A. Eales	14	16	4	4	3	3
R.A. Baker	16	16	4	4	3	3
C.L. Kelly	16	16	3	4	3	3
G.F. Turner	15	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 & NOMINATION COMMITTEE CHAIRMAN

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

FLT owes much of its success to its willingness to take a considered, long-term and fit-for-purpose view in its business outlook.

In keeping with that philosophy, the company has created a unique remuneration framework that is purpose-built to suit its long and short-term objectives. This framework is aligned with the company's philosophies and ties pay to performance, thereby ensuring that FLT's people are rewarded financially when shareholder value is created.

The overall framework, which was enhanced during the year in several key areas, balances STIs with long-term rewards to ensure executives adopt the strategies and practices that will deliver sustainable returns to all stakeholders for the future.

REMUNERATION OBJECTIVES

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

- Key people are attracted and retained - the five executives (excluding directors) who are classed as KMP in this report have an average tenure with FLT of more than 20 years and an average age of 47, as illustrated in Table 1
- Its people are recognised and rewarded appropriately for their achievements in growing the business, helping the company achieve its long-term strategic objectives and creating shareholder value
- Incentive structures are simple and transparent. To this end, STIs are strictly tied to measurable and reliable outcome-based KPIs. By ensuring the right outcomes are rewarded, we ensure that our people benefit when our company and our shareholders benefit; and
- Our people have the opportunity to invest in their company through long-term share ownership, which ensures they adopt the behaviours and implement the strategies that deliver long-term wealth creation for shareholders, rather than simply focusing on short-term performance.

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
- **FY16**: The 2016 fiscal year
- **LTRP:** Long Term Retention Plan
- **KMP:** Key management personnel
- **KPIs:** Key performance indicators, the basis for FLT's STIs
- **NEDs:** Non-executive directors
- **PBT:** Profit before tax
- **RNC:** FLT's Remuneration and Nomination Committee
- **SBP:** Share based payments
- **SEOP/SEPRP:** FLT's Senior Executive Option Plan and Senior Executive Performance Rights Plan, both of which expired during FY15
- **STIs/LTIs:** Short-term incentives/long-term incentives
- **Targeted Packages:** The packages KMP are offered at the beginning of each year and consisting of base pay, superannuation and targeted STI earnings

EXECUTIVE	AGE	TENURE	FIRST FLT ROLE
Adam Campbell	41	9 years	Risk & Audit
Rob Flint	55	25 years	Flight Centre Rockhampton (QLD)
Chris Galanty	42	19 years	Flight Centre Putney (UK)
Dean Smith	49	20 years	Flight Centre Elizabeth Street (Victoria)
Melanie Waters-Ryan	49	29 years	Flight Centre Queen Street (QLD)

Table 1: KMP Tenure - Successfully Developing and Retaining Key People

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

In this regard, we proactively engage with industry bodies, special interest groups and other key stakeholders, listen to their feedback and amend our structures where appropriate. We have, for example, increased the weighting of fixed remuneration to at least 50% of targeted packages for key executives.

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

During the past 10 years, the largest vote against our remuneration report represented just 5% of our issued capital (2007) and the average over the past three years has been less than 0.5%.

UNDERSTANDING THE DIFFERENCES

While external feedback is generally positive, we acknowledge that our system differs from conventional programs in various ways.

For example:

- Our STIs are not awarded to our people as an annual bonus. STIs are at the heart of our business's operations and are built into KMP's monthly salaries. These STIs are tied to the company's underlying PBT or the EBIT achieved by key geographic divisions, meaning our people benefit when the company performs well and shareholder value is created
- We use profit - either underlying PBT or EBIT - as the basis of our STIs; and
- We do not cap incentive outcomes for KMP or for our sales people

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

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

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

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

FY16 OUTCOMES

Key executives generally did not earn their targeted packages during FY16 because the company did not achieve its underlying PBT growth target, which again highlights the correlation between STI earnings and actual results achieved.

The CEO, CFO and COO were awarded 80% of their STIs, which was the minimum that was in place within their targeted packages for FY16.

Other KMP, whose incentives were tied to their businesses' underlying EBIT, generally earned in the order of 70-90% of targeted STIs (in local currency), as outlined in Table 2.

During the year, the RNC and Board amended the company's remuneration structures to ensure those structures continued to meet the company's short and long-term objectives.

To strengthen the alignment between our existing remuneration framework and overarching remuneration philosophy, we introduced the Long Term Retention Plan (LTRP) to balance our current approach between motivation and retention of our executives and the focus on shareholder value creation.

In addition to directly aligning executive interests with those of shareholders, the LTRP will:

- Help us retain and motivate our key people in highly volatile markets that can result in fluctuations in short-term remuneration outcomes that are largely outside our executives' control; and
- Ensure that our company can continue to attract and retain key executives in a highly competitive and mobile talent market by providing a component of remuneration that is delivered as equity over the executives' ongoing tenure, subject to the executive holding shares in FLT

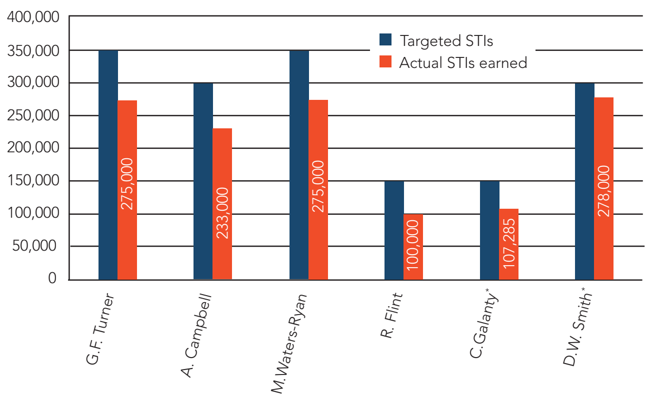


Table 2

**Amounts are expressed in GBP for C. Galanty and in USD for D.W. Smith. Other amounts are in AUD.*

The LTRP has a strong focus on the growth of FLT's share price over the medium to long term. This is intended to motivate our executives to continue their focus on creating shareholder value by ensuring that their remuneration is directly linked to shareholder experience.

In our fast-moving and ever-changing industry, it is particularly crucial now that our executives have the flexibility to respond to business challenges in real-time to ensure continued long term success, rather than focusing on specific performance metrics that no longer reflect current strategic or operational needs. To this end, the LTRP will provide executives with share rights with service conditions attached to maintain their focus on improving FLT's share price using flexible strategies, rather than focusing on static performance targets.

Other key changes included:

- An overhaul of the company's Employee Share Plan in general. This overhaul will come into effect during FY17 and will ensure our people at all levels have a greater opportunity to take ownership of their company; and
- An increase in targeted packages for KMP to ensure they were appropriate in an increasingly competitive labour market.

EXTERNAL BENCHMARKING

During FY16, the RNC also engaged external advisors to benchmark executive salaries.

This saw Ernst & Young benchmark KMP earnings for FY15 and targeted packages for FY16 against two comparator groups:

1. A market capitalisation group (MCG), consisting of ASX200 companies with a market capitalisation within 50% and 200% of FLT; and
2. An industry comparator group (ICG), consisting of 14 companies in the ASX200 within the consumer discretionary sector

In short, the benchmarking showed that:

- Total remuneration awarded to the CEO and the CFO ranked below the 25th percentile when compared to both the MCG and ICG. The CFO's targeted remuneration for FY17 has been increased
- Salaries (including BOS interest) paid to other executives were generally comparable with salaries paid to their counterparts at other similar companies.

FY17

Looking ahead to FY17, minor changes have again been made to KMP remuneration structures.

While fixed pay and targeted packages for directors and KMP, apart from the CFO, have not been changed, STI structures for the leaders of FLT's key geographic divisions have been altered.

These amendments, which will see 30% of these three leaders' STIs for FY17 tied to global results, recognise the important role that these leaders play in setting global strategy and will ensure they remain focused on the bigger picture, in addition to improving results within their own countries (70% of their STIs).

As outlined previously, we will also introduce an expanded ESP, in line with our philosophy of creating ownership opportunities for our people.

CONCLUSION

While FLT will inevitably adjust its overall system from time to time, the company believes its remuneration structures continue to fulfill their objectives and deliver tangible benefits to key stakeholders. Pay for performance remains at the forefront of this system and ensures that our people benefit when shareholders benefit.

Appropriate checks and safeguards are in place to ensure overall reward is appropriate and the new strategies that have been put in place, particularly the LTRP and the broader ESP, will ensure our people's interests are aligned with shareholders' interest in both the short and long-term.

I thank-you for your ongoing support of FLT.

REMUNERATION REPORT - AUDITED

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

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

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

1 PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

1i) REMUNERATION PHILOSOPHIES AND STRUCTURES

WHAT IS FLT'S REMUNERATION PHILOSOPHY?

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

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

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

All executives (excluding NEDs) have the security of fixed income, plus the opportunity to earn additional variable income (incentives) as part of their monthly pay, rather than as an annual bonus.

FLT strongly believes in the value of incentives, a belief that is underlined in its core philosophies, and uses measurable and reliable outcome-based KPIs as the basis of its STIs and overall remuneration systems globally. If the right outcomes are rewarded, the company, its people and its shareholders will benefit.

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

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

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

Executive remuneration includes a combination of:

- Fixed pay
- STIs that are built into monthly earnings
- BOS returns; and
- LTIs, which may include share-based compensation and, in some cases, BOS return multipliers (variable)

Additional detail on each of these components is included in table 3:

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

Fixed Pay

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

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

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

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

STIs

All of FLT's people are incentivised and earn STIs as part of their overall remuneration packages, rather than as annual bonuses.

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

KMP and other employees earn STIs if:

- They meet their KPIs
- FLT achieves a predetermined profit target; or
- They achieve a predetermined profit target within their business divisions

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

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

STIs are reviewed and targets can be amended during the course of any given year, as outlined in greater detail in the remuneration governance section.

Where annual targets are in place, as is the case for KMP, STIs are paid monthly and adjusted in future periods if necessary, thereby allowing the company to "claw-back" over payments or "top-up" under payments.

BOS returns

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

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

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

BOS Multiplier Program

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

Provisions for these future payments are taken up annually and the amounts are shown in the salary tables in section 2. These provisions can be positive or negative.

Share-based compensation

In line with the company's strong belief in creating ownership opportunities for its people, share-based compensation is available to FLT employees, including KMP.

The Employee Share Plan (ESP) was offered to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK during FY16. Various executives, including the KMP disclosed in this report, were included in the new LTRP, which was introduced during FY16 following the expiration of both the SEOP and the SEPRP.

Additional details on the new LTRP is included in section 4.

REMUNERATION REPORT - AUDITED (CONTINUED)

1ii) ALIGNMENT WITH SHAREHOLDER WEALTH CREATION

HOW DOES FLT ALIGN EXECUTIVE REMUNERATION WITH SHAREHOLDER WEALTH CREATION?

FLT has a simple reward system that ties KMP earnings to the financial results and,at the same time, rewards executives for creating shareholder value in both the short term and long-term. 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 KPIs that are both measurable and outcome-based.

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

If the company or the key "geographic divisions'" results exceed expectations, KMP incentive earnings will typically exceed targeted earnings. Conversely, if the company or the key "geographic divisions" results are below expectations, KMP incentive earnings will typically fall below targeted earnings for the year.

Table 2 highlighted the correlation between results achieved and STIs received during FY16, when FLT did not achieve its growth target and KMP earned less than they were targeted to receive in STIs.

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

	FY16	FY15	FY14	FY13	FY12
Profit before income tax	$345.0m	$366.3m	$323.8m	$349.2m	$290.4m
Underlying profit before income tax[1]	$352.4m	$366.3m	$376.5m	$343.1m	$290.4m
Profit after tax	$244.6m	$256.6m	$206.9m	$246.1m	$200.1m
Interim dividend	60.0c	55.0c	55.0c	46.0c	41.0c
Final dividend	92.0c	97.0c	97.0c	91.0c	71.0c
Earnings per share (basic)	242.4c	254.7c	205.8c	245.6c	200.1c
Share price at 30 June	$31.58	$34.11	$44.45	$39.33	$18.93

[1] Underlying profit before income tax for the period 2015/16 excludes $11.0m ACCC fine refund, $6.3m NZ building sale income, and ($24.7m) impairment charge.

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

Underlying PBT is a non-IFRS measure and is unaudited

FLT exceeded its targets during FY12 and FY13, performed in line with expectations during FY14 and finished below expectations in FY15 and FY16. The impact on KMP earnings during each period is outlined in Table 5 below.

Table 5

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

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

- Broadly in line with targeted earnings in years where results are in line with expectations (FY14)
- Above targeted earnings in years where results are above expectations and shareholders benefit from higher than expected dividends and EPS (FY12 and FY13); and
- Below targeted earnings when results and ultimately shareholder returns are below expectations (FY15 and FY16)

WILL KMP REMUNERATION AUTOMATICALLY INCREASE IF FLT'S PBT INCREASES?

Year-on-year profit improvement will not necessarily translate to year-on-year earnings growth for KMP, as targeted STI earnings are based on FLT or its key geographic divisions achieving specific profit-related growth targets. If FLT does not achieve its annual target, KMP will not achieve their targeted packages.

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

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, consisting of dividends and share price growth and delivering constant returns on assets; 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 FY16, FLT paid 77% (FY15: 77%) of this pool to its NEDs excluding the remuneration paid to Graham Turner, who is an executive director.

The fees paid to individual NEDs – in the order of $150,000 for directors and $200,000 for the chairman – were in line with the prior year and were below the median for ASX 50-100 companies of $172,750 and $363,439 respectively (Source: CGI Glass Lewis 2015).

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 of $201,218 (2015: $192,823) are determined independently and are benchmarked against comparable roles in other listed entities. The chairman does not attend discussions relating to his remuneration.

1iv) EXECUTIVE KMP REMUNERATION STRUCTURES

WHAT ARE KMP STIS BASED ON?

KMP are incentivised to deliver profit and growth, which in turn drive shareholder returns. Executives are also incentivised to develop sustainable, long-term businesses and strategies, as year-on-year improvement is required to maintain STI earnings.

During FY16, KMP STIs were based on:

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

No executives were remunerated on external factors.

REMUNERATION REPORT - AUDITED (CONTINUED)

Additional details on KMP STI earnings for FY16 are included in Table 2, while FLT's broader STI structure is outlined in Table 6 below.

TABLE 6: STI SUMMARY – KMP

Participants:	As is the case for FLT employees in general, all KMP (excluding NEDs) earn STIs as part of their monthly remuneration. The amount earned is tied to performance and will vary
Award Type:	Cash paid monthly, based on outcome-based and quantitative KPIs
Performance conditions:	KMP STIs are strictly tied to the company's PBT (underlying) or the EBIT achieved by its key geographic divisions
Structure:	In basic terms, KMP receive a small percentage of the company's PBT or the EBIT achieved by its key geographic divisions. For an executive to achieve his or her targeted STIs, the company or the relevant geographic division must achieve a predetermined growth 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, some KMP are guaranteed to earn 80% of their targeted STIs each 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
FY16 Outcomes:	Given that FLT did not achieve its underlying PBT growth target, the three KMP whose STIs were based on global profit growth (CEO, CFO and COO) did not earn their targeted STIs. Other KMP earned in the order of 70-90% of targeted STIs

WHAT PERCENTAGE OF OVERALL REMUNERATION IS FIXED FOR FLT EXECUTIVES?

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

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

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

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

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

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

For example, Graham Turner's targeted package of $750,000 for FY16 was built upon:

- Fixed pay of $400,000 (base pay and superannuation); and
- $350,000 in STIs, based on the company achieving a $380 million underlying PBT

Given that FLT did not achieve this target, the CEO earned $275,000 in STIs and a greater portion (53.33%) of his actual earnings for the year were fixed.

Had FLT exceeded its target, Mr Turner would have earned more than expected or targeted in STIs and a smaller portion of his FY16 salary would have been fixed.

REMUNERATION REPORT - AUDITED (CONTINUED)

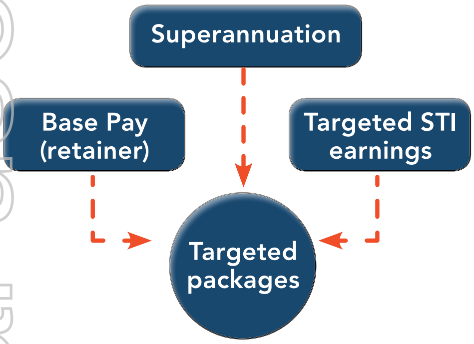
As illustrated above, actual remuneration for KMP in any given year may be higher or lower than the executive's targeted package, which means fixed remuneration may also be higher or lower than 50%.

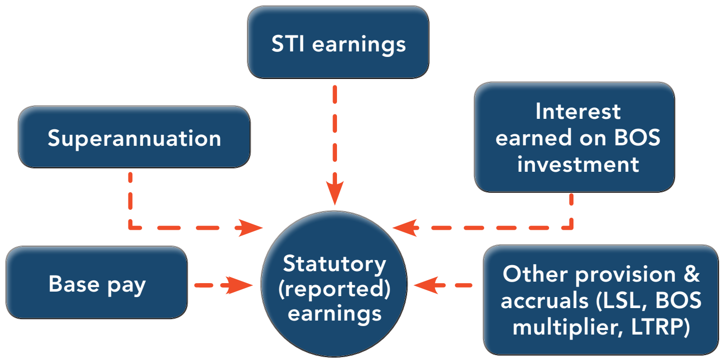
HOW DO THE TARGETED PACKAGES THAT KMP ARE OFFERED DIFFER FROM OVERALL EARNINGS DISCLOSED IN THIS REPORT?

