FLIGHT CENTRE TRAVEL GROUP™

APPENDIX 4D
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF

	DEC 2017 $'000	DEC 2016 $'000	CHANGE $'000	CHANGE %
Total transaction value (TTV)[1]	10,157,154	9,343,279	813,875	8.7%
Revenue	1,373,777	1,303,605	70,172	5.4%
Net profit before tax	139,429	109,151	30,278	27.7%
Net profit after tax	102,158	74,447	27,711	37.2%

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

DIVIDENDS

31 DECEMBER 2017	AMOUNT PER SECURITY CENTS	100% FRANKED AMOUNT CENTS
Interim dividend[2]	60.0	60.0
30 JUNE 2017		
Interim dividend	45.0	45.0
Final dividend[3]	94.0	94.0

[2] Interim dividend for the period ended 31 December 2017 was declared on 22 February 2018. The record date for determining entitlements to the interim dividend is 23 March 2018 and payment date is 13 April 2018.

[3] Final dividend for the year ended 30 June 2017 was declared on 24 August 2017. The record date for determining entitlements to the final dividend was 15 September 2017, with payment on 13 October 2017.

NET TANGIBLE ASSETS

	DEC 2017 $	DEC 2016 $
Net tangible asset backing per ordinary security	8.63	8.63

CONTROL GAINED OVER ENTITIES

- On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,553,000. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future revenue and profit-related targets.
- On 1 August 2017, FLT acquired 100% of Olympus Tours for $27,565,000. Olympus is a leading Mexico-based destination management company (DMC) which provides transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.
- On 1 August 2017, FLT acquired 75% of Les Voyages Laurier Du Vallon Inc. (LDV) for a consideration of $17,094,000, and simultaneously entered into a put/call option over the remaining 25%. LDV is a key leisure, corporate and MICE travel agency business based in Quebec City.
- On 31 August 2017, FLT acquired 100% of Travel Managers Group (TMG), for an initial cash payment of $7,939,000, with a working capital adjustment to be made. TMG is a large broker based retail travel group in New Zealand, providing systems and product to a network of more than 180 home-based agents. The acquisition gives FLT access to this growth segment of the retail market.
- On 31 August 2017, FLT acquired 100% of Executive Travel Limited (ETL), for an initial cash payment of $10,597,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future profit-related targets. ETL is New Zealand's largest independent corporate travel management company. The acquisition represents an opportunity for FLT to grow its corporate market share.
- On 29 September 2017, FLT acquired 100% of Travel Partners for $3,508,000. The deal also includes additional performance-related payments that the owner will be entitled to if the business achieves future growth targets. Travel Partners is an independent network of home based consultants in Australia and the acquisition gives FLT an entry point into the home based agent market in Australia, as well as providing an alternative flexible work environment for its consultants.

APPENDIX 4D CONTINUED

DETAILS OF JOINT VENTURES AND ASSOCIATES

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

- On 21 February 2017, FLT finalised discussions which commenced in late 2016 and exited its investment in Employment Office. This resulted in FLT selling its 50% interest to Recruitment Investments Pty Ltd, with a loss on disposal of $4,066,000.
- On 10 April 2017 FLT invested an additional $23,764,000 to increase its shareholding in Buffalo Tours (Singapore) Pte Ltd to 58.5% (2016: 49%) and its investment in Buffalo Tours (Hongkong) Limited to 58.5% (2016: 49%). Although the transaction has changed FLT's interest in Buffalo Tours, the overlying shareholder agreement has not changed and as a result the principal of joint control remains in place.

SUBSEQUENT EVENT

On 1 January 2018 FLT obtained control of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hong Kong) Limited as a result of a change in the overlying shareholder agreement giving FLT a majority representation on the Board.