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

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

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





ARE NON-FINANCIAL KPIS USED?

The KPIs that underpin KMP incentive earnings are tied to profit. No KMP are currently rewarded on non-financial KPIs.

HOW DOES FLT LIMIT EXECUTIVE STIS?

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

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

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

If the company significantly exceeds its profit goal and reaches "stretch" targets, decelerator mechanisms will kick-in to slow the executive's earnings growth. For FY17, the first decelerator will apply if an executive earns 130% of his or her targeted package and the second will apply if he or she reaches 150% of targeted earnings.

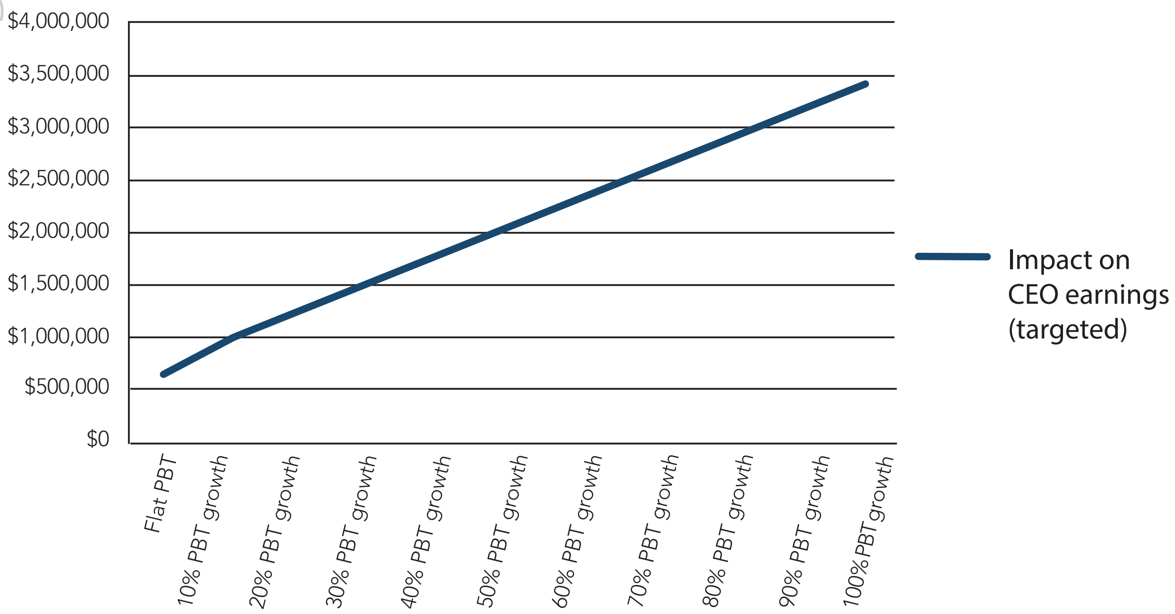
A number of other factors will also limit earnings growth for KMP:

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

REMUNERATION REPORT - AUDITED (CONTINUED)

The table below shows the impact various profit growth scenarios will have on Graham Turner's FY17 salary.

TABLE 7: IMPACT ON FY17 TARGETED EARNINGS (CEO)



In a year of extraordinary growth (50%), Mr Turner will earn just over $2million. For him to achieve the average pay packet for an ASX50-100 CEO - $2.88million (Source: CGI Glass Lewis 2015) - FLT needs to achieve circa 75% underlying PBT growth.

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

1v) EXECUTIVE LTIS

WHAT IS THE LTRP?

As the name suggest, the LTRP is a retention plan.

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

The LTRP aims to:

- Enhance the level of ownership among FLT's key executives to strengthen the alignment to shareholder interests
- Encourage retention of key executives for the long term; and
- Reward key executives in line with changes in long-term shareholder value

REMUNERATION REPORT - AUDITED (CONTINUED)

A summary is included below.

LTRP summary

Participants:	Key executives globally, including KMP apart from Graham Turner and NEDs
Award Type:	Annual share grant to help retain and attract key people, ensure executive interests are aligned with shareholder interests for the long-term, balance the company's use of STIs and create a strong "ownership" culture
Performance conditions:	As the program is a retention plan, no result-related performance conditions or hurdles are in place. Executives must remain employed by FLT to receive shares that are granted under the plan.
Structure:	The "Base rights" granted during the plan's first three years (FY16-FY18) will vest on 30 June 2018. All subsequent "Base rights" granted will vest three years after the respective grant date. The vesting is conditional on the executive remaining employed with FLT. In addition, "Matched Rights" are linked one-for-one to the granted base rights and will vest at a later date to further encourage key executives to build longer term careers with the company (continuous employment). Matched Rights for the plan's first three years (FY16-FY18) will vest on 30 June 2020. Matched Rights granted from FY19 onwards will vest three years after the applicable grant date. The vesting is conditional on the corresponding Base rights previously issued under the LTRP still being held by the executive (i.e. executive has not sold the shares received from the base rights) and the executive remaining employed with FLT. Participants can receive up to 12 annual share grants through to 2027. Shares can be bought on market or issued, as is the case for the ESP. Provisions are in place for a change of control or other material changes in company structure. The Board, via its RNC, can also "alter, modify, add to or repeal any provisions of the LTRP's rules in any way it believes is necessary or desirable to better secure or protect the company's rights". Subject to some conditions, the committee can, at any time, "amend, add to, revoke or substitute all or any of the provisions of the LTRP rules".
Limits:	Participants can receive up to 15% of their targeted earnings in shares under than plan.
Deferral:	Not applicable
Clawback:	Not applicable
FY16 Outcomes:	Shares were granted to 43 key executives globally

HOW IS THE LTRP STRUCTURED?

Under the LTRP, two sets of share rights will be granted to the executives who are eligible to participate in the scheme, with full discretion of the board.

The base share rights will vest three years after the grant date, provided the executives are still employed by FLT on the vesting date. The executives can then choose to exercise the vested share rights at a time of their choice up to 30 June 2030.

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

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

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

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

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT - AUDITED (CONTINUED)

ARE PERFORMANCE HURDLES IN PLACE FOR THE LTRP?

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.

WHY IS PROFIT USED AS THE PERFORMANCE CONDITION FOR THE COMPANY'S STIS?

FLT believes profit is a fundamental indicator of business performance – a key measure of whether it is providing customers with a product and service they value – and is a logical foundation for STIs. KMP can directly influence profit, it translates directly to earnings per share and dividends, both of which underpin shareholder investment in FLT, and it is an integral component of other performance measures that are commonly used in incentive programs, including Total Shareholder Returns (TSR).

ARE OTHER LTIS IN PLACE?

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

Accordingly, in some cases FLT offers an additional LTI that is aligned to the company's BOS structures and is designed to lock a small group of key executives into senior roles at specific locations for the medium to long-term. Three KMP have been included in this BOS Multiplier program initially, as outlined in section 3.

Under this program, each participating executive becomes entitled to a one-off BOS return multiplier upon the BOS note's redemption if the participant remains in his or her role, or an equivalent or more senior position, for between five and 15 years.

1vi) REMUNERATION GOVERNANCE

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

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

In making its recommendations, the RNC considers:

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

The committee can adjust KPIs if actual earnings are likely to excessively exceed targeted packages or if a material change occurs within the business. For example, the committee can normalise earnings by excluding unforeseen items or an acquired business's contributions for the purposes of calculating STIs. During FY16, STIs were based on underlying earnings, which did not include:

- The gains resulting from the ACCC appeal and the sale of FLT's NZ head office building; and
- Non-cash adjustments to goodwill and impairment

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.

REMUNERATION REPORT - AUDITED (CONTINUED)

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

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

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

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

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

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

2 DETAILS OF REMUNERATION

The following tables outline KMP remuneration details for the company and consolidated entity consisting of Flight Centre Travel Group Limited and the entities it controlled for the year ended 30 June 2016. Board and KMP are as defined in AASB 124 Related Party Disclosures and are responsible for planning, directing and controlling the entity's activities.

BOARD OF DIRECTORS

Non-Executive Directors

G.W. Smith – chairman

J.A. Eales

R.A. Baker

C.L. Kelly[1]

Executive Director

G.F. Turner

OTHER GROUP KMP

R. Flint – EGM – Asia, Middle East and New Zealand

M. Waters-Ryan – COO and EGM - Australia

A. Campbell – CFO[2]

C. Galanty – EGM - Europe and South Africa

D.W. Smith – EGM - The Americas

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

[2] On 4 August 2015, FLT announced the appointment of a new CFO, A. Campbell to replace A. Flannery who moved into a new role heading FLT's Australian corporate business.

PARENT ENTITY

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

SERVICE AGREEMENTS

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

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

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

REMUNERATION REPORT - AUDITED (CONTINUED)

KMP

The following table shows the remuneration actually paid and payable to KMP in respect of performance for the year ended 30 June 2016. Remuneration amounts are determined in accordance with the requirements of the *Corporations Act 2001* are set out in the table below and in conjunction with the table on page 41 of this report.

	PAID AND PAYABLE REMUNERATION				
	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS[1]	TOTAL PAID AND PAYABLE REMUNERATION
NAME	CASH SALARY AND FEES $	SHORT TERM INCENTIVE $	BOS INTEREST[2] $	SUPERANNUATION $	$
NON-EXECUTIVE DIRECTORS					
G.W. Smith					
2016	183,761	-	-	17,457	201,218
2015	176,094	-	-	16,729	192,823
J.A. Eales					
2016	137,761	-	-	13,087	150,848
2015	137,761	-	-	13,087	150,848
R.A. Baker					
2016	137,446	-	-	13,057	150,503
2015	137,446	-	-	13,057	150,503
C.L. Kelly (appointed 1 September 2014, resigned 2 August 2016)[3]					
2016	137,761	-	-	13,087	150,848
2015	114,801	-	-	10,906	125,707
P.R.Morahan (resigned 1 September 2014)[3]					
2016	-	-	-	-	-
2015	31,323	-	-	2,976	34,299
EXECUTIVE DIRECTORS					
G.F. Turner					
2016	380,692	275,000	-	19,308	675,000
2015	282,225	240,000	-	18,783	541,008
OTHER GROUP KMP					
R. Flint					
2016	330,692	100,000	154,991	19,308	604,991
2015	207,225	181,885	172,175	18,783	580,068
M. Waters-Ryan					
2016	380,705	274,987	521,209	19,308	1,196,209
2015	231,217	200,002	536,125	18,783	986,127
A. Campbell (appointed 4 August 2015)[3]					
2016	264,025	233,333	-	19,308	516,666
2015	-	-	-	-	-
A. Flannery (resigned 4 August 2015)[3]					
2016	47,038	37,500	-	3,046	87,584
2015	282,225	240,000	-	18,783	541,008
C. Galanty					
2016	407,786	217,117	750,576	-	1,375,479
2015	282,752	399,503	694,256	-	1,376,511
D.W. Smith					
2016	549,279	381,861	304,861	-	1,236,001
2015	297,825	408,591	255,709	-	962,125
TOTAL KMP COMPENSATION (EXCLUDING LONG TERM BENEFITS)					
2016	2,956,946	1,519,798	1,731,637	136,966	6,345,347
2015	2,180,894	1,669,981	1,658,265	131,887	5,641,027

[1] *No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2015: 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*

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						
2016	653,417	-	-	-	653,417	-
2015	654,180	-	-	-	654,180	-
EXECUTIVE DIRECTORS						
G.F. Turner						
2016	675,000	(37,900)	-	-	637,100	43
2015	541,008	(22,770)	-	-	518,238	46
OTHER GROUP KMP						
R. Flint						
2016	604,991	(6,446)	-	27,467	626,012	41
2015	580,068	(5,466)	-	-	574,602	62
M. Waters-Ryan						
2016	1,196,209	11,044	545,000	29,429	1,781,682	75
2015	986,127	(9,676)	(650,036)	-	326,415	26
A. Campbell (appointed 4 August 2015)[5]						
2016	516,666	3,534	-	32,850	553,050	42
2015	-	-	-	-	-	-
A. Flannery (resigned 4 August 2015)[5]						
2016	87,584	(216)	-	-	87,368	43
2015	541,008	(72)	-	-	540,936	44
C. Galanty						
2016	1,375,479	-	624,010	29,429	2,028,918	78
2015	1,376,511	-	614,488	-	1,990,999	86
D.W. Smith						
2016	1,236,001	-	250,260	29,429	1,515,690	62
2015	962,125	-	200,616	2,117	1,164,858	74
TOTAL KMP COMPENSATION						
2016	6,345,347	(29,984)	1,419,270	148,604	7,883,237	
2015	5,641,027	(37,984)	165,068	2,117	5,770,228	

[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 options and rights granted in 2015 or under the LTRP in 2016, and D.W.Smith's and A. Campbell's include matched shares under the ESP (refer section 4).
[4] Performance related percentage calculated as the sum of the STI and BOS interest, and BOS Multiplier divided by total remuneration.
[5] For KMP who were appointed or resigned during the period the amounts disclosed reflect the relevant service period served.

REMUNERATION REPORT - AUDITED (CONTINUED)

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

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

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

	INCENTIVES	
OTHER GROUP KMP	PAID %	FORFEITED %
R. Flint	67	33
M. Waters-Ryan	79	21
C. Galanty	71	29
D.W. Smith	93	7
A. Campbell	84	16

		SHARE RIGHTS			TOTAL EXPENSE	
OTHER GROUP KMP	YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH RIGHTS MAY VEST	MINIMUM TOTAL VALUE OF GRANT YET TO VEST $	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST $
R. Flint						
Base	2016	0%	0%	2018	nil	73,097
Match	2016	0%	0%	2020	nil	73,544
M. Waters-Ryan						
Base	2016	0%	0%	2018	nil	78,318
Match	2016	0%	0%	2020	nil	78,798
C. Galanty						
Base	2016	0%	0%	2018	nil	78,318
Match	2016	0%	0%	2020	nil	78,798
D.W. Smith						
Base	2016	0%	0%	2018	nil	78,318
Match	2016	0%	0%	2020	nil	78,798
A. Campbell						
Base	2016	0%	0%	2018	nil	62,655
Match	2016	0%	0%	2020	nil	63,038

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.

Three KMP currently participate in this program:

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

Under the program's terms, if the BOS note is redeemed between five and 10 years, the BOS holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by five, being the applicable redemption multiple.

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

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

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

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

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

If the BOS note is redeemed between five and 15 years as the result of the holder transferring into a comparable or more senior role within the company, an affiliate or a related body corporate, the redemption multiple will be the number of full years the BOS note has been held. This redemption multiple will then be applied to the holder's BOS returns for the last full financial year before the date of redemption. The same calculation will apply if a material part of the holder's business unit is sold.

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

	BOS MULTIPLIER PROGRAM					
OTHER GROUP KMP	GRANT DATE	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH BOS RETURN MULTIPLE MAY VEST	MINIMUM TOTAL BOS RETURN MULTIPLE[1]	MAXIMUM TOTAL BOS RETURN MULTIPLE[1]
M. Waters-Ryan	1 July 2012	-	-	2018-2023	nil	10 times
C. Galanty	1 July 2010	100%	-	2016-2026	5	15 times
D.W. Smith	1 July 2010	100%	-	2016-2021	5	10 times

[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

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

TERMS AND CONDITIONS

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

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

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

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

RIGHTS GRANTED

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

GRANT DATE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER RIGHT AT GRANT DATE
1 January 2016	Base Rights: Tranche rights granted at no consideration. Tranche will vest on 30 June 2018 provided participants remain employed by the company at that time.	30 June 2030	$0.00	$31.93
1 January 2016	Matching Rights: Tranche rights granted at no consideration. Tranche will vest on 30 June 2020 provided base rights (or shares) in respect of the FY16 grant continues to be held and provided participants remain employed by the company at the matched rights' vesting date.	30 June 2030	$0.00	$28.91

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:

OTHER GROUP KMP	BALANCE AT THE START OF THE YEAR	DURING THE YEAR				BALANCE AT THE END OF THE YEAR	
RIGHTS	UNVESTED	GRANTED	VESTED	EXERCISED	EXPIRED OR FORFEITED	VESTED AND EXERCISABLE	UNVESTED
R. Flint							
Base	-	2,862	-	-	-	-	2,862
Match	-	2,862	-	-	-	-	2,862
M. Waters-Ryan							
Base	-	3,066	-	-	-	-	3,066
Match	-	3,066	-	-	-	-	3,066
C. Galanty							
Base	-	3,066	-	-	-	-	3,066
Match	-	3,066	-	-	-	-	3,066
D.W. Smith							
Base	-	3,066	-	-	-	-	3,066
Match	-	3,066	-	-	-	-	3,066
A. Campbell							
Base	-	2,453	-	-	-	-	2,453
Match	-	2,453	-	-	-	-	2,453

The relevant portion of the expense relating to these rights was recognised during the year ended 30 June 2016. Refer to note D3.