INVESTMENTS IN ASSOCIATES	DEC 2017	DEC 2016
Ignite Travel Group Limited	49.0%	49.0%
Biblos America LLC	24.1%	0.0%
3mundi	25.0%	0.0%
European Travel Services Centre (ETSC)	25.0%	0.0%

- On 11 April 2017, FLT invested $9,355,000 in Biblos America LLC (Bibam) for a 24.1% share of the equity. Bibam is an Argentina based travel and technology group with a strong presence in the on and offline leisure, corporate and wholesale sectors.
- On 28 June 2017, FLT invested $3,097,000 in 3mundi for a 25% share of the equity. 3mundi is a travel and technology company with operations in France, Switzerland and Spain. FLT will initially hold a 25% interest in the Paris-based business, with additional put and call agreements in place which if exercised, will result in FLT increasing its holding to 100% in the future.
- On 19 October 2017, FLT invested $908,000 in European Travel Services Centre (ETSC) for a 25% share of the equity. ETSC is a travel technology company specialising in the development, maintenance and licensing of travel technology software and is the sole owner and licensor of the 'chatbot' travel assistance software, Sam :]

COMPLIANCE STATEMENT

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

The report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by FLT in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and *ASX Listing Rules*.

Signed:

G. F. Turner
Director

22 February 2018

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Flight Centre Travel Group Limited (FLT) and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

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

G.F. Turner

G.W. Smith

J.A. Eales

R.A. Baker

C. Garnsey (appointed 7 February 2018)

REVIEW OF OPERATIONS AND RESULTS

RESULTS OVERVIEW

The Flight Centre Travel Group (FLT) has recorded strong growth during the first half (1H) of the 2018 fiscal year (FY18).

Key achievements for the six months to December 31 2017 included:

- Record global sales, with total transaction value (TTV[1]) topping $10billion for the first time during the seasonally softer 1H and finishing more than $800million above the previous 1H record (FY17)
- Strong year-on-year profit growth, with profit before tax (PBT) more than 20% higher than during the prior corresponding period (PCP) and slightly above the targeted 1H range. This has prompted FLT to lift its full year guidance
- Improved net margin (PBT as a percentage of TTV), as transformation initiatives and improvement strategies gained traction; and
- Enhanced shareholder returns, underpinned by 37% earnings per share growth, a record-equalling interim dividend and a 46% total shareholder return during the 2017 calendar year

In addition, FLT has just completed its new in-store system (GDS) roll-out, with deployment in Australia and New Zealand bringing the two-and-a-half-year global project to an end.

The system change was the largest deployment undertaken in Australia to date, with almost 7000 leisure consultants migrated onto the new GDS (Sabre in Australia and New Zealand) over a five-month period.

FINANCIAL RESULTS

1H TTV increased 8.7% to $10.16billion and has now more than doubled during the past eight years as FLT has continued to deliver consistent growth throughout the trading cycle.

The company's 1H growth was achieved during a period of network consolidation, which saw overall sales staff numbers decrease modestly, pointing to further productivity gains.

TTV per person, FLT's key productivity metric, increased 7% from $481,000 during the PCP to $513,000.

Small businesses that were acquired during FY17 and in the 1H made a modest TTV contribution, with established businesses predominantly driving the 1H increase.

Revenue increased 5.4% to $1.37billion, which led to a lower overall income margin (revenue as a percentage of TTV).

This income margin contraction was expected and arose largely as a result of business mix changes, specifically rapid recent growth in several lower income margin sectors which together generated almost 30% of 1H TTV.

These sectors include multi-national corporate travel (FCM), online leisure travel (BYOjet, Aunt Betty, Student Universe and other brands) and FX (Travel Money). The Travel Tours acquisition in India during FY17 and the growth in the local FX business also contributed to the income margin decrease.

[1] TTV is non-IFRS financial information and is not subject to audit or review procedures, and does not represent revenue in accordance with Australian Accounting Standards.

DIRECTORS' REPORT CONTINUED

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

Income margin contraction was more than offset by net margin improvement, with PBT as a percentage of TTV increasing by 16 basis points (underlying) as a result of:

- Lower cost growth[2] - cost margin (expenses as a percentage of TTV) decreased from 12.24% during the FY17 1H to 11.58% during the FY18 1H
- Strong productivity gains; and
- Better network returns as some under-performing brands and businesses were closed and loss-making businesses were downsized or pivoted to improve results

Underlying PBT[3] increased 23.2% to $139.4million, slightly above the targeted 1H range of $120million to $135million, while actual or statutory PBT increased by 27.7%.

Net profit after tax (NPAT) grew more rapidly - increasing by 37.2% to $102.2million - as a result of a lower effective tax rate brought about by USA tax rate changes and the company's strong UK performance.

As mentioned above, cost growth slowed, which was one of three key targets set as part of FLT's ongoing business transformation initiatives (see Transformation section).

The 3% growth rate equated to a $32.6million year-on-year cost increase globally and was the lowest increase recorded since the Global Financial Crisis of FY09.

While wages and occupancy expenses increased modestly, the company's other major cost item, sales and marketing expense, decreased. Contributing factors included a shift away from paid search, which allowed FLT to generate enquiry more cost effectively, and a decreased spend on online brands Aunt Betty and BYOjet, which now promote their ultra low cost fares via metasearch, rather than traditional channels.

Depreciation and amortisation (D&A) expenses increased by $2.6million year-on-year - representing about 8% of FLT's cost growth - as a result of higher capital expenditure in recent years.

This expenditure has started to slow, with 1H cap-ex reaching $42.8million, compared with $65.7million during the PCP, and shifting towards system-related spend. About half of FLT's $100million FY18 cap-ex budget will be directed towards IT and systems, compared to about 25% of the $83million spend during FY15.

At December 31 2017, FLT had a $1.2billion global cash and investment portfolio, which included $468.4million in company (general) cash and investments. Debt was $91.5million, giving FLT a $376.9million positive net debt position.

In line with its normal seasonality, FLT recorded a 1H operating cash outflow of $102.8million (FY17 1H: $146.7million), with the improvement predominantly driven by solid TTV growth.

FLT's directors today declared a fully franked 60 cents per share interim dividend (payable on April 13, 2018 to shareholders registered on March 23). The interim dividend, which represents a 59% return of NPAT to shareholders, is 33% higher than during the PCP and in line with the record FY16 interim dividend.

NETWORK STRUCTURE

FLT's global sales force contracted modestly during the 1H, largely as a result of the strategic decisions to:

- Focus on consultant productivity, rather than expansion, to drive TTV growth; and
- Downsize or close some loss-making or under-performing brands and businesses, as part of the transformation program that was launched late in FY17
- Temporarily slow recruitment in Australia, which allowed the company to focus on rolling out its new in-store systems

While the overall sales network contracted slightly during the 1H, the company continued to invest in growth brands and models including:

- Flagship Flight Centre shops and hyperstores. In Australia, 80 of these businesses now generate 20% of the brand's leisure TTV and about 30% of the brand's profit
- Online businesses - FLT's specialist OTAs, BYOjet, Aunt Betty and StudentUniverse, recorded a 27% 1H TTV increase
- The Travel Experiences Network (TEN) businesses; and
- The FCM and Corporate Traveller business travel brands, which are the key contributors to FLT's success and rapid growth globally in the corporate travel sector

[2] Revenue from tour operations was previously presented net of associated cost of sales. This is now presented gross, with revenue included in 'Revenue from tour operations' and the corresponding cost of sales shown in expenses as 'Tour operations – cost of sales'. The comparative has been restated to align presentation. This classification change has no impact on profit. For the purposes of the $100m cost growth containment target, this has been excluded.

[3] FY17 H1 underlying PBT excludes the $4,066,000 loss incurred on exiting Employment Office investment. There are no underlying adjustments to FY18 H1 PBT.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

In addition, FLT invested almost $70million in six small acquisitions that were completed during the period.

These small acquisitions were:

- Leisure: Independent contractor businesses in Australia (Travel Partners Group) and New Zealand (Travel Managers) to complement organically grown businesses in the USA, Canada, South Africa, New Zealand and Australia
- Corporate: Quebec-based Les Voyages Laurier du Vallon (LDV) and New Zealand's Executive Travel Group; and
- TEN: Thailand-based hotel management group BHMA, the company's first accommodation sector investment, and Mexico-based destination management company (DMC) Olympus

SEGMENTED RESULTS

FLT's 1H financial achievements highlight the company's increasing diversity and its decreasing reliance on the Australian leisure business as its key growth engine.

While Australia was again the largest contributor to group results, FLT's overseas businesses predominantly drove overall growth - generating a record $38.2million in 1H PBT and almost half of group TTV during the period.

The company achieved record 1H TTV in all countries and record 1H profits in the UK, USA, Canada, South Africa, the UAE, China, Malaysia and Mexico.

For the first time, the US business was profitable during the seasonally softer 1H, while the Canada business continued its strong improvement trajectory.

The company also benefitted from its focus on developing its three core business pillars.

Leisure profits improved globally as the company continued to finetune and evolve its offerings across multiple channels.