SHAREHOLDINGS

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

2016	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
FLT directors				
G.W. Smith	15,000	-	-	15,000
J.A. Eales	3,000	-	-	3,000
R.A. Baker	2,000	-	500	2,500
C.L. Kelly[1]	400	-	-	400
G.F. Turner	15,244,487	-	-	15,244,487
Other group KMP				
R. Flint	-	-	7,000	7,000
M. Waters-Ryan	95,725	-	(10,000)	85,725
A. Campbell[2,3]	689	-	305	994
A. Flannery[2]	29,027	-	-	29,027
C. Galanty	2,002	-	-	2,002
D.W. Smith[3]	1,411	-	447	1,858

[1] C.L. Kelly was appointed 1 September 2014 and resigned 2 August 2016.
[2] On 4 August 2015, A. Campbell replaced A. Flannery as CFO. A. Flannery moved into a new role heading FLT's Australian corporate business.
[3] A. Campbell and D.W. Smith participated in the ESP and were issued with 305 and 447 ordinary shares, respectively. These were issued under the same terms and conditions as all other ESP participants.

DIRECTORS' REPORT CONTINUED

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 25% (June 2015: 25%), and Graham Turner's son, Matthew Turner 15.75% (June 2015: 19%). The remaining 9.25% (June 2015: 6%) is held by other minor parties including employees who are not considered related parties.

LOAN TO PEDAL GROUP	NOTES	2016 $'000
Beginning of the year		1,050
Loans advanced		2,175
Loans repaid		-
Interest charged		88
End-of-year	E2	3,313

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

The loan was made on normal commercial terms and conditions and at a market rate, except that the repayment terms are 10 years. The interest rate on the loan during the year ranged from 3.84% - 4.04%.

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.

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 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 38.

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

25 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Alison de Groot

Partner

BRISBANE

25 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FOR THE YEAR ENDED 30 JUNE	
REVENUE	NOTES	2016[1] $'000	2015 $'000
Revenue from the sale of travel services	A2	2,636,298	2,363,090
Other revenue	A2	29,878	33,899
Total revenue		2,666,176	2,396,989
Other income	A3	12,691	6,278
Share of profit of joint ventures	E1	1,065	235
EXPENSES			
Employee benefits	F1	(1,432,796)	(1,283,661)
Sales and marketing		(223,531)	(180,236)
Rental expense relating to operating leases	F1	(158,577)	(143,237)
Amortisation and depreciation	B7	(66,091)	(54,103)
Finance costs	A4	(28,604)	(26,115)
Impairment charge	A5/F4	(24,666)	-
Other expenses	A4	(400,624)	(349,853)
Profit before income tax expense		**345,043**	**366,297**
Income tax expense	F9	(100,487)	(109,744)
Profit attributable to members of FLT		**244,556**	**256,553**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	F8	(178)	-
Income tax on items of other comprehensive income	F9	54	-
		(124)	-
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	F8	-	786
Changes in the fair value of financial assets at FVOCI	F8	(74)	-
Changes in the fair value of cash flow hedges	F8	(264)	-
Net exchange differences on translation of foreign operations	F8	(6,123)	62,079
Income tax on items of other comprehensive income	F9	101	797
		(6,360)	63,662
Total other comprehensive income for the year attributable to members of FLT		(6,484)	63,662
Total comprehensive income for the year attributable to members of FLT		238,072	320,215

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:

		CENTS	CENTS
Basic earnings per share	F2	242.4	254.7
Diluted earnings per share	F2	242.3	254.3

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.

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

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	FOR THE YEAR ENDED 30 JUNE 2016 $'000	2015 $'000
Receipts from customers [1]		2,680,208	2,337,380
Payments to suppliers and employees [1]		(2,213,876)	(1,868,032)
Royalties received		518	509
Interest received		27,004	29,449
Interest paid		(28,760)	(26,716)
Income taxes paid		(108,491)	(110,061)
Net cash inflow from operating activities	B1	356,603	362,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary and joint venture, net of cash acquired	A6/E1	(55,895)	(527)
Proceeds from sale of property, plant and equipment	A3/F4	17,201	-
Payments for property, plant and equipment	B7/F4	(93,852)	(72,496)
Payments for intangibles	B7/A5	(27,136)	(10,354)
Payments for the purchase of financial asset investments	B2	(139,000)	(39,000)
Proceeds from sale of financial asset investments	B2	10,029	5,460
Dividends received from joint ventures		630	673
Loans advanced to related parties	E2	(2,175)	(342)
Loans repaid by related parties	E2	-	2,305
Net cash (outflow) / inflow from investing activities		(290,198)	(114,281)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		75,707	23,825
Repayment of borrowings		(31,350)	(41,251)
Proceeds from issue of shares		3,534	4,697
Dividends paid to company's shareholders	B6	(158,354)	(153,108)
Net cash (outflow) / inflow from financing activities		(110,463)	(165,837)
Net increase / (decrease) in cash held		(44,058)	82,411
Cash and cash equivalents at the beginning of the financial year		1,377,985	1,261,682
Effects of exchange rate changes on cash and cash equivalents		(18,541)	33,892
Cash and cash equivalents at end of the financial year	B1	1,315,386	1,377,985

[1] *Including GST*

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

BALANCE SHEET

ASSETS Current assets	NOTES	AS AT 30 JUNE 2016[1] $'000	 2015 $'000
Cash and cash equivalents	B1	1,315,984	1,377,985
Financial asset investments	B2	204,525	75,661
Trade and other receivables	F3	672,176	635,492
Other assets	F3	58,541	47,548
Current tax receivables		5,860	9,895
Inventories		1,718	1,789
Derivative financial instruments	C2	4,429	4,330
Total current assets		2,263,233	2,152,700
Non-current assets			
Property, plant and equipment	F4	216,239	196,300
Intangible assets	A5	445,688	386,249
Investments in joint ventures	E1	14,970	13,905
Deferred tax assets	F9	55,675	36,135
Other financial assets	C3	5,511	2,677
Total non-current assets		738,083	635,266
Total assets		3,001,316	2,787,966
LIABILITIES			
Current liabilities			
Trade and other payables	F5	1,429,572	990,500
Financial liabilities at fair value through profit or loss	F6	-	384,039
Contingent consideration	A7	5,255	12,304
Borrowings	B4	76,845	32,806
Provisions	F7	38,116	26,667
Current tax liabilities		9,191	6,184
Derivative financial instruments	C2	7,745	-
Total current liabilities		1,566,724	1,452,500
Non-current liabilities			
Trade and other payables	F5	47,522	22,668
Contingent consideration	A7	2,537	6,420
Provisions	F7	30,572	36,122
Deferred tax liabilities	F9	8,016	135
Total non-current liabilities		88,647	65,345
Total liabilities		1,655,371	1,517,845
Net assets		1,345,945	1,270,121
EQUITY			
Contributed equity	D4	399,236	395,677
Reserves	F8	24,110	36,959
Retained profits		922,599	837,485
Total equity		1,345,945	1,270,121

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.

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	RESERVES $'000	RETAINED PROFITS[1] $'000	TOTAL $'000
Balance at 1 July 2014		390,929	(27,171)	734,040	1,097,798
Profit for the year		-	-	256,553	256,553
Other comprehensive income		-	63,662	-	63,662
Total comprehensive income for the year		-	63,662	256,553	320,215
Transactions with owners in their capacity as owners:					
Employee share-based payments	D4/F8	4,748	468	-	5,216
Dividends provided for or paid	B6	-	-	(153,108)	(153,108)
Balance at 30 June 2015		395,677	36,959	837,485	1,270,121
Adjustment for adoption of new accounting standards[1]		-	247	(1,088)	(841)
Profit for the year		-	-	244,556	244,556
Other comprehensive income		-	(6,484)	-	(6,484)
Total comprehensive income for the year		-	(6,484)	244,556	238,072
Transactions with owners in their capacity as owners:					
Acquisition reserve	F8	-	(8,976)	-	(8,976)
Employee share-based payments	D4/F8	3,559	2,364	-	5,923
Dividends provided for or paid	B6	-	-	(158,354)	(158,354)
Balance at 30 June 2016		399,236	24,110	922,599	1,345,945

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT MATTERS IN THE CURRENT REPORTING PERIOD

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

IMPAIRMENT

- On 23 May 2016, FLT announced non-cash write-downs to United States brand names , other intangibles and property, plant and equipment of USD19,073,000 ($24,666,000). The write-downs relate to the Liberty (leisure) and GOGO (wholesale) businesses in the US which have not performed to expectations. Refer to notes A5 and F4 for further details.

ACQUISITIONS

- On 21 December 2015, FLT acquired a 98.66% interest in StudentUniverse.com (SU). Upon successful completion of the statutory squeeze-out in Ireland, FLT now holds 100% interest for consideration of USD$33,077,000 (AUD$46,340,000). SU is a Boston-based business with a strong technology platform and is a leading online travel booking service dedicated to the student and youth sector. The business offers its targeted demographic exclusive deals, including specially negotiated student airfares and experiences via its websites and mobile apps. Refer to Note A6 for further details.

- Other smaller acquisitions that occurred during the period include Koch Overseas, AVMIN Pty Ltd, Worldwide Aviation Services (WAS), BYOjet, Maya Events, and Business Travel Development (FCM Netherlands). Refer to note A6 for further details.

OTHER MATTERS

- During the year FLT sold the New Zealand head office building for fair market value of $17,201,000 (NZD $18,883,000) resulting in a gain of $6,264,000. FLT will continue to operate from these premises under normal market lease terms. Refer to note A3 and F4 for further details.

- On 31 July 2015, FLT won its appeal in the long running competition law test case initiated against it by the ACCC in relation to alleged breaches of the Trade Practices Act 1974. The Full Court of the Federal Court of Australia overturned the judgment 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 judgment in FLT's favour meant the $11,000,000 in penalties were repaid to the company (interest and costs yet to be paid), and the penalties are included in the financial results for the half year ended 31 December 2015.

  On 28 August 2015, the ACCC launched a further appeal announcing that it would seek special leave from the High Court to appeal the decision of the Full Court of the Federal Court of Australia. The special leave application for the appeal was heard on 11 March 2016 and special leave was granted. On 27 July 2016 the further appeal was heard by the High Court and judgment is anticipated by the end of the 2016 calendar year.

  Background

  The case was initially heard in October 2012 and judgment was delivered in the ACCC's favour in December 2013. A subsequent penalty hearing concluded in February 2014, with $11,000,000 in penalties imposed by the Federal Court, that FLT paid in May 2014, and this was reflected in the 2013/14 results. Refer to note H2 for further details.

- FLT has elected to early adopt AASB 9 *Financial Instruments* (2014) with an initial application date of 1 January 2016. The impact of the adoption of AASB 9 has been recognised in retained earnings with the exception of hedge accounting. In accordance with the transitional requirements, FLT has elected not to restate comparatives. The impact to retained earnings was $1,088,000, refer to note I(a) for further information.

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 judgments made.

A1 SEGMENT INFORMATION

(A) IDENTIFICATION AND DESCRIPTION OF SEGMENTS

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

- Managing director
- Chief financial officer
- Chief operating officer
- Executive general manager – Europe and South Africa
- Executive general manager – The Americas; and
- Executive general manager – Asia, Middle East and New Zealand

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

EUROPE

Europe segment includes businesses in the United Kingdom, Ireland and Netherlands. These are managed by one EGM and are generally reported together to the board and executive team, and therefore have been included in the one segment.

The segment name has changed from "United Kingdom" to "Europe" but the segmentation has not changed.

South Africa is also managed by the same EGM, however it is always separately reported to the CODM, and as such does not form part of the Europe segment. It forms part of the Rest of World segment.

UNITED STATES

United States segment includes businesses in the United States and Mexico, as well as the newly acquired SU business which is centrally managed by the United States business. These are generally reported together to the board and executive team, and therefore have been included in the one segment.

Canada is also managed by the same EGM, however it is always separately reported to the CODM, and as such does not form part of the United States segment. It forms part of the Rest of World segment.

REST OF WORLD

Rest of world segment includes the aggregation of a number of geographic businesses, where the revenues are individually less than 10% of combined group revenue, and consolidation eliminations.

These businesses have similar economic characteristics, including gross margins and business models.

OTHER SEGMENT

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

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

SEGMENT ASSETS AND LIABILITIES

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

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

TOTAL TRANSACTION VALUE (TTV)

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

SHOP NUMBERS

Shop numbers are un-audited, non-IFRS, non-financial information. This information has been included to aid understanding of the relevant balances. The balances represent the number of shops at the end of the period.

(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 2016 and 30 June 2015 is shown in the tables on the following pages.

A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2016	AUSTRALIA[4] $'000	UNITED STATES[5] $'000	EUROPE[6] $'000	REST OF WORLD[7] $'000	OTHER SEGMENT[8] $'000	TOTAL $'000
Segment information						
TTV[1]	10,045,845	3,003,325	2,164,414	3,732,498	359,091	19,305,173
Total segment revenue	1,436,704	356,504	331,830	467,837	261,899	2,854,774
Inter-segment revenue	(113,120)	(23,309)	(17,875)	(34,294)	-	(188,598)
Revenue from external customers	1,323,584	333,195	313,955	433,543	261,899	2,666,176
Statutory EBITDA	317,761	15,511	58,125	50,749	(28,246)	413,900
Depreciation and amortisation	(37,785)	(6,507)	(7,802)	(11,809)	(2,188)	(66,091)
Statutory EBIT	279,976	9,004	50,323	38,940	(30,434)	347,809
Interest income	964	776	2,262	7,459	14,377	25,838
BOS interest expense	(19,272)	(200)	(3,096)	(4,010)	(763)	(27,341)
Other interest expense	(612)	(639)	(379)	(2,704)	3,624	(710)
Other non-material items	(543)	-	(20)	10	-	(553)
Net profit before tax and royalty	260,513	8,941	49,090	39,695	(13,196)	345,043
Royalty	16,673	-	(14,334)	(2,339)	-	-
Net profit before tax and after royalty	277,186	8,941	34,756	37,356	(13,196)	345,043
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	279,976	9,004	50,323	38,940	(30,434)	347,809
Interest income[2]	1,035	-	4	2,063	11,283	14,385
BOS interest expense	(19,272)	(200)	(3,096)	(4,010)	(763)	(27,341)
Net foreign exchange (gains) / losses on intercompany loans	-	402	-	-	(695)	(293)
ACCC penalties refund	-	-	-	-	(11,000)	(11,000)
Impairment[3]	-	11,977	-	-	12,689	24,666
Gain on sale of building	-	-	-	(6,264)	-	(6,264)
Other non-material items	8	-	-	(4)	(919)	(915)
Adjusted EBIT / Segment Result	261,747	21,183	47,231	30,725	(19,839)	341,047
Shop numbers[1]	1,561	290	299	758	6	2,914

[1] TTV and shop numbers are un-audited, non-IFRS measures.
[2] Land wholesale interest only
[3] Included in the impairment is brand names which are managed by the global teams, hence included in Other Segment. USA segment includes impairment of other intangibles software and plant and equipment. Refer note A5 and F4.
[4] The results of the BYOjet acquisition is shown in the Australia segment.
[5] The results of the SU and Koch Overseas acquisitions are shown in the United States segment.
[6] The results of the Business Travel Development (FCM Netherlands) acquisition are shown in the Europe segment.
[7] The results of the WAS and Maya Events acquisitions are shown in the Rest of World segment.
[8] The results of the AVMIN Pty Ltd acquisition are shown in the Other Segment.

A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2015	AUSTRALIA $'000	UNITED STATES $'000	EUROPE $'000	REST OF WORLD $'000	OTHER SEGMENT [3] $'000	TOTAL $'000
Segment information						
TTV[1]	9,560,951	2,454,417	1,893,059	3,413,083	276,420	17,597,930
Total segment revenue	1,357,560	291,645	285,879	417,461	200,987	2,553,532
Inter-segment revenue	(122,977)	(4,666)	(17,724)	(11,176)	-	(156,543)
Revenue from external customers	1,234,583	286,979	268,155	406,285	200,987	2,396,989
Statutory EBITDA	304,600	25,209	58,154	43,592	(14,588)	416,967
Depreciation and amortisation	(32,906)	(3,078)	(5,767)	(10,261)	(2,091)	(54,103)
Statutory EBIT	271,694	22,131	52,387	33,331	(16,679)	362,864
Interest income	1,259	428	1,603	6,818	19,440	29,548
BOS interest expense	(16,462)	(331)	(2,568)	(3,603)	(1,293)	(24,257)
Other interest expense	(914)	(460)	(267)	(3,047)	2,443	(2,245)
Other non-material items	403	-	(18)	2	-	387
Net profit before tax and royalty	255,980	21,768	51,137	33,501	3,911	366,297
Royalty	31,235	-	(23,259)	(7,976)	-	-
Net profit before tax and after royalty	287,215	21,768	27,878	25,525	3,911	366,297

RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT

Statutory EBIT	271,694	22,131	52,387	33,331	(16,679)	362,864
Interest income[2]	1,251	-	-	2,311	11,717	15,279
BOS interest expense	(16,462)	(331)	(2,568)	(3,603)	(1,293)	(24,257)
Net foreign exchange (gains) / losses on intercompany loans	260	-	(24)	-	(1,460)	(1,224)
Other non-material items	-	(394)	(248)	620	(1,343)	(1,365)
Adjusted EBIT / Segment Result	256,743	21,406	49,547	32,659	(9,058)	351,297
Shop numbers[1]	1,511	314	279	718	3	2,825

[1] *TTV and shop numbers are un-audited, non-IFRS measures.*
[2] *Land wholesale interest only*
[3] *Top Deck is included in the Other Segment as it reports to Travel Services, a global team based in the Brisbane head office*

A2 REVENUE

REVENUE FROM THE SALE OF TRAVEL SERVICES	2016 $'000	2015 $'000
Commission and fees from the provision of travel	1,895,637	1,704,793
Revenue from the provision of travel	591,540	558,841
Revenue from tour operations	37,978	19,579
Revenue from other operations [1]	111,143	79,877
Total revenue from the sale of travel services	2,636,298	2,363,090

OTHER REVENUE		
Rents and sub-lease rentals	3,526	3,832
Interest	25,838	29,548
Royalties	514	519
Total other revenue	29,878	33,899

[1] *Revenue from other operations includes the ACCC penalties refund of $11,000,000 received during the period.*

ACCOUNTING POLICY

The group recognises revenue when:

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

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

REVENUE FROM THE SALE OF TRAVEL SERVICES

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

Revenue relating to volume incentives is recognised at the amount receivable when it is probable the annual targets will be achieved.