FLT's corporate businesses recorded strong TTV growth - up by $600million or 19% globally to just under $3.8billion - pointing to ongoing market-share growth and consolidating FLT's position as one of the world's leading travel management companies. Together, the corporate brands generated 37% of 1H TTV, up from 34% during the PCP.

Factors contributing to this success include:

- Strong growth in multi-national sales and account wins within the FCM brand. FLT now has five $100million-per-year accounts
- Ongoing development of the SME-focussed Corporate Traveller brand, which is currently being relaunched in several markets; and
- Ongoing investment in the businesses' leading platforms and tools

These tools include Sam :], a corporate "chat bot" that blends artificial intelligence with FLT's corporate account managers' expertise to deliver personalised, relevant information to business travellers' mobile devices. Sam :] is now in use in the UK and the Americas and will soon be launched in Australia.

The TEN businesses generated $80million in 1H TTV and should make a stronger 2H contribution following the 1H hotel management and DMC acquisitions and with the Asia-based Buffalo Tours DMC now under FLT's control (effective January 2018). While currently small compared to FLT's global leisure and corporate networks, these businesses have been identified as key future earnings drivers and earmarked for further growth.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

SEGMENTED RESULTS - AUSTRALIA & NEW ZEALAND

In the Australia-New Zealand segment, FLT recorded 4% TTV growth and increased bottom-line results in both countries, while the transition to a new GDS was underway.

The business finished the 1H solidly, with FLT initially expecting bottom-line results to be flat or down slightly during the 1H.

The Australian leisure shop network, including the rapidly expanding Travel Money business, generated about 44% of the company's 1H profit, while the corporate businesses recorded strong TTV growth (up 9% in Australia), pointing to further market-share increases.

SEGMENTED RESULTS - AMERICAS

The Americas businesses were key contributors to overall results, with the region generating about 20% of group TTV and topping $2billion in 1H sales for the first time.

After recording a $7million loss during the PCP, the region delivered an $8million 1H profit, as a result of Canada's strong turnaround and the inaugural US 1H profit.

US profit was again underpinned by strong corporate results and account wins, along with a significant decrease in leisure losses, as transformation initiatives relating to productivity and cost reduction started to gain traction. Reduced leisure losses, driven in part by cost reduction initiatives, also contributed to the record Canada results.

SEGMENTED RESULTS - EMEA

FLT's businesses in Europe, the Middle East and Africa (EMEA) performed strongly.

TTV increased 16% to $1.4billion and profit increased 37% to $35million, meaning the region generated almost 14% of group sales and about 25% of group PBT.

The established UK, South Africa and UAE businesses all made solid contributions, as the company recorded strong productivity gains throughout the region.

In Europe, the company incurred a modest 1H loss while it integrated its recent acquisitions.

These acquisitions have given FLT company-owned businesses in a number of key markets, including the Netherlands, Norway, Sweden, Denmark, Finland, Ireland, Germany and France (25% interest).

SEGMENTED RESULTS - ASIA

FLT's Asia region, which includes sales business in Singapore, Malaysia, Mainland China, Hong Kong and India, returned to profit during the 1H, after two years of losses.

The region delivered 45% TTV growth and recorded a $1million underlying 1H PBT, as it started to benefit from transformation initiatives that have been implemented. These initiatives have included:

- The introduction of a combined South East Asia leadership structure late in FY17
- The focus on a single corporate brand, FCM, in Singapore, Malaysia, Mainland China and Hong Kong; and
- Downsizing the South East Asia leisure businesses (traditionally loss-makers), a strategy that has led to these businesses trading profitably during the 1H

SEGMENTED RESULTS - OTHER

FLT's Other segment includes the TEN businesses and items that are not allocated to geographical segments.

While results from FLT's touring businesses recovered after a challenging FY17 1H, overall losses within the segment increased, predominantly as a result of:

- A modest loss from the BHMA business, following its acquisition during the period
- Acquisition-related expenses
- Wage-related provisions to reflect the impact the company's strong start to the year will have on executive/employee incentive packages
- Operational expenses relating to the deployment of new enterprise IT systems (GDS and finance platform); and
- Some other transformation costs

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

TRANSFORMATION UPDATE

The transformation program that was initiated late in FY17 to ensure FLT achieved scalable and profitable growth throughout the economic cycle has started to gain momentum, with the company making solid progress towards its 7-2-100 targets during the 1H.