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

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

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS – 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 judgmental 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, judgments 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A3 OTHER INCOME

OTHER INCOME	2016 $'000	2015 $'000
Net foreign exchange gains - realised	3,764	5,067
Net foreign exchange gains - unrealised	1,985	-
Gain on financial assets at fair value	678	1,211
Gain on sale of building[1]	6,264	-
Total other income	12,691	6,278

[1] *Gain on sale of building relates to the sale of the New Zealand Head Office.*

A4 EXPENSES

Profit before income tax includes the following expenses:

FINANCE COSTS	NOTES	2016 $'000	2015 $'000
BOS interest expense	D2	27,341	24,257
Interest and finance charges paid/payable		710	2,245
Unwind of make good provision discount	F7	553	(387)
Total finance costs		28,604	26,115

OTHER EXPENSES		
Other occupancy costs	63,658	56,222
Consulting fees	63,441	49,322
Communication and IT	77,283	68,981
Net foreign exchange losses - unrealised	-	1,232
Other expenses	196,242	174,096
Total other expenses	400,624	349,853

A5 INTANGIBLE ASSETS

OVERVIEW

On 23 May 2016, FLT announced non-cash write-downs of $24,666,000 (USD $19,073,000) relating to United States brand names ($12,689,000), other intangibles software ($813,000) and plant and equipment ($11,164,000 – refer note F4).

The write-downs relate to the Liberty (leisure) and GOGO (wholesale) businesses CGU in the US which have not performed to expectations.

The US businesses were acquired in 2008, just prior to the US recession and the Global Financial Crisis, along with a product contracting area that has delivered solid returns within the Flight Centre Global Product (FCGP) business.

While overall the US businesses are profitable, the profit contribution from the Liberty and GOGO brands has not been sufficient to justify the current carrying values pre-impairment. The overall US business also includes the corporate travel business.

A5 INTANGIBLE ASSETS (CONTINUED)

	NOTES	GOODWILL $'000	BRAND NAMES AND CUSTOMER RELATIONSHIPS[1] $'000	INTERNALLY GENERATED AND OTHER INTANGIBLE ASSETS[2] $'000	TOTAL $'000
OPENING BALANCE AT 1 JULY 2014					
Cost		332,270	66,258	60,097	458,625
Accumulated amortisation (including accumulated impairment losses)		(59,144)	(53,569)	(41,337)	(154,050)
Net book amount at 1 July 2014		273,126	12,689	18,760	304,575
Additions		-	-	11,513	11,513
Acquisitions		37,040	11,145	-	48,185
Disposals[3]		-	-	(61)	(61)
Exchange differences		29,413	-	24	29,437
Amortisation		-	-	(7,400)	(7,400)
Net book amount at 30 June 2015		339,579	23,834	22,836	386,249
OPENING BALANCE AT 1 JULY 2015					
Cost		411,670	82,865	71,546	566,081
Accumulated amortisation (including accumulated impairment losses)		(72,091)	(59,031)	(48,710)	(179,832)
Net book amount at 1 July 2015		339,579	23,834	22,836	386,249
Additions		-	-	27,136	27,136
Acquisitions		25,422	3,224	28,706	57,352
Transfer to acquisition reserve	F8	(6,501)	-	-	(6,501)
Disposals[3]		-	-	(245)	(245)
Exchange differences		6,531	(135)	(999)	5,397
Amortisation		-	(114)	(10,084)	(10,198)
Impairment[4]		-	(12,689)	(813)	(13,502)
Net book amount at 30 June 2016		365,031	14,120	66,537	445,688
Closing balance at 30 June 2016					
Cost		440,144	88,325	127,816	656,285
Accumulated amortisation (including accumulated impairment losses)		(75,113)	(74,205)	(61,279)	(210,597)
Net book amount at 30 June 2016		365,031	14,120	66,537	445,688

[1] Customer relationships are amortised over their expected useful life, not exceeding seven years.
[2] Other intangible assets predominantly relate to software and are amortised using the straight-line method over the project's period of expected future benefits, which varies from 2.5 to 5 years.
[3] Balances shown net of accumulated amortisation.
[4] Impairment losses recognised in the statement of profit or loss and other comprehensive income include the impairment of brand names which are managed by the global teams, hence included in Other Segment and impairment of other intangibles and plant and equipment in USA segment.

A5 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS – 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).

The cash-generating units (CGUs) recoverable amounts have been determined based on 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	LEISURE AUSTRALIA	FCM AUSTRALIA	GARBER USA	LIBERTY USA	BRITTANIC UK	TOP DECK TOURS	STUDENT UNIVERSE
2016	120,851	30,446	28,392	-	66,137	30,613	18,118
2015	116,540	30,446	27,315	-	66,004	37,040	-
GOODWILL IMPAIRMENT							
2016	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
BRAND NAMES							
2016	-	-	-	-	-	11,145	2,744
2015	-	-	-	11,769	-	11,145	-
BRAND NAMES IMPAIRMENT							
2016[1]	-	-	-	(11,769)	-	-	-
2015	-	-	-	-	-	-	-

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

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

CURRENT YEAR

The results of FLT's annual overall impairment analysis for all CGUs in the group, showed that there was an indication of impairment for the Indian Corporate CGU and the United States Liberty and Wholesale CGUs. There were no other indicators of impairment of any of the other CGUs within FLT. Consistent with other periods a value-in-use calculation was prepared using the key estimates in (a) below.

The recoverable amount of the Indian Corporate CGU is $35,568,000 which is above the carrying value of the CGU and as a result no impairment has been recorded. Of the recoverable amount, intangible and PPE assets total $8,578,000, the balance relates to working capital assets.

The recoverable amount of the United States Liberty and Wholesale CGUs is $2,688,000 which was below the carrying value and as a result an impairment was recorded, as announced on 23 May 2016.

PRIOR YEAR

There were no impairment charges in the prior year.

A5 INTANGIBLE ASSETS (CONTINUED)

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

GOODWILL CGU	DISCOUNT RATE 2016 %	DISCOUNT RATE 2015 %
Australia	14.1	15.5
Europe	14.1	15.5
United States	13.9	15.8
India	20.8	20.7
Other countries (excluding those listed above)	14.1	15.5
Brand names		
United States	13.9	15.8

The discount rates shown were applied to CGUs within each of the geographic segments. For the purposes of impairment testing, under the value-in-use model terminal growth rates were not applied to all CGUs as they were not required to support the carrying amount. The exceptions are the United States and India, where rates between 2.0% and 4.5% (2015: 2.3% and 5.5%) are used to extrapolate cash flows beyond the budget period.

These assumptions have been used for the analysis of each CGU within the business segment, in line with local long-term inflation.

The basis of estimation of the four to five year cash flows uses the following key operating assumptions:

- Four to five year budgeted EBITDA is based on management's forecasts of revenue from travel services, taking into account expected TTV growth
- Revenue forecasts take into account historical revenue and consider external factors such as market sector and geography
- Costs are calculated taking into account historical margins, known increases and estimated inflation rates over the period, consistent with the locations in which the CGUs operate

Management has calculated the discount rates based on available market data and data from comparable listed companies within the travel sector.

(B) IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Management has performed sensitivity analysis and there are no reasonably possible changes in key assumptions that would cause a CGU's carrying value to exceed its recoverable amount, except for the US and India as detailed below.

Given the impairment charges taken in Liberty and GOGO CGUs in the US during the year, any adverse changes in key assumptions could result in additional impairment in those CGUs to the extent of the recoverable amount.

INDIA

For the Indian Corporate business there are reasonably possible changes in key assumptions (discussed below) that could cause the carrying value to exceed its recoverable amount.

Discount rate assumptions:

Management recognises the actual time value of money may vary to what it has estimated.

Management notes that the pre-tax discount rate will have to increase by greater than 0.33% or $2,360,000 for the recoverable amount to fall below carrying amount.

Budgeted EBITDA assumptions:

Management recognises actual results (EBITDA) may vary to what has been estimated. Management has used growth rates for years two to five and should these growth rates be reduced by more than 4% year on year, the recoverable amount will fall by more than $2,360,000. This will cause the recoverable amount to fall below the carrying amount. This is considered to be a reasonably possible change in EBITDA.

A6 BUSINESS COMBINATIONS

(A) CURRENT YEAR ACQUISITION - STUDENTUNIVERSE.COM

(i) Summary of acquisition

On 21 December 2015, FLT acquired a 98.66% interest in StudentUniverse.com (SU). Upon successful completion of the statutory squeeze-out in Ireland, FLT now holds 100% interest for consideration of USD$33,077,000 ($46,340,000). SU is a Boston-based business with a strong technology platform and is a leading online travel booking service dedicated to the student and youth sector. The business offers its targeted demographic exclusive deals, including specially negotiated student airfares, and experiences via its websites and mobile apps.

A valuation was performed of the intangibles acquired as part of the acquisition. This has been completed and as part of the purchase price accounting the following assets have been recognised: Software $23,014,000; Brand name $1,917,000; and Customer Relationships $952,000. These asset additions have been added to the assets and liabilities at acquisition date and represent the only significant change since the acquisition was initially reported in the half year accounts.

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

PURCHASE CONSIDERATION	NOTES	AS AT ACQUISITION DATE $'000
Cash paid		39,227
Working capital injection		1,155
Contingent consideration	A7	5,958
Total purchase consideration		46,340

The assets and liabilities recognised as a result of the acquisition are as follows:		
Fair value of net identifiable assets acquired		28,233
Goodwill arising on acquisition[1]	A5	18,107
Net assets acquired		46,340

[1] *Goodwill arising on acquisition is provisional pending the results of audit.*

(ii) Revenue and profit contribution

The revenue and profit contribution for the period since acquisition was $17,593,000 and $3,466,000 respectively.

Had the acquisition occurred on 1 July 2015, revenue and profit for the year ended 30 June 2016 would have been $27,824,000 and $4,548,000 respectively.

SU is reported within the USA segment (note A1(d)).

(iii) Purchase consideration - cash outflow

Cash consideration	39,227
Working capital injection	1,155
Less: balances acquired	(8,467)
Total outflow of cash - investing activities	31,915

A6 BUSINESS COMBINATIONS (CONTINUED)

(iv) Assets and liabilities acquired

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

	FAIR VALUE AS AT ACQUISITION DATE $'000
Cash and cash equivalents	8,467
Trade and other receivables	450
Other assets	656
Intangible assets	28,302
Property, plant and equipment	338
Deferred tax assets	4,555
Trade and other payables	(3,086)
Deferred tax liabilities	(11,449)
Total assets and liabilities acquired	28,233

(v) Contingent consideration – earn out

Contingent consideration had initially been recorded as USD$4,253,000 ($5,958,000). On 10 March 2016, FLT entered into an agreement with the previous owners whereby the earnout agreement was terminated in exchange for USD$4,253,000 ($5,692,000).

(vi) Acquisition costs

Acquisition related costs of $2,867,000 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).

(vii) Goodwill

The goodwill, once finalised, represents the value to FLT of obtaining instant access to an online travel agency and youth market which enables FLT to enter new markets with an established business name that has a strong reputation and market presence.

(B) OTHER CURRENT YEAR ACQUISITIONS

(i) Summary of acquisitions

On 17 July 2015, FLT completed the acquisition of the corporate travel business Koch Overseas based in Mexico City for consideration of USD$1,400,000 ($1,877,000) for 100% ownership. Prior to the acquisition Koch Overseas was part of the global FCM Travel Solutions travel management licensee network that FLT created in 2004. The acquired business will continue to operate as Koch Overseas trading under FCM Travel Solutions Mexico and will compliment FLT's existing corporate travel business in North America. FLT have finalised the assets and liabilities recognised upon acquisition.

On 30 October 2015, FLT acquired a 51% interest in AVMIN Pty Ltd, a Brisbane-based private company for consideration of $1,224,000. AVMIN specialises in complete fly-in fly-out (FIFO) logistics, ad hoc charter aircraft, VIP travel, sporting and conference group charters and air freight services, both within Australia and internationally. The acquisition gives FLT access to a new and profitable revenue stream that significantly enhances the offering FLT provides to corporate and leisure travellers. As at 30 June 2016, FLT has been able to demonstrate control in accordance with AASB 10 *Consolidated Financial Statements*. FLT have finalised the assets and liabilities recognised upon acquisition.

On 16 November 2015, FLT acquired a 40% interest in Worldwide Aviation Services (WAS), a small Malaysia-based corporate travel business for consideration of $297,000. WAS has become part of the FCM Travel Solutions corporate travel management network that FLT created in 2004. FLT's investment in WAS gives the company an equity presence in a key corporate travel hub; a platform for market entry into the SME corporate travel sector; an opportunity to expand in the marine and energy sector; and greater control over the FCM customer offering in Malaysia. FLT has consolidated 100% of WAS into its results for 30 June 2016. The SPA and other contracts entered into as part of the acquisition provide FLT with control , in accordance with AASB 10 *Consolidated Financial Statements*. The accounting for the business combination is provisional as the entity will be subject to statutory audit for this financial year.

A6 BUSINESS COMBINATIONS (CONTINUED)

On 21 December 2015, FLT acquired a 70% interest in the BYOjet business and a further 20% on 19 February 2016 for consideration of $2,720,000. BYOjet is an emerging online travel agency that specialises in low cost airfares. In addition to selling airfares and other travel products via BYOjet, the acquired business generates additional revenue by offering its JETMAX booking system as a white-label technology product. As at 30 June 2016, FLT has been able to demonstrate control in accordance with AASB 10 *Consolidated Financial Statements*. The assets and liabilities recognised upon acquisition are provisional as FLT awaits the completion of statutory audits.

On 1 February 2016, FLT acquired the business assets of Maya Events, a Hong Kong based event management and production company for consideration of HKD 2,100,000 ($361,000). The acquisition boosts FLT's presence in the rapidly expanding Meetings, Incentives, Conferences and Exhibitions/Events (MICE) sector in Greater China, and adds to the scale to the company's existing cievents operation in Hong Kong while complementing the services that cievents currently offers locally. The assets and liabilities recognised upon acquisition are provisional as FLT awaits the completion of statutory audits.

On 14 March 2016, FLT acquired 100% of Business Travel Development (FCM Netherlands), a small privately-owned corporate travel agency based in the Netherlands for consideration of €1,800,000 ($2,649,000). The acquired business has a lengthy association with FLT and was previously the FCM Travel Solutions corporate travel network's licensee in the Netherlands. The Netherlands acquisition represents FLT's first step into mainland Europe and strengthens FLT's corporate travel offering globally. FLT have finalised the assets and liabilities recognised upon acquisition.

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

AGGREGATE PURCHASE CONSIDERATION	NOTES	AS AT ACQUISITION DATE $'000
Cash paid		9,128
Contingent consideration	A7	2,475
Total aggregate purchase consideration		11,603
The assets and liabilities provisionally recognised as a result of the acquisition are as follows:		
Fair value of net identifiable assets acquired		1,813
Goodwill arising on acquisition	A5	7,315
Net aggregate assets acquired		9,128

(ii) Aggregate revenue and profit contribution

Aggregate revenues of $10,255,000 and net loss before tax of ($977,000) were reported from the relevant acquisition dates to 30 June 2016.

Had the acquisitions occurred on 1 July 2015, the aggregate revenue and loss for the year ended 30 June 2016 would have been $13,170,000 and ($3,161,000) respectively. These amounts have been calculated using the subsidiary's results.

(iii) Aggregate purchase consideration - cash outflow

Cash consideration	9,128
Less: balances acquired	(3,148)
Total aggregate outflow of cash - investing activities	5,980

(iv) Aggregate assets and liabilities acquired

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

A6 BUSINESS COMBINATIONS (CONTINUED)

AGGREGATE ASSETS AND LIABILITIES ACQUIRED	FAIR VALUE AS AT ACQUISITION DATE $'000
Cash and cash equivalents	3,148
Trade and other receivables	5,731
Other assets	703
Property, plant and equipment	428
Intangible assets	3,628
Deferred tax assets	211
Trade and other payables	(9,462)
Current tax liabilities	(60)
Loans	(1,198)
Provisions	(1,153)
Deferred tax liability	(163)
Total aggregate assets and liabilities acquired	1,813

(v) Contingent consideration – symmetrical put and call options

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

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

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

(vi) Acquisition costs

Acquisition related costs of $602,000 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).

(vii) Goodwill

The goodwill in each of these acquisitions is attributable to instant access to an established market and expected synergies from combining businesses.

(vii) Reconciliation of purchase consideration to acquisition of subsidiary, net of cash acquired

OTHER AGGREGATE ACQUISITIONS	NOTES	$'000
Cash consideration	A6bi	9,128
Less: balances acquired	A6bi	(3,148)
STUDENT UNIVERSE		
Cash consideration	A6aiii	39,227
Working capital injection	A6aiii	1,155
Less: balances acquired	A6aiii	(8,467)
Contingent consideration paid	A7	18,000
Total aggregate outflow of cash - investing activities		55,895

A6 BUSINESS COMBINATIONS (CONTINUED)

(C) PRIOR YEAR ACQUISITION - TOP DECK TOURS LIMITED

(i) Summary of acquisition

On 27 August 2014, FLT acquired a 90% holding of Top Deck Tours Limited (TDT), an unlisted company based in the United Kingdom and specialising in tour operations. The acquisition allows FLT to expand its move from travel agent to world class travel retailer and allows for greater control of its product offering. The consideration paid included an element of contingent consideration. Refer below for adjustments to the related liability during the period.

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

	AS AT ACQUISITION DATE $'000
Cash paid	34,571
Consideration for working capital	4,262
Contingent consideration - Earn out	6,649
Contingent consideration - Symmetrical put and call	6,501
Total purchase consideration	51,983

The business combination accounting has been finalised and FLT has recognised the fair values of TDT's identifiable assets and liabilities at acquisition date as follows:

	FAIR VALUE AS AT ACQUISITION DATE $'000
Cash	35,628
Trade receivables	521
Other current assets	1,189
Plant and equipment	981
Intangible assets: brand names	11,145
Trade and other payables	(23,237)
Provision for employee benefits	(1,146)
Deferred income	(8,791)
Lease liabilities	(91)
Other current liabilities	(1,256)
Net identifiable assets acquired	14,943
Add: Goodwill	37,040
Net assets acquired	51,983

The goodwill is attributable to TDT's profitability, as well as assisting FLT in the transition from travel agent to world class travel retailer.

A6 BUSINESS COMBINATIONS (CONTINUED)

(ii) Contingent consideration - Earn out

Contingent consideration of £3,744,000 ($7,675,000) was accrued within current contingent consideration at the year ended 30 June 2015 to be paid to the shareholders. The potential undiscounted amount payable under the agreement was between £nil and £3,744,000 ($7,675,000) and was based on a multiple of final full-year October 2014 audited consolidated EBITDA results of TDT. Based on the audited TDT results for the fiscal year ended 31 October 2014, the maximum amount of contingent consideration was earned. The financial liability related to the fair value of the contingent consideration was recorded in current financial liabilities at the date of acquisition and subsequent changes in fair value were recorded through profit or loss.

Upon confirmation of final TDT earnings, subsequent to 30 June 2015, the maximum earn-out amount, the working capital liability and the final retention payment was paid to the shareholders at an AUD equivalent of $12,308,000. The difference between the amount paid and what was recorded as purchase consideration reflects a movement in foreign exchange rates.

(iii) Contingent consideration - Symmetrical put and call options

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

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

(iv) Revenue and profit contribution

TDT reported gross profit of $15,766,000 and net profit before tax of $2,683,000 for the period 27 August 2014 to 30 June 2015. Refer to note A2 for the accounting policy note in relation to revenue from tour operations.

Had the acquisition occurred on 1 July 2014, gross profit and profit before tax for the year ended 30 June 2015 would have been $25,357,000 and $9,469,000 respectively. These amounts have been calculated using the subsidiary's results.

Purchase consideration - cash outflow

	30 JUNE 2015 $'000
Cash consideration	(34,571)
Add: balances acquired	
Cash	35,628
Inflow of cash - investing activities	1,057

(v) Acquisition-related costs

Acquisition-related costs of $794,000 were included in other expenses in the statement of profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows for the period ended 30 June 2015.

A7 CONTINGENT CONSIDERATION

CURRENT	2016 $'000	2015 $'000
Contingent consideration	5,255	12,304
Total current contingent consideration	5,255	12,304
NON-CURRENT		
Contingent consideration	2,537	6,420
Total non-current contingent consideration	2,537	6,420

FAIR VALUE

Contingent consideration as set out above and in note A6 is classified as Level 3 (2015: Level 3).

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

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

	CONTINGENT CONSIDERATION $'000
Opening balance 1 July 2014	-
New business combinations	17,412
Losses / (gains) recognised in the statement of profit or loss and other comprehensive income	1,312
Closing balance 30 June 2015	18,724
New business combinations	8,300
Payment of contingent consideration	(18,000)
Unrealised (gains) / losses recognised in the statement of profit or loss and other comprehensive income	(1,103)
Realised (gains) / losses recognised in the statement of profit or loss and other comprehensive income	(129)
Closing balance 30 June 2016	7,792

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).

	2016 $'000	2015 $'000
General cash at bank and on hand	506,703	564,730
Client cash	809,281	813,255
Total cash and cash equivalents	1,315,984	1,377,985

RECONCILIATION TO STATEMENT OF CASH FLOWS

	2016 $'000	2015 $'000
Cash and cash equivalents	1,315,984	1,377,985
Bank overdraft	(598)	-
Balance per Statement of Cash Flows	1,315,386	1,377,985

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B1 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2016 $'000	2015 $'000
Profit for the year	244,556	256,553
Depreciation and amortisation	66,091	54,103
Net (gain) / loss on disposal of non-current assets	(4,564)	1,174
Impairment charges against assets	24,666	-
Share of (profits) / losses of joint ventures not received as dividends or distributions	(1,065)	(235)
Fair value adjustment to investment	(555)	(2,683)
Non-cash employee benefits expense - share based payments	1,217	-
Net exchange differences	16,866	(14,992)
(Increase) / decrease in trade and other receivables	(12,033)	(72,708)
(Increase) / decrease in deferred tax assets	(12,552)	5,119
(Increase) / decrease in inventories	138	(739)
Increase / (decrease) in trade creditors, other payables and financial liabilities at FVTPL	23,470	144,047
Increase / (decrease) in net income taxes payable	7,308	(11,891)
Increase / (decrease) in deferred tax liabilities	(4,026)	(296)
Increase / (decrease) in other provisions	7,086	5,077
Net cash inflow / (outflow) from operating activities	356,603	362,529

B2 FINANCIAL ASSET INVESTMENTS

	2016[1] $'000	2015 $'000
Available-for-sale financial assets (unlisted debt securities)	-	75,661
Debt securities - Fair value through profit or loss (FVTPL)	8,742	-
Debt securities - Fair value through other comprehensive income (FVOCI)	100,094	-
Debt securities - Amortised cost	36,689	-
Repurchase receivable - Amortised cost	59,000	-
Total financial asset investments	204,525	75,661

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) summary of accounting policies for further information.*

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 and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest

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

Debt securities measured at fair value through profit or loss do not have contractual cash flow characteristics.

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 2016[1]	**AA AND ABOVE $'000**	**AA- TO A- $'000**	**BBB+ TO BBB- $'000**	**NON INVESTMENT GRADE / UNRATED $'000**	**TOTAL $'000**
Cash and cash equivalents	189	1,138,047	142,500	35,248	1,315,984
Debt securities - FVTPL	-	-	8,742	-	8,742
Debt securities - FVOCI	-	91,190	7,586	1,318	100,094
Debt securities - Amortised cost	-	36,689	-	-	36,689
Repurchase receivable - Amortised cost	-	59,000	-	-	59,000
AT 30 JUNE 2015					
Cash and cash equivalents	2	1,222,978	121,399	33,606	1,377,985
Available-for-sale financial assets	-	66,955	8,624	82	75,661

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer note I(a) Summary of accounting policies for further information.

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

No impairment charge was written off to the statement of profit or loss and other comprehensive income during the period (2015: nil).

FAIR VALUE

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

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

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

MARKET RISK

INTEREST RATE AND FOREIGN CURRENCY RISK

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

B4 BORROWINGS

CURRENT	NOTES	2016 $'000	2015 $'000
Bank loans		9,241	16,269
Short-term borrowings		52,412	-
Net unsecured notes principal	D2	15,192	16,537
Total current borrowings		76,845	32,806

SIGNIFICANT MATTERS

FLT has entered into short-term borrowings to maximise investment returns and take advantage of a market opportunity. Debt securities with a face value of $59,000,000 (fair value $58,821,000) have been pledged as security for these borrowings. These securities are separately disclosed in note B2 as "Repurchase receivable - Amortised cost". 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.

During the current year, FLT injected cash into FLT's China business to settle its external bank loans of $7,585,000.

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

FINANCIAL RISK MANAGEMENT

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The group holds borrowings which are issued at variable rates. FLT's results and operating cashflows 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, alternative financing and hedging. 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 loans were paid out during the year ended 30 June 2015.

The current interest rates on bank loan facilities range from 1.61% - 9.30% (2015: 1.65% - 10.10%).

LIQUIDITY RISK

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

	BANK LOANS		CREDIT CARDS		LETTERS OF CREDIT	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Unused	14,979	9,641	127,511	33,308	48,293	49,568
Used	61,653	16,269	55,259	31,638	78,479	71,686
Total facilities	76,632	25,910	182,770	64,946	126,772	121,254

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.

No assets are pledged as security for bank guarantee or letter of credit facilities.

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.

B4 BORROWINGS (CONTINUED)

FAIR VALUE

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

ASSETS PLEDGED AS SECURITY

	2016 $'000	2015 $'000
Current	52,412	-
Total secured bank loans	52,412	-
Repurchase receivable - amortised cost	59,000	-
Total assets pledged as security	59,000	-

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	2016 $'000	2015 $'000
General cash at bank and on hand	B1	506,703	564,730
Less: Borrowings - current	B4	76,845	32,806
Positive net debt[1]		429,858	531,924

FLT continues to be in a positive net debt position.

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

GEARING RATIO

	NOTES	2016 $'000	2015 $'000
Total borrowings	B4	76,845	32,806
Total equity	D4/F8	1,345,945	1,270,121
Gearing ratio[2]		5.7%	2.6%

[2] *Gearing ratio = Total borrowings / Total equity*

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 $153,390,000 (2015: $153,236,000) return to shareholders, 63% (2015: 60%) of FLT's statutory NPAT. The combined payments represent 62% (2015: 60%) of FLT's underlying NPAT[1].

ORDINARY SHARES	2016 $'000	2015 $'000
Final ordinary dividend for the year ended 30 June 2015 of 97.0 cents (2014: 97.0 cents) per fully paid share, paid on 16 October 2015	97,817	97,670
Interim ordinary dividend for the year ended 30 June 2016 of 60.0 cents (2015: 55.0 cents) per fully paid share, paid on 14 April 2016	60,537	55,438
	158,354	153,108
DIVIDENDS NOT RECOGNISED AT THE END OF THE YEAR		
Since year-end, the directors have recommended a 92.0 cents per fully paid share (2015: 97.0 cents) final dividend. The aggregate amount of the dividend to be paid on 14 October 2016 out of retained profits at 30 June 2016, but not recognised as a liability at year-end is:	92,853	97,798
FRANKING CREDITS		
Franking credits available for subsequent financial years based on a tax rate of 30%	304,526	286,850

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 $39,794,000 (2015: $41,913,000).

[1] *June 2016 underlying NPAT of $246,712,000 excludes $11,000,000 ACCC fine refund, $6,264,000 NZ building sale income, ($24,666,000) impairment charge and $5,246,000 associated tax items. There are no adjustments between June 2015 underlying NPAT and statutory NPAT.*

B7 CAPITAL EXPENDITURE

OVERVIEW

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

DEPRECIATION	NOTES	2016 $'000	2015 $'000
Buildings	F4	1,126	1,227
Plant and equipment	F4	54,767	45,476
Total depreciation		55,893	46,703
AMORTISATION			
Brand names and customer relationships	A5	114	-
Internally generated and other intangibles	A5	10,084	7,400
Total amortisation		10,198	7,400
Total depreciation and amortisation		66,091	54,103
ADDITIONS			
Plant and equipment	F4	100,135	78,081
Intangibles	A5	27,136	11,513
Total additions		127,271	89,594

CONTRACTUAL COMMITMENTS

Due to head office relocations ongoing at the end of the reporting period the group has capital expenditure contracted for but not recognised as liabilities of $5,700,000 (2015: nil). Neither the parent entity, nor the group, have any other contractual obligations to purchase plant and equipment or intangible assets at balance date (2015: nil).

C FINANCIAL RISK MANAGEMENT

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

C1 FINANCIAL RISK MANAGEMENT

OVERVIEW

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

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

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

LIQUIDITY RISK

Prudent liquidity risk management requires FLT to maintain sufficient cash and marketable securities, access to additional funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At year-end, FLT held deposits at call of $674,918,000 (2015: $696,091,000) that are readily available for managing liquidity risk.

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

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

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.

2016 Non-derivatives	LESS THAN 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES $'000
Non-interest bearing trade and other payables	1,314,853	-	-	-	1,314,853	1,314,853
Contingent consideration	5,342	-	2,684	-	8,026	7,792
Borrowings	77,627	-	-	-	77,627	76,845
Total non-derivatives	1,397,822	-	2,684	-	1,400,506	1,399,490
Derivatives						
Derivatives - net settled	7,745	-	-	-	7,745	7,745
2015						
Non-derivatives						
Non-interest bearing trade and other payables	901,052	-	-	-	901,052	901,052
Contingent consideration	12,304	6,640	-	-	18,944	18,724
Financial liabilities at FVTPL	384,039	-	-	-	384,039	384,039
Borrowings	32,806	-	-	-	32,806	32,806
Total non-derivatives	1,330,201	6,640	-	-	1,336,841	1,336,621
Derivatives						
Derivatives - net settled	-	-	-	-	-	-

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 interest rate and foreign exchange sensitivities are based on the group's exposures existing at balance date taking into account the group's designated cashflow 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.

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

2016	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% PROFIT	INTEREST RATE RISK +1% PROFIT	FOREIGN EXCHANGE RISK -10% PROFIT	FOREIGN EXCHANGE RISK +10% PROFIT
FINANCIAL ASSETS					
Cash and cash equivalents	1,315,984	(13,160)	13,160	11,558	(9,992)
Debt securities - FVOCI	100,094	(822)	822	-	-
Debt securities - FVTPL	8,742	(87)	87	-	-
Debt securities - Amortised cost	36,689	(367)	367	-	-
Repurchase receivable - Amortised cost	59,000	(590)	590	-	-
Trade and other receivables	682,917	-	-	2,833	(2,318)
Other assets	19,490	-	-	-	-
Derivative financial instruments	4,429	-	-	(9,283)	11,345
Other financial assets	5,511	(38)	38	-	-
FINANCIAL LIABILITIES					
Trade and other payables	1,314,853	-	-	(51,515)	42,148
Contingent consideration	7,792	(144)	138	(584)	477
Borrowings - current	76,845	(617)	617	-	-
Derivative financial instruments	7,745	-	-	4,187	(5,117)
Total increase / (decrease)		(15,825)	15,819	(42,804)	36,543

2015	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% PROFIT	INTEREST RATE RISK +1% PROFIT	FOREIGN EXCHANGE RISK -10% PROFIT	FOREIGN EXCHANGE RISK +10% PROFIT
FINANCIAL ASSETS					
Cash and cash equivalents	1,377,985	(13,780)	13,780	12,402	(10,521)
Available-for-sale financial assets	75,661	(657)	657	-	-
Trade and other receivables	642,276	-	-	3,873	(3,169)
Other assets	15,669	-	-	-	-
Derivative financial instruments	4,330	-	-	32,794	(26,571)
Other financial assets	2,677	(11)	11	-	-
FINANCIAL LIABILITIES					
Trade and other payables	901,052	-	-	(1,283)	1,050
Contingent consideration	18,724	-	-	(1,501)	1,274
Financial liabilities at FVTPL	384,039	-	-	(42,671)	34,913
Borrowings	32,806	163	(163)	-	-
Total increase / (decrease)		(14,285)	14,285	3,614	(3,024)

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

2016	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% EQUITY	INTEREST RATE RISK +1% EQUITY	FOREIGN EXCHANGE RISK -10% EQUITY	FOREIGN EXCHANGE RISK +10% EQUITY
FINANCIAL ASSETS					
Debt securities - FVOCI	100,094	455	(438)	-	-
Derivative financial instruments	2,760	-	-	7,341	(6,006)
FINANCIAL LIABILITIES					
Derivative financial instruments	4,525	-	-	11,327	(9,268)
		455	(438)	18,668	(15,274)

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

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

C2 DERIVATIVE FINANCIAL INSTRUMENTS

CURRENT ASSETS	2016 $'000	2015 $'000
Forward foreign exchange contracts - FVTPL	1,669	4,330
Forward foreign exchange contracts - designated in a cash flow hedge	2,760	-
Total current derivative financial instrument assets	4,429	4,330
CURRENT LIABILITIES		
Forward foreign exchange contracts - FVTPL	3,220	-
Forward foreign exchange contracts - designated in a cash flow hedge	4,525	-
Total current derivative financial instrument liabilities	7,745	-

FINANCIAL RISK MANAGEMENT

FAIR VALUE

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

The forward foreign exchange contracts are classified as Level 2 (2015: 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-.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

HEDGE ACCOUNTING

ACCOUNTING POLICY

From 1 January 2016 FLT has applied hedge accounting under AASB 9 'Financial Instruments' in its Flight Centre Global Product (FCGP) business. FCGP is FLT's global wholesale procurement division predominantly responsible for the contracting and procurement of FLT's leisure divisions hotels, hotel products and tours and attractions and as a result holds a significant amount of derivatives. All derivatives are recognised in the balance sheet at fair value and are classified as trading 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.