Specifically, these targets are:

- 7% average TTV growth per annum in constant currency over the next three years
- A return to a 2% full year net margin within three to five years. Given the 16 basis point improvement during the 1H, which is traditionally a lower margin trading period, FLT expects to improve on the 1.64% net margin it achieved during FY17 as it works toward its longer term target; and
- Cost growth during FY18 of less than $100million on a constant currency basis

To achieve these targets, the transformation program has initially focussed on four areas:

1. Digital commerce growth
2. Globalisation in the air, land and IT spaces
3. Controlling costs and improving efficiency; and
4. Investment in growth brands and business models

FLT's digital transformation has already delivered significant benefits, both in e-commerce and in the use of digital services in key areas of the business, including lead generation.

While other travel companies have raced to pursue technology-only models, FLT has moved to capitalise on its strong market position and key assets by investing in a blended "technology plus humans" model.

In terms of e-commerce or online completion, a key objective has been to make it easier for customers to buy the company's products.

This has led to:

- Upgrades to FLT's online booking platform, SOAR, to create stronger and globally scalable offerings that deliver better User Experience (UX) and User Interface (UI)
- The launch of transactional Flight Centre websites in South Africa and in the UK late in the 1H
- More products being made available online. Examples include Captain's Packages and low cost carrier fares and ancillary products on flightcentre.com.au; and
- The launch of new and improved mobile apps. The Flight Centre app in Australia and StudentUniverse's native app are growing and new versions are about to be released

The company's digital commerce centre in Boston (dNA), which now houses about 20 digital marketing and product experts, has also developed new lead management technology that has been trialled within the US leisure business, Liberty Travel.

This solution will allow the company to match customers with expert consultants to improve conversion. The pilot program that is currently underway initially focused on web-based leads but is now moving into phone-based enquiry.

FLT's focus on globalisation has seen it deploy new IT tools and platforms, including in-store booking systems (GDS) in several countries and a new global finance platform (Microsoft Dynamics). Dynamics' deployment in Australia is due to start late in the 2H.

In its air and land businesses, the company has removed some duplication of functions by developing a Global Ticket Centre (air) and taking advantage of synergies between its land businesses. For example, the Buffalo Tours DMC is now Top Deck's ground handler in Asia.

Some support functions have also been outsourced or moved to lower cost locations.

FLT's cost control focus has led to a slowdown in expense growth during the 1H.

Contributing factors have included:

- Streamlined support structures as a result of globalisation, out-sourcing and the head office redundancies in Australia and South East Asia last year
- Network planning to achieve a better overall return on the investment in shops
- Reduced marketing spend, with the company generating enquiry in a more cost effective way; and
- The productivity gains that have delivered TTV growth during a period of network consolidation

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

As part of its commitment to investing in growth brands and business models and closing or pivoting loss-makers, FLT initially focused on improving the loss-making leisure businesses in North America, Asia and the UAE.

The company has now set its sights on growing market-share within the Australian leisure business, FLT's largest and most successful operation.

Strategies include merging some smaller brands to create three larger and individually more successful leisure super networks, backed by streamlined support teams and focusing on:

- Mass market (Flight Centre and BYOjet/Aunt Betty)
- Premium (Travel Associates and Travel Partners); and
- Youth (Student Flights/StudentUniverse)

Under this rebrand and grow plan, which is now underway, all Escape Travel and Cruiseabout shops in Australia will be rebranded to either Flight Centre or Travel Associates.

All Escape Travel and Cruiseabout sales staff will also switch to either Flight Centre or Travel Associates, to ensure the sales force is maintained and to ensure a seamless transition for customers.

Following the change, Travel Associates will immediately double in size, going from 50 to more than 100 sales teams, while specialist divisions will be created within Flight Centre brand to better service enquiry that Escape Travel and Cruiseabout previously captured.

Each super network will continue to work closely with its supplier network to develop new products and to grow the overall leisure travel market.

People are at the heart of the company's transformation plans and FLT continues to invest in programs that are designed to attract, retain and develop the right people.

New initiatives include a paid maternity leave program, which is earmarked for introduction in Australia from July 2018.

OUTLOOK

FLT's stronger than expected start to FY18 has prompted it to adjust its full year guidance.

After initially targeting a result between $350million and $380million, the company now expects an underlying FY18 PBT between $360million and $385million.

The new guidance represents 9.3%-16.8% growth on the $329.5million underlying PBT achieved during FY17, with the mid-point of $372.5million being within reach of the record $376.5million underlying PBT achieved during FY14.

While ongoing 2H profit growth is expected, the accelerated 23.2% 1H growth trajectory is unlikely to continue, given that the FY17 2H was a comparatively stronger trading period. Underlying PBT during the FY17 2H increased 4.7%, after being 22.5% down in challenging trading conditions during the six months to December 31, 2016.

Generally, the company expects 1H operational trends to continue, with overseas businesses, particularly the large North American and EMEA operations, likely to drive FY18 profit growth. The smaller Asia businesses are also on track to deliver solid year-on-year improvement, following their positive start to the year.

In Australia and New Zealand, the company is well placed to grow in the corporate sector, given its positive momentum from the 1H. Corporate Traveller, which is celebrating its 25th birthday in 2018, is also geared for further growth with refreshed branding and an enhanced expert technology suite, which now includes CT GO, a new online booking platform that can be implemented in less than 15 minutes.

While new in-store systems are now fully deployed, further short-term disruption is possible in the leisure businesses as some smaller brands are merged as part of the super network plan. Strategies are in place to minimise any negative impacts from this plan in the short-term before the longer term benefits are gained and to ensure that no sales consultant roles or TTV are lost and that customers and suppliers are not adversely affected.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

FLT also expects further market growth globally as the Golden Era of Travel continues.

In Australia, factors that are likely to contribute to this growth include:

- Affordability: While FLT has not seen significant increases in international airfare pricing in Australia, average fares have generally stabilised after the across-the-board discounting that took place for much of FY17
- Accessibility: Airline capacity continues to grow, albeit at a more modest rate than during FY17; and
- Amenities: In-flight services and options continue to improve. Upcoming and recent enhancements include next month's launch of direct Qantas flights from Perth to London, new low cost options to Europe with Scoot from June, Emirates' new first and business class suites and Virgin Australia's Economy X service, which offers extra legroom, dedicated locker space and other bonuses

FLT's transformation program is expected to deliver further 2H benefits, along with some additional costs, as the company moves to lower head office (support) overheads, continues to invest in its tech transformation and launches its Australian super networks. While 2H costs will increase, the company remains comfortable with its target of less than $100million cost growth during FY18.

DIVIDENDS - FLIGHT CENTRE TRAVEL GROUP LIMITED

FLT's directors today declared a 60.0 cents per share fully franked dividend payable on 13 April 2018 to shareholders registered on 23 March 2018. This represents a 59.3% return of after-tax profit to shareholders (59.3% of underlying NPAT), in line with FLT's current policy of returning 50-60% of after-tax profit, subject to the business's needs. The interim dividend paid for the half-year ended 31 December 2016 was 45.0 cents per share.

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

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 1 January 2018 FLT obtained control of Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited as a result of a change in the overlying shareholder agreement giving FLT a majority representation on the Board.

On 7 February 2018, Colette Garnsey was appointed as a non-executive director.

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 12.

ROUNDING OF AMOUNTS

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

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

G.F. Turner
Director

22 February 2018

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

As lead auditor for the review of Flight Centre Travel Group Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ric Roach
Partner
22 February 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		HALF-YEAR ENDED 31 DECEMBER	
REVENUE	NOTES	2017 $'000	2016 $'000
Revenue from the sale of travel services	4	1,360,112	1,288,594
Other revenue	4	13,665	15,011
Total revenue		**1,373,777**	**1,303,605**
Share of profit of joint ventures and associates		1,331	1,449
EXPENSES			
Employee benefits		(719,077)	(689,945)
Sales and marketing		(95,583)	(105,304)
Rental expense relating to operating leases		(80,883)	(80,729)
Tour operations - cost of sales		(59,808)	(52,622)
Amortisation and depreciation		(38,623)	(36,054)
Finance costs		(11,452)	(12,086)
Other expenses	5	(230,253)	(219,163)
Profit before income tax expense		**139,429**	**109,151**
Income tax expense		(37,271)	(34,704)
Profit attributable to members of FLT		**102,158**	**74,447**
OTHER COMPREHENSIVE INCOME: **Items that may be reclassified to profit or loss**			
Changes in the fair