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. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to the statement of profit or loss in the period(s) in which the hedged item affects the statement of profit or loss.

RISK MANAGEMENT STRATEGY

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

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

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

At 30 June 2016, 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 2016 on the balance sheet of the group as follows. Note these are all shown in the consolidated balance sheet in current assets and liabilities as derivative financial instruments.

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

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

C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The impact of hedged items designated in hedging relationships as at 30 June 2016 on the balance sheet of the group as follows:

CASH FLOW HEDGES		CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000	CASH FLOW HEDGE RESERVE $'000
Foreign currency receipts	British Pound	(2,071)	278
	New Zealand Dollar	1,577	(50)
	US Dollar	(1,734)	-
	Other[1]	231	(20)
Foreign currency payments	British Pound	1,118	-
	New Zealand Dollar	(562)	-
	US Dollar	3,880	(483)
	Other[1]	535	11
			(264)

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

The impact of hedging instruments designated in hedging relationships at 30 June 2016 on the consolidated statement of profit or loss and other comprehensive income of the group as follows. Note these are all shown in the consolidated statement of profit or loss in other income as net foreign exchange gains - realised.

CASH FLOW HEDGES	HEDGING GAIN / (LOSS) RECOGNISED IN OCI $'000	IN-EFFECTIVENESS RECOGNISED IN THE INCOME STATEMENT $'000	AMOUNT RECLASSIFIED FROM OCI TO THE INCOME STATEMENT $'000
Hedges of forecast foreign currency receipts	359	-	151
Hedges of forecast foreign currency payments	(2,124)	(2)	(1,652)
	(1,765)	(2)	(1,501)

C3 OTHER FINANCIAL ASSETS

NON-CURRENT	2016 $'000	2015 $'000
Loans to related parties	3,820	1,050
Security deposits	1,691	1,627
Total non-current other financial assets	5,511	2,677

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

ACCOUNTING POLICY

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

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

FINANCIAL RISK MANAGEMENT

FAIR VALUE

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

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

D1 KEY MANAGEMENT PERSONNEL

KMP COMPENSATION

	2016 $	2015 $
Short-term employee benefits	6,208,381	5,509,140
Post-employment benefits	136,966	131,887
Long-term benefits	1,389,286	127,084
Share-based payments	148,604	2,117
Total KMP compensation	7,883,237	5,770,228

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

EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP

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

OTHER TRANSACTIONS WITH KMP

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

D2 BUSINESS OWNERSHIP SCHEME (BOS)

OVERVIEW

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

D2 BUSINESS OWNERSHIP SCHEME (BOS) (CONTINUED)

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.

	2016 $'000	2015 $'000
Unsecured notes principal	94,080	90,510
Loans held for unsecured notes	(78,888)	(73,973)
Net unsecured notes principal	15,192	16,537

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.

		2016 $'000	2015 $'000
CURRENT			
Employee benefits	F7	4,972	-
Total current employee benefits		4,972	-
NON-CURRENT			
Employee benefits	F7	1,380	5,672
Total non-current employee benefits		1,380	5,672

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

D3 SHARE-BASED PAYMENTS

OVERVIEW

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

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

The Senior Executive Option Plan (SEOP) and Senior Executive Performance Rights Plans (SEPRP) expired on 30 June 2015. All remaining options and rights under these plans expired on this date.

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:

	2016 $'000	2015 $'000
Rights issued under the LTRP	744	-
Matched shares allocated under the ESP	443	663
Total expenses arising from share-based payment transactions	1,187	663

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

ACCOUNTING POLICY

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

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

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

LONG TERM RETENTION PLAN (LTRP)

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

			BALANCE AT START OF THE YEAR	DURING THE YEAR	BALANCE AT END OF THE YEAR		
GRANT DATE		EXPIRY DATE	UNVESTED BALANCE NUMBER	GRANTED NUMBER	UNVESTED NUMBER	VALUE PER RIGHT AT GRANT DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
2016 Long Term Retention Plan							
Base	1/01/2016	30/06/2030	-	80,603	80,603	$31.93	14 years
Match	1/01/2016	30/06/2030	-	80,603	80,603	$28.91	14 years

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

D3 SHARE-BASED PAYMENTS (CONTINUED)

EMPLOYEE SHARE PLAN (ESP)

GENERAL TERMS

Under the plan, which was approved by the board in September 2010, eligible employees are granted a conditional right to one matched share for every four 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.

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 or purchased on-market.

VALUATION

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 granted.

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

A corresponding expense is recognised in employee benefit costs.

	2016	2015
Number of shares issued under the plan to participating employees	105,137	84,241
Weighted average market price of shares issued[1]	$33.85	$36.77

[1] *Includes dilutive effect of matching shares at nil value.*

D4 CONTRIBUTED EQUITY

OVERVIEW

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

RECONCILIATION OF ORDINARY SHARE CAPITAL:

The following reconciliation summarises the movements in issued capital during the 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	NUMBER OF AUTHORISED SHARES	WEIGHTED AVERAGE ISSUE PRICE	$'000
Opening Balance - 1 July 2014	100,571,642		390,929
ESP	77,230	$40.11	3,098
ESP Matched Shares	7,011	$0.00	-
SEOP	165,000	$10.00	1,650
SEPRP	1,500	$0.00	-
Closing Balance - 30 June 2015	100,822,383		395,677
ESP	97,417	$36.53	3,559
ESP Matched Shares	7,720	$0.00	-
Closing Balance - 30 June 2016	100,927,520		399,236

E RELATED PARTIES

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

E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

OVERVIEW

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

- A 50% shareholding in Employment Office Australia Pty Ltd, a recruitment business incorporated in Australia;
- A 50%. shareholding in Pedal Group Pty Ltd. Significant shareholdings for Pedal Group include a 100% shareholding in 99 Bikes Pty Ltd, a Brisbane based chain of retail bike stores, and a 100% shareholding in Advance Traders (Australia) Pty Ltd, a Brisbane based wholesale bike company. All companies are incorporated in Australia; and
- A 49% investment in Buffalo Tours (Singapore) Pte Ltd and a 49% investment in Buffalo Tours (Hong Kong) Limited, both destination management companies incorporated in Singapore and Hong Kong respectively.

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

SHARE OF JOINT VENTURE CARRYING VALUE AND RESULTS

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

	2016 $'000	2015 $'000
Interest in joint ventures	14,970	13,905

SHARE OF JOINT VENTURE RESULTS	2016 $'000	2015 $'000
Profit or loss from continuing operations	1,065	235
Total comprehensive income	1,065	235
SHARE OF JOINT VENTURE COMMITMENTS		
Lease commitments	6,610	4,581
Capital expenditure commitments	-	113

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 are set out in note E1.

FLT is a joint venture partner in Pedal Group Pty Ltd. The other joint venture partners are related parties, namely Graham Turner's family company, Gainsdale Pty Ltd 25% (June 2015: 25%), and Graham Turner's son Matthew Turner (June 2016: 15.75% and June 2015: 19%). The remaining 9.25% (June 2015: 6%) is held by other minor parties including employees who are not considered related parties.

KMP COMPENSATION

KMP disclosures are set out in note D1.

TRANSACTIONS WITH RELATED PARTIES

INCOME FROM JOINT VENTURE-RELATED PARTIES	**2016 $**	**2015 $**
Management fees	77,258	164,851
Travel and conference	280,107	307,577
Rent	115,365	230,731
IT services	23,436	46,871
Interest income	88,713	159,602
Override income	782,068	255,680
Other	167,110	265,791
EXPENSES TO JOINT VENTURE-RELATED PARTIES		
Recruitment advertising expense	1,514,218	2,669,784
INCOME FROM DIRECTOR-RELATED ENTITIES		
Marketing	432,999	500,000
Service fee income	570,689	197,570
Other	6,715	4,635
EXPENSES TO DIRECTOR-RELATED ENTITIES		
Conference expense	166,069	323,570
Travel Expo expense	-	437,996
Marketing expense	-	98,163
Consulting expense	333,790	-

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

Joint venture 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.

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	2016 $	2015 $
Current receivables	987,645	335,496
Current payables	229,871	269,864
DIRECTOR-RELATED ENTITIES		
Current receivables	29,417	64,624
Current payables	-	39,124

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-RELATED PARTIES	NOTES	2016 $	2015 $
Beginning of the year		1,049,941	10,693,045
Loans advanced		2,675,000	-
Loans repaid		-	(2,304,706)
Debt to equity conversion		-	(7,500,000)
Interest charged		95,428	161,602
End-of-year	C3	3,820,369	1,049,941

PRIOR YEAR SIGNIFICANT MATTER

In the prior year ended 30 June 2015, FLT converted related party loans of $7,500,000 with Pedal Group Pty Ltd to equity under a debt to equity conversion arrangement. A total of $15,000,000 additional equity was issued by Pedal Group Pty Ltd with our joint venture partners also converting $7,500,000. FLT's relative ownership interest remained the same.

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

All loans to related parties were made on normal commercial terms and conditions and at market rates, except that the repayment terms are 10 years. The interest rate on loans during the year ranged from 3.84% - 4.04% (2015: 3.89% - 4.45%).

TERMS AND CONDITIONS

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

F OTHER INFORMATION

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

F1 OTHER EXPENSES

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

EMPLOYEE BENEFITS EXPENSE

	2016 $'000	2015 $'000
Defined contribution superannuation expense	73,257	67,596
Other employee benefits expense	1,359,539	1,216,065
Total employee benefits expense	1,432,796	1,283,661
Staff numbers[1]	19,267	18,524

RENTAL EXPENSE RELATING TO OPERATING LEASES

Rent expense[2]	158,577	143,237
Shop numbers[1]	2,914	2,825

[1] Staff and shop numbers are unaudited, non-IFRS, non-financial information. This information has been included to aid understanding of the relevant balances. The balances represent the number at the end of the period.
[2] Elements of rental expense are contingent upon such factors as CPI growth or fixed % increases (as stated in the lease agreement) and individual shop turnover. Total rental expense includes all elements of rent, including those that are contingent to the extent known.

F1 OTHER EXPENSES (CONTINUED)

OPERATING LEASE COMMITMENTS

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

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

	2016 $'000	2015 $'000
Within one year	144,417	139,167
Later than one year but not later than five years	387,235	337,044
Later than five years	212,723	178,083
Total operating lease commitments	744,375	654,294

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.

SIGNIFICANT MATTER

During the year FLT sold the New Zealand head office building for fair market value (refer to significant matters) and concurrently FLT entered into an eight year lease, for the same building, at normal market rates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F2 EARNINGS PER SHARE

OVERVIEW

Statutory earnings per share (EPS) reached 242.4 cents, down 4.8% on the prior comparative period. At an underlying level[1], EPS decreased 4.0% to 244.6 cents (2015: 254.7 cents).

BASIC EARNINGS PER SHARE	2016 CENTS	2015 CENTS
Profit attributable to the company's ordinary equity holders	242.4	254.7
DILUTED EARNINGS PER SHARE		
Profit attributable to the company's ordinary equity holders	242.3	254.3
RECONCILIATIONS OF EARNINGS USED IN CALCULATING EPS	**$'000**	**$'000**
Profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	244,556	256,553
WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	**NUMBER**	**NUMBER**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	100,871,100	100,713,712
Adjustments for calculation of diluted earnings per share:		
Share rights	79,722	185,553
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	100,950,822	100,899,265

[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.*

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

LONG TERM RETENTION PLAN

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

Details are set out in note D3.

OPTIONS AND RIGHTS

Options and rights granted under the SEOP and SEPRP are considered contingently issuable ordinary shares if they have met the related earnings-based contingencies. They were included in the determination of diluted earnings per share during the prior year to the extent to which they were dilutive. The options and rights expired on 30 June 2015 and therefore have no future dilutive effect. The options and performance rights have not been included in the determination of basic earnings per share.

F3 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	2016[1] $'000	2015 $'000
Trade receivables	454,070	448,581
Override receivables	228,847	193,695
Less: Provision for impairment of receivables[1]	(10,741)	(6,784)
Total trade and other receivables	672,176	635,492
GST receivable	525	2,224
Prepayments	39,051	31,879
Accrued interest	5,293	6,583
Other receivables	13,672	6,862
Total other assets	58,541	47,548

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

ACCOUNTING POLICY

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

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

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

FINANCIAL RISK MANAGEMENT

MARKET RISK

Interest rate risk

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

Foreign exchange risk

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

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

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

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

TRADE RECEIVABLES	2016 $'000	2015 $'000
US Dollar	20,567	21,816
Euro	1,034	8,468
New Zealand Dollar	976	796
Fijian Dollar	770	778
British Pound	707	858
Other	1,445	2,142

Foreign exchange risk on trade payables is set out in note F5.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F3 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

FAIR VALUE

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

CREDIT RISK

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

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

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

PROVISION FOR IMPAIRMENT OF RECEIVABLES

Movements in the provision for impairment of receivables are as follows:	2016[1] $'000	2015 $'000
At 1 July	6,784	6,878
Adjustment for adoption of new accounting standards[1]	2,322	-
Bad debts expense[2]	7,538	6,537
Changes due to foreign exchange translation	(166)	608
Receivables written off during the year as uncollectible	(5,737)	(7,239)
At 30 June	10,741	6,784

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

[2] *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 2014	FREEHOLD LAND & BUILDINGS $'000	PLANT & EQUIPMENT $'000	TOTAL $'000
Cost	45,256	337,806	383,062
Accumulated depreciation	(7,011)	(215,135)	(222,146)
Net book amount at 1 July 2014	38,245	122,671	160,916
Additions	-	78,081	78,081
Acquisitions	-	981	981
Disposals[1]	-	(2,209)	(2,209)
Depreciation expense	(1,227)	(45,476)	(46,703)
Exchange differences	(173)	5,407	5,234
Net book amount at 30 June 2015	36,845	159,455	196,300
OPENING BALANCE AT 1 JULY 2015			
Cost	45,041	420,536	465,577
Accumulated depreciation	(8,196)	(261,081)	(269,277)
Net book amount at 1 July 2015	36,845	159,455	196,300
Additions	-	100,135	100,135
Acquisitions	-	766	766
Disposals[1,2]	(10,186)	(2,922)	(13,108)
Depreciation expense	(1,126)	(54,767)	(55,893)
Impairment[3]	-	(11,164)	(11,164)
Exchange differences	140	(937)	(797)
Net book amount at 30 June 2016	25,673	190,566	216,239
AT 30 JUNE 2016			
Cost	31,688	501,575	533,263
Accumulated depreciation	(6,015)	(311,009)	(317,024)
Net book amount at 30 June 2016	25,673	190,566	216,239

[1] Balances shown net of accumulated depreciation.
[2] Gain recognised on the sale of New Zealand head office building. Refer to note A3.
[3] Impairment of plant and equipment in USA segment is recognised in the statement of Profit or Loss. Refer to note A5.

F5 TRADE AND OTHER PAYABLES

CURRENT	2016[1] $'000	2015 $'000
Trade payables	356,094	343,095
Client creditors[2]	954,732	553,648
Accrued unsecured note interest	4,027	4,309
Annual leave	42,930	37,501
Straight-line lease liability	5,201	5,350
Unearned income	66,588	46,597
Total current trade payables	1,429,572	990,500

NON-CURRENT		
Lease incentive liability	15,535	7,801
Straight-line lease liability	15,853	14,867
Unearned Income	16,134	-
Total non-current trade payables	47,522	22,668

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*
[2] *Financial liabilities previously measured at FVTPL (refer note F6) are now measured at amortised cost in client creditors effective 1 January 2016. Prior periods have not been restated.*

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:

	2016 $'000	2015 $'000
US Dollar	322,146	251,862
Euro	54,284	30,361
British Pound	24,519	14,811
Fijian Dollar	20,099	25,706
New Zealand Dollar	14,232	11,105
Singapore Dollar	9,760	9,261
Canadian Dollar	9,097	6,089
Hong Kong Dollar	4,666	4,226
United Arab Emirates Dirham	1,325	3,998
Thai Baht	798	19,408
Other	2,706	14,179

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 remaining trade and other payables' carrying amounts are assumed to be the same as their fair values.

F6 FINANCIAL LIABILITIES AT FVTPL

	2016[1] $'000	2015 $'000
Financial liabilities at FVTPL[2]	-	384,039

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.
[2] Financial liabilities previously measured at FVTPL are now measured at amortised cost effective 1 January 2016 (refer to note F5). Prior periods have not been restated.

In the prior year ended 30 June 2015, the group elected to designate certain client creditor liabilities as financial liabilities at FVTPL, as allowed under AASB 139 *Financial Instruments: Recognition and Measurement* to significantly reduce a measurement inconsistency. This inconsistency previously arose due to the timing of foreign exchange measurement on client creditor balances that will be settled in a foreign currency.

On 1 January 2016, the measurement inconsistency was addressed further through the adoption of hedge accounting and FLT's election to early adopt AASB 9 Financial Instruments (refer to note I(a)). Under the transitional provisions of AASB 9 FLT elected to revoke its previous fair value designation and subsequently measured these liabilities at amortised cost from 1 January 2016 (refer to note F5).

The client creditor balances that will be settled in a foreign currency are measured based on observable forward exchange rates, the respective currencies' yield curves and the respective currencies' basis spreads.

FINANCIAL RISK MANAGEMENT

FAIR VALUE

The financial liabilities at FVTPL are classified as Level 2 (2015: Level 2) under the AASB 13 *Fair value Measurement* hierarchy, based on the valuation technique as described above.

F7 PROVISIONS

CURRENT	NOTES	2016 $'000	2015 $'000
Employee benefits - long service leave		31,065	26,667
Employee benefits - BOS Multiplier	D2	4,972	-
Make good provision		2,079	-
Total current provisions		38,116	26,667
NON-CURRENT			
Employee benefits - long service leave		15,270	14,780
Employee benefits - BOS Multiplier	D2	1,380	5,672
Make good provision		13,922	15,670
Total non-current provisions		30,572	36,122

F7 PROVISIONS (CONTINUED)

MOVEMENTS IN PROVISIONS

Due to the relocation of FLT's Brisbane head office to Southpoint in late 2016, a component of the make good provision is now classified as current.

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

MAKE GOOD PROVISION	NOTES	2016 $'000
Carrying amount at start of year		15,670
Additional provisions recognised		905
(Decrease) / increase in discounted amount arising from passage of time and discount rate adjustments	A4	553
Other changes		(1,127)
Carrying amount at end of year		16,001

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:

	2016 $'000	2015 $'000
Long service leave obligations expected to be settled after 12 months	25,634	21,475

F8 RESERVES

RESERVES	2016[1] $'000	2015 $'000
Cashflow hedge reserve	(185)	-
Financial assets at FVOCI reserve	(52)	-
Available-for-sale investments revaluation reserve	-	(123)
Share-based payments reserve	11,717	9,353
Acquisition Reserve	(8,976)	-
Foreign currency translation reserve	21,606	27,729
Total reserves	24,110	36,959

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

MOVEMENTS IN RESERVES:

CASH FLOW HEDGE RESERVE

From 1 January 2016 FLT applied hedge accounting under AASB 9 *Financial Instruments* in its Flight Centre Global Product (FCGP) business. See note C2 for further details.

	NOTES	2016[1] $'000	2015 $'000
Balance 1 July		-	-
Gains/(losses) on cash flow hedges		(264)	-
Deferred tax	F9	79	-
Balance 30 June		(185)	-

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

The cash flow hedge reserve is used to record gains and losses on hedging instruments on a cash flow hedge that are recorded as other comprehensive income. Amounts are reclassified to the statement of profit or loss in accordance with our hedging policy as described in note I(a).

Ineffectiveness of $2,000 has been recognised in the statement of profit or loss.

FINANCIAL ASSETS AT FVOCI REVALUATION RESERVE

Balance 1 July		-	-
Revaluation gross		(74)	-
Deferred tax	F9	22	-
Balance 30 June		(52)	-

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

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.

F8 RESERVES (CONTINUED)

AVAILABLE-FOR-SALE INVESTMENTS REVALUATION RESERVE

	NOTES	2016[1] $'000	2015 $'000
Balance 1 July		(123)	(673)
Revaluation gross		(178)	786
Deferred tax	F9	54	(236)
Transferred on adoption of new accounting standards[1]		247	-
Balance 30 June		-	(123)

[1] *June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.*

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets are recognised in other comprehensive income, as described in note I(j), and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

SHARE-BASED PAYMENTS RESERVE

Balance 1 July		9,353	8,885
Share-based payments expense		1,194	502
Deferred tax	F9	1,170	(34)
Balance 30 June		11,717	9,353

The share-based payments reserve is used to recognise the fair value of options issued as they vest over the vesting period.

ACQUISITION RESERVE

Balance 1 July	-	-
Put/Call options entered into as a result of business combinations	(8,976)	-
Balance 30 June	(8,976)	-

The acquisition reserve is used to record the initial Put/Call options that occur through business combinations in relation to non-controlling interests.

FOREIGN CURRENCY TRANSLATION RESERVE

Balance 1 July		27,729	(35,383)
Net exchange differences on translation of foreign operations		(6,123)	62,079
Deferred tax	F9	-	1,033
Balance 30 June		21,606	27,729

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income, as described in note I(d), and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

F9 TAX

(A) INCOME TAX EXPENSE

i. Income tax expense	2016 $'000	2015 $'000
Current tax	117,918	105,225
Deferred tax	(16,608)	5,265
Adjustments for current tax of prior periods	(823)	(746)
Income tax expense	100,487	109,744
Deferred income tax expense / (revenue) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(20,529)	1,896
Increase / (decrease) in deferred tax liabilities	3,921	3,369
	(16,608)	5,265
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	345,043	366,297
Tax at the Australian tax rate of 30% (2015 - 30%)	103,513	109,889
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible / (assessable) amounts	2,043	2,799
Impairment	3,807	-
ACCC fine refund	(3,300)	-
Other amounts	(312)	(801)
	105,751	111,887
Tax losses not recognised	729	947
Effect of different tax rates on overseas income	(5,170)	(2,344)
Under / (over) provision of prior year's income tax	(823)	(746)
	(5,264)	(2,143)
Income tax expense	100,487	109,744

ii. Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income is directly debited or credited to equity. This relates entirely to share-based payments, as set out in note F8.

Net deferred tax - (credited) / debited directly to equity	(1,170)	34

iii. Tax expense / (income) relating to items of other comprehensive income		
Available-for-sale investments	(54)	236
Financial assets at FVOCI	(22)	-
Cash flow hedges	(79)	-
Foreign exchange reserve	-	(1,033)
Total tax expense / (income) relating to items of other comprehensive income	(155)	(797)

iv. Unrecognised potential deferred tax assets		
Unused tax losses for which no deferred tax asset has been recognised (non-capital)	8,881	6,950
Temporary timing differences relating to brand name impairment (capital)	42,289	29,600
	51,170	36,550
Potential tax benefit at 30% (2015 - 30%)	15,351	10,965

All unused tax losses in 2016 were incurred by entities in Hong Kong and the United States (state losses), (2015: the United States, Hong Kong, China and South Africa) that are not part of the tax consolidated group. In most cases, the unused tax losses have no expiry date.

F9 TAX (CONTINUED)

(B) DEFERRED TAX ASSETS (DTA)

The balance comprises temporary differences attributable to:	NOTES	2016 $'000	2015 $'000
Doubtful debts		2,865	1,476
Employee benefits	F9(a)(ii)	28,210	23,628
Property, plant and equipment and intangibles[1]		20,145	12,335
Accruals		6,234	4,043
Losses		4,738	668
Leasing		12,623	11,456
Provisions		304	247
Trade and other receivables		4,667	-
Other	F9(a)(iii)	1,658	328
		81,444	54,181
Set-off of deferred tax liabilities pursuant to set-off provisions		(25,769)	(18,046)
Net deferred tax assets		55,675	36,135

[1] *The increase in temporary differences includes $4,766,000 which relates to balances acquired through business combinations (refer note A6).*

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:	NOTES	2016 $'000	2015 $'000
Trade and other receivables		16,591	13,420
Property, plant and equipment and intangibles[2]		16,017	4,109
Leasing		365	394
Other	F9(a)(iii)	812	258
		33,785	18,181
Set-off of deferred tax liabilities pursuant to set-off provisions		(25,769)	(18,046)
Net deferred tax liabilities		8,016	135

[2] *The increase in temporary differences includes $11,612,000 which relates to balances acquired through business combinations (refer note A6).*

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:

	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of FLT and any other entity in the consolidated group	1,130,520	1,120,941
Other services in relation to FLT and any other entity in the consolidated group [1]	965,935	406,916
	2,096,455	1,527,857
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	1,246,967	991,159
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	38,966	17,062
Special audits required by regulators	-	5,114
Other services	75,081	22,901
	1,361,014	1,036,236
	3,457,469	2,564,093
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	27,165	12,363
Other services in relation to FLT and any other entity in the consolidated group		
Special audits required by regulators	18,033	-
	45,198	12,363

[1] *During the year Ernst and Young were engaged to perform other audit related services including an IT Security Control Review.*

G GROUP STRUCTURE

This section explains significant aspects of the FLT group structure and how changes have affected the group.

G1 SUBSIDIARIES

MATERIAL SUBSIDIARIES

The group's principal subsidiaries are set out below. They have share capital consisting solely of ordinary shares that the group holds directly and the proportion of ownership interests held equals the group's voting rights. The country of incorporation or registration is also their place of business.

Subsidiaries that sell travel or travel related services and contribute to more than 5% of the group's underlying net profit before tax or 5% of the group's net assets are considered material to the group.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES / OWNERSHIP	EQUITY HOLDING 2016 %	EQUITY HOLDING 2015 %
Australian OpCo Pty Ltd[1]	Australia	Ordinary	100	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	100	100
FC USA Inc	USA	Ordinary	100	100

[1] *This controlled entity has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note G2.*

There are no significant restrictions on the entities' ability to access or use the assets and settle the liabilities of the group.

NON-CONTROLLING INTERESTS

The group has no material non-controlling interests.

G2 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, 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 Class Order 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 Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by FLT, they also represent the Extended Closed Group.

G2 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet and a summary of movements in consolidated retained earnings for the company and the subsidiaries listed above:

	FOR THE YEAR ENDED 30 JUNE	
REVENUE	**2016[1] $'000**	**2015 $'000**
Revenue from the sale of travel services	1,412,284	1,302,238
Other revenue	50,434	54,185
Total revenue	1,462,718	1,356,423
Other income	8,431	2,673
Share of profit / (loss) from joint venture	1,065	235
EXPENSES		
Employee benefits	(731,843)	(691,695)
Sales and marketing	(103,056)	(90,949)
Rental expenses relating to operating leases	(86,345)	(83,392)
Amortisation and depreciation	(35,350)	(31,913)
Finance costs	(16,630)	(14,572)
Impairment charge	(12,689)	-
Other expenses	(195,137)	(154,530)
Profit before income tax expense	291,164	292,280
Income tax expense	(75,398)	(85,762)
Profit after income tax expense	215,766	206,518
STATEMENT OF COMPREHENSIVE INCOME		
Changes in the fair value of available-for-sale financial assets	(178)	786
Changes in the fair value of financial assets at FVOCI	(74)	-
Changes in the fair value of cash flow hedges	(264)	-
Income tax income/(expense) on items of other comprehensive income	(155)	(236)
Adjustment for adoption of new accounting standards[1]	247	-
Total comprehensive income for the year	215,342	207,068
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS		
Retained profits at the beginning of the financial year	699,194	645,784
Adjustment for adoption of new accounting standards[1]	(1,088)	-
Profit from ordinary activities after income tax expense	215,766	206,518
Dividends provided for and paid	(158,354)	(153,108)
Retained profits at the end of the financial year	755,518	699,194

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G2 DEED OF CROSS GUARANTEE (CONTINUED)

ASSETS Current assets	2016[1] $'000	2015 $'000
Cash and cash equivalents	746,548	782,047
Financial Asset Investments	204,525	75,579
Trade and other receivables	246,881	196,545
Other assets	164,270	163,294
Current tax receivable	8,393	8,394
Inventories	177	194
Derivative financial instruments	3,968	3,572
Other financial assets	-	13,900
Total current assets	1,374,762	1,243,525
Non-current assets		
Property, plant and equipment	97,908	88,766
Intangible assets	41,253	44,947
Investments accounted for using the equity method	641,275	594,301
Deferred tax assets	39,954	28,934
Other financial assets	191,778	121,256
Total non-current assets	1,012,168	878,204
Total assets	2,386,930	2,121,729
LIABILITIES		
Current liabilities		
Trade and other payables	780,916	353,646
Financial liabilities at FVTPL	-	384,039
Contingent consideration	5,255	12,304
Borrowings	63,013	10,278
Provisions	32,257	26,340
Derivative financial instruments	5,028	-
Total current liabilities	886,469	786,607
Non-current liabilities		
Trade and other payables	311,776	194,254
Contingent consideration	2,537	6,420
Provisions	26,599	28,063
Total non-current liabilities	340,912	228,737
Total liabilities	1,227,381	1,015,344
Net assets	1,159,549	1,106,385
EQUITY		
Contributed equity	399,236	395,677
Reserves	4,795	11,514
Retained profits	755,518	699,194
Total equity	1,159,549	1,106,385

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.

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	
	2016[1] $'000	2015 $'000
Current assets	1,438,110	1,251,317
Total assets	2,508,207	2,132,665
Current liabilities	873,438	776,945
Total liabilities	1,658,104	1,332,860
Contributed equity	399,236	395,677
Reserves		
Cash-flow hedge reserve	(185)	-
Financial assets at FVOCI revaluation reserve	(52)	-
Available-for-sale investments revaluation reserve	-	(120)
Share-based payments reserve	11,717	9,353
Acquisition Reserve	(8,976)	-
Retained profits	448,363	394,895
Total shareholders' equity	850,103	799,805
Profit after tax for the year	212,911	154,153
Total comprehensive income	212,797	154,703

[1] June 2016 reflects adoption of AASB 9. Prior periods have not been restated. Refer to note I(a) Summary of accounting policies for further information.

G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

UNSECURED	PARENT 2016[1] $'000	PARENT 2015 $'000
United Kingdom	99,659	97,328
India	26,522	27,111
China	12,320	12,706
Singapore	8,554	8,274
Dubai	6,271	6,033
Hong Kong	5,157	5,015
New Zealand	4,547	7,234
Canada	2,711	2,766
Other	6,419	9,809
Total	172,160	176,276

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 2016 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:

	2016 $'000	2015 $'000
Within one year	86,009	86,297
Later than one year but not later than five years	250,241	231,236
Later than five years	121,127	140,080
Total parent entity operating lease commitments	457,377	457,613

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

H UNRECOGNISED ITEMS

This section provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the group's financial position and performance.

H1 COMMITMENTS

FLT has commitments in relation to operating leases (refer to note F1).

H2 CONTINGENCIES

ACCC COMPETITION LAW TEST CASE

CURRENT STATUS

On 31 July 2015, FLT won its appeal in the long running competition law test case initiated against it by the ACCC in relation to alleged breaches of the Trade Practices Act 1974. The Full Court of the Federal Court of Australia overturned the judgment 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 judgment in FLT's favour meant the $11,000,000 in penalties were repaid to the company (interest and costs yet to be paid), and the penalties are included in the financial results for the half year ended 31 December 2015.

On 28 August 2015, the ACCC launched a further appeal announcing that it would seek special leave from the High Court to appeal the decision of the Full Court of the Federal Court of Australia. The special leave application for the appeal was heard on 11 March 2016 and special leave was granted. On 27 July 2016 the further appeal was heard by the High Court and judgment is anticipated by the end of the 2016 calendar year.

BACKGROUND

The case was initially heard in October 2012 and judgment was delivered in the ACCC's favour in December 2013. A subsequent penalty hearing concluded in February 2014, with $11,000,000 in penalties imposed by the Federal Court, that FLT paid in May 2014, and this was reflected in the 2013/14 results.

GENERAL CONTINGENCIES

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

The group had no other material contingent assets or liabilities.

H3 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

DIVIDENDS

On 25 August 2016, FLT's directors declared a final dividend for the year ended 30 June 2016. Refer to note B6 for details.

No other matters have arisen since 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES

This section details FLT's accounting policies. Significant accounting policies are contained with the financial statement notes to which they relate and are not detailed in this section.

I SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the consolidated financial report's preparation are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of FLT and its subsidiaries.

(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standard Board and the *Corporations Act 2001*. FLT is a for-profit entity for the purpose of preparing the financial statements.

COMPLIANCE WITH IFRS

The group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

EARLY ADOPTIONS OF STANDARDS

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015 except as outlined below.

AASB 9 *Financial Instruments (2014)*

AASB 9 *Financial Instruments* (AASB 9) addresses classification, measurement and derecognition of financial assets and financial liabilities, sets out new rules for hedge accounting, and introduces a new expected-loss impairment model. The effective date of AASB 9 is 1 January 2018 however FLT has elected to early adopt from 1 January 2016 to enable hedge accounting in its Flight Centre Global Product (FCGP) business. The impact of the adoption of AASB 9 has been recognised in retained earnings with the exception of hedge accounting. In accordance with the transitional requirements, FLT has elected not to restate comparatives. The adoption of AASB 9 has had the following impacts on the classification and measurement of financial assets and financial liabilities:

Financial assets

The following summarises the key changes to financial assets under AASB 9 applicable to FLT

- The available-for-sale (AFS) financial asset category was removed
- A new classification of measured at FVOCI was introduced. This category applies to debt instruments which satisfy the requirements of the business model test and contractual cashflow test. It also applies to some held for trading financial assets whereby the FVOCI election was made.
- A new classification of measured at FVTPL was introduced. This category applies to debt instruments which are neither held to collect contractual cash flows nor held to sell. Although sales can occur it's deemed incidental to achieving the business model objectives.
- AASB 9 introduces an expected loss model to replace the incurred loss model under AASB 139 for financial assets measured at amortised cost or FVOCI as detailed below in financial assets - impairment.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial assets - Impairment

The new impairment model for financial assets applies a three stage approach under the general model in measuring expected credit losses (ECL's) 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. Stage 3 reflects existing requirements under AASB 139 as such FLT's approach to specific provisioning remains unchanged.

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 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. See note I(l) below for further details on FLT's accounting policy for trade and other receivables.

Financial liabilities

The classification of financial liabilities has remained relatively consistent and continues to be measured at either amortised cost or FVTPL.

The following summarises the key changes to financial liabilities under AASB 9 applicable to FLT

- FLT made an election to revoke its previous fair value designation of certain financial liabilities and have subsequently measured these liabilities at amortised cost.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The following table summarises the impact on classification and measurement to FLT's financial assets and financial liabilities on 1 January 2016:

			AS AT 1 JANUARY 2016	
	ORIGINAL MEASUREMENT CATEGORY UNDER AASB 139	NEW MEASUREMENT CATEGORY UNDER AASB 9	ORIGINAL CARRYING AMOUNT UNDER AASB 139 $'000	NEW CARRYING AMOUNT UNDER AASB 9 $'000
FINANCIAL ASSET				
Cash and cash equivalents	Loans and receivables	Amortised cost	1,041,990	1,041,990
Investments available-for-sale (debt instruments)[1, 2]	Available-for-sale	Amortised cost	95,745	95,750
Investments available-for-sale (debt instruments)[1]	Available-for-sale	FVTPL	8,653	8,653
Trade and other receivables[2]	Loans and receivables	Amortised cost	592,435	590,113
Other assets (excluding prepayments)	Loans and receivables	Amortised cost	20,011	20,011
Other financial assets (loans to related parties)	Loans and receivables	Amortised cost	3,001	3,001
Other financial assets (security deposits)	Loans and receivables	FVTPL	1,710	1,710
FINANCIAL LIABILITY				
Trade and other payables (excluding lease and employee liabilities)	Other financial liabilities	Amortised cost	771,597	771,597
Financial liabilities at FVTPL[3]	FVTPL	Amortised cost	316,012	315,221
Derivative financial instruments	Held for trading	FVTPL	1,678	1,678
Borrowings	Other financial liabilities	Amortised cost	21,224	21,224

[1] Debt instruments were previously classified as available-for-sale. Under AASB 9 they are now measured at amortised cost or FVTPL depending on whether a particular instrument meets the requirements of the contractual cash flow characteristics test (cash flows that are solely payments of principal and interest). Not meeting the requirement results in a classification of FVTPL.
[2] Includes expected credit losses
[3] On transition to AASB 9 FLT elected to revoke its previous designation of certain financial liabilities at FVTPL in its FCGP business as designated under AASB 139 on the basis there is no longer an accounting measurement mismatch as a result of also adopting hedge accounting on under AASB 9 on transition. Accordingly these liabilities are now recorded at amortised cost and included in the 'trade and other payables' balance in the balance sheet at 1 January 2016.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The following table reconciles the change in carrying amount of financial assets and financial liabilities from AASB 139 to AASB 9 as at 1 January 2016:

	AASB 139 CARRYING AMOUNT AT 31 DECEMBER 2015 $'000	RE-CLASSIFIED $'000	RE-MEASURED RESERVES $'000	RE-MEASURED RETAINED EARNINGS $'000	AASB 9 CARRYING AMOUNT AT 1 JANUARY 2016 $'000
DEBT SECURITIES - FVTPL					
Opening balance	-	-	-	-	-
From AFS financial assets	-	8,653	36	(36)	8,653
Total debt securities - FVTPL	-	8,653	36	(36)	8,653
DEBT SECURITIES - AMORTISED COST					
Opening balance	-	-	-	-	-
From AFS financial assets	-	95,745	316	-	96,061
Re-measured expected credit losses	-	-	-	(311)	(311)
Total debt securities - amortised cost	-	95,745	316	(311)	95,750
AFS FINANCIAL ASSETS					
Opening balance	104,398	-	-	-	104,398
To financial assets at amortised cost	-	(95,745)	-	-	(95,745)
To financial assets at FVTPL	-	(8,653)	-	-	(8,653)
Total AFS financial assets	104,398	(104,398)	-	-	-
PROVISION FOR IMPAIRMENT OF RECEIVABLES					
Opening balance	(9,324)	-	-	-	(9,324)
Re-measured expected credit losses	-	-	-	(2,322)	(2,322)
Total provision for impairment of receivables	(9,324)	-	-	(2,322)	(11,646)
TAX EFFECT ADJUSTMENT					
Re-measured due to reclassification	-	-	(105)	-	(105)
Re-measured expected credit losses	-	-	-	790	790
Total tax effect adjustment	-	-	(105)	790	685
Total change to financial assets at 1 January 2016	95,074	-	247	(1,879)	93,442
TRADE AND OTHER PAYABLES					
Opening balance	771,597	-	-	-	771,597
From financial liabilities at FVTPL	-	316,012	-	(791)	315,221
Total trade and other payables	771,597	316,012	-	(791)	1,086,818
FINANCIAL LIABILITIES AT FVTPL					
Opening balance	316,012	-	-	-	316,012
To trade and other payables	-	(316,012)	-	-	(316,012)
Total financial liabilities at FVTPL	316,012	(316,012)	-	-	-
Total change to financial liabilities at 1 January 2016	1,087,609	-	-	(791)	1,086,818
Total change to financial assets and financial liabilities at 1 January 2016	(992,535)	-	247	(1,088)	(993,376)

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The total impact on retained earnings as a result of the above re-measurements was $1,088,000. At 31 December 2015 the retained earnings balance was $856,356,000 and after making the re-measurements required per AASB 9, the balance on 1 January 2016 was $855,268,000.

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of FVOCI financial assets, revaluation of FVTPL financial assets, derivative financial instruments and contingent consideration.

ROUNDING OF AMOUNTS

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission's Instrument 2016/191.

RECLASSIFICATION

Certain prior period amounts have been reclassified to conform to the current period's presentation, as outlined above.

(B) CHANGES IN ACCOUNTING POLICY

No new standards or amendments, other than AASB 9, became effective in the current reporting period that have a material impact on FLT. Refer to I (a) Basis of preparation for FLT's election to early adopt AASB 9 *Financial Instruments*.

(C) PRINCIPLES OF CONSOLIDATION

I. SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2016 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

Investments in joint arrangements are classified as either joint operations or joint ventures (JVs). The classification depends on each investor's contractual rights and obligations, rather than the legal structure of the joint arrangement. FLT only has JVs, which are accounted for in the consolidated financial statements using the equity method. Under the equity method, they are initially recognised at cost by the parent entity and subsequently the share of the JV entity's profit or loss is recognised in the statement of profit or loss and other comprehensive income. The share of post-acquisition movements in reserves is recognised in other comprehensive income. JV details are set out in note E1.

Upon loss of joint control, FLT measures and recognises its remaining investment at its fair value. The difference between the investment's carrying amount upon loss of joint control and the remaining investment's fair value and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in associate.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

III. CHANGES IN OWNERSHIP INTERESTS

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with group equity owners. An ownership change will result in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to FLT owners.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a JV or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

IV. SHARE TRUSTS

FLT has set up a share trust to administer the various employee share schemes it initiates to incentivise and reward employees. Currently the trust only holds shares which have been purchased by employees or are fully vested, as a result there are no treasury shares.

(D) FOREIGN CURRENCY TRANSLATION

I. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in each of the group entities' financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is FLT's functional and presentation currency.

II. TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency at the prevailing exchange rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exceptions arise if the gains and losses are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rates when the fair value is determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

III. GROUP COMPANIES

For foreign operations with different functional currencies to the presentation currency, results and financial position are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate of that balance sheet's date
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on foreign operations' acquisitions are treated as the foreign operations' assets and liabilities and translated at the closing rate.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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 and is recognised for the other major business activities as set out below.

I. LEASE INCOME

Lease income from operating leases is recognised as income on a straight line 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 non financial assets, other than goodwill, are reviewed for the impairment's possible reversal at each reporting date.

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For financial assets, a significant or prolonged decline in the security's fair value below its cost is considered an indicator that the assets are impaired. Impairment is recorded and losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the asset's initial recognition (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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.

Put and Call options over NCI's are entered into simultaneously when business combinations are initially recorded. It is determined that the option does not provide the parent with a present ownership interest in the shares subject to the put. The Put and Call options over NCI are "recorded at fair value" as financial liabilities and in the acquisition reserve in equity in accordance with AASB 10. The non-controlling interest is treated as having been acquired when put option is granted. After the initial recognition of the acquisition reserve it is not subsequently re-measured. The financial liability relating to the Put and Call options over NCI is subsequently accounted for under AASB 9 with all changes in the carrying amount recognised in profit or loss until exercise.

(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, identified according to operating segments (note A1).

II. BRAND NAMES AND CUSTOMER RELATIONSHIPS

Other intangible assets, such as brand names and customer relationships, are acquired as part of business combinations and are recognised initially at fair value. Where they have an indefinite useful life, such as brand names, they are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate they may be impaired. Key factors taken into account in assessing the useful life of brands are:

- The brands are well established and protected by trademarks across the globe. The trademarks are generally subject to an indefinite number of renewals upon appropriate application; and
- There are currently no legal, technical or commercial obsolescence factors applying to the brands which indicate that the life should be considered limited

III. OTHER INTANGIBLE ASSETS - SOFTWARE

Research costs associated with software development are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the project is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised includes all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

I 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) INVESTMENTS AND OTHER FINANCIAL ASSETS

The policy for investments and other financial assets has been updated to reflect FLT's election to early adopt AASB 9 as at 1 January 2016. AASB 9 requires retrospective application however comparative periods have not been restated as detailed above in note I(a).

I. CLASSIFICATION

The group classifies its investments and financial assets in the following categories: financial assets at amortised cost, FVTPL and FVOCI. The classification depends on the purpose for which the assets were acquired. 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 classed as amortised costs are carried at amortised cost using the effective interest method.

Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise. Income from financial assets at FVTPL is recognised 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.

Changes in the fair values of monetary securities denominated in foreign currencies and classified as FVTPL are analysed for translation differences resulting from changes in the security's amortised cost and other changes in the security's carrying amount. The translation differences related to changes in the amortised cost are recognised in profit or loss.

Financial assets classified as FVOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in other comprehensive income within with the exception of impairment which is recognised in the statement of profit or loss immediately. When securities classified as FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(K) FAIR VALUE MEASUREMENT

FLT measures financial instruments at fair value at each balance sheet 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 A7, 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.

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 in note I(a) 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 ECL's 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.

The impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The impairment amount is recognised in the statement of profit or loss and other comprehensive income in other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(M) PROPERTY, PLANT AND EQUIPMENT

Buildings and other property, plant and equipment are stated at historical cost less depreciation. Land is held at historical cost. Historical cost includes expenditure directly attributable to the item's acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the item's cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note I(f)). A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(N) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost primarily represents average costs.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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.

(Q) EMPLOYEE BENEFITS

I. WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for employees' wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting period's end, are recognised in trade and other payables up to the reporting period's end and represent the amounts expected to be paid when the liabilities are settled. Sick leave is recognised as an expense when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as trade and other payables.

II. PROFIT-SHARING AND BONUS PLANS

A liability for employee benefits in the form of profit-sharing and bonus plans is recognised as payable when there is a contractual obligation or valid expectation that payment will be made. Employee profit-sharing and bonus payments are recognised and paid monthly.

III. LONG SERVICE LEAVE

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in provisions. The liability represents the present value of expected future payments to be made for the services employees provided up to the reporting period's end. The company considers expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments at the reporting period's end are discounted using market yields on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

IV. RETIREMENT BENEFIT OBLIGATIONS

The group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

V. TERMINATION BENEFITS

Termination benefits may be payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it commits to either terminating a current employee's employment according to a detailed formal plan without the possibility of withdrawal or providing termination benefits following an offer made to encourage voluntary redundancy.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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 non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

(S) TAX

I. INCOME TAX

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on each jurisdiction's applicable income tax rate. Adjustments are made for changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses.

The current income tax charge is based on tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns in respect of situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the assets' and liabilities' tax bases and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from an asset or liability's initial recognition in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity controls the timing of the temporary differences' reversals and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity. In these cases, the tax is also recognised in other comprehensive income or directly in equity.

Companies within the group may be entitled to claim tax incentives (eg. the Research and Development Tax Incentive regime in Australia). The effect of this is a reduction to the income tax payable and current tax expense.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

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 buy-back 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(V) DIVIDENDS

Provision is made by the parent entity for any dividend declared, being appropriately authorised and no longer at the entity's discretion on or before the end of the financial year but not distributed at balance date.

(W) CONSUMPTION TAX

Revenues, expenses and assets are recognised net of the amount of associated consumption tax, unless the consumption tax incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the asset acquisition's cost or as part of the expense.

Receivables and payables include consumption taxes receivable or payable. The net amount of consumption tax recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The consumption tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(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 2016 reporting period. FLT is in the process of determining the impact of these new standards and interpretations.

AASB 15 *Revenue from Contracts with Customers*

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

Management have implemented a project plan and are currently undertaking an in-depth review of the requirements of the upcoming AASB 15 that will come into effect 1 January 2018. This means it will be applied to the reporting period ending 30 June 2019.

Current contracts and contracts in negotiation, for material revenue in FLTs core geographies, are being assessed against AASB 15 requirements. Management are engaging the wider business in the AASB 15 discussions and considering any IT requirements as part of the new IT system development.

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

FLT does not intend to adopt the standard before its operative date.

AASB 16 *Leases*

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

The key features of the new standard are:

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

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

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

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

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

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   a. the financial statements and notes of Flight Centre Travel Group Limited for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 2016.

On behalf of the board

G.F. Turner
Director

BRISBANE

25 August 2016

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLIGHT CENTRE TRAVEL GROUP LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Flight Centre Travel Group Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note I(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

OPINION

In our opinion:

a. the financial report of Flight Centre Travel Group Limited is 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 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note I(a).

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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.

OPINION

In our opinion, the Remuneration Report of Flight Centre Travel Group Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst&Young

Ernst & Young

Alison de Groot
Partner

BRISBANE

25 August 2016

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 27 July 2016.

(A) DISTRIBUTION OF EQUITY SECURITIES

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS
1-1,000	22,387
1,001-5,000	3,340
5,001-10,000	233
10,001-100,000	128
100,001 and over	23

There were 581 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	15,200,000	15.1%
Gehar Pty Ltd	14,670,851	14.5%
James Management Services Pty Ltd	12,989,750	12.9%
Bennelong Australian Equity Partners	5,530,796	5.5%
Airlie Funds Management	4,820,698	4.8%
Friday Investments Pty Limited	2,814,133	2.8%
Lazard Asset Management Pacific Co	2,343,717	2.3%
Perennial Value Management	1,688,740	1.7%
Investors Mutual	1,377,000	1.4%
BlackRock Investment Management - Index	1,220,495	1.2%
Vanguard Investments Australia	1,107,393	1.1%
Schroder Investment Management	1,055,182	1.1%
Colonial First State - Growth Australian Equities	973,932	1.0%
AQR Capital Management	948,046	0.9%
Norges Bank Investment Management	915,852	0.9%
State Street Global Advisors	783,702	0.8%
Trinity Holdings	750,000	0.7%
Vanguard Group	744,943	0.7%
Morgan Stanley	739,815	0.7%
Perpetual Investments	627,490	0.6%
	71,302,535	70.7%

SHAREHOLDER INFORMATION CONTINUED

(C) SUBSTANTIAL HOLDERS

Substantial holders (including associate holdings) in the company are set out below:

ORDINARY SHARES	NUMBER HELD	PERCENTAGE
Gainsdale Pty Ltd	15,200,000	15.1%
Gehar Pty Ltd	14,670,851	14.5%
James Management Services Pty Ltd	12,989,750	12.9%

Friday Investments Pty Limited and Trinity Holdings are potentially substantial shareholders as they are party to a pre-emptive agreement dated 5 October 1995 that also includes Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Friday Investments Pty Limited and Trinity Holdings held 2,814,133 shares and 750,000 shares respectively at 27 July 2016.

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 Preference Rights have no voting rights.

ON-MARKET BUY-BACKS

FLT does not currently have an on-market buy-back scheme in operation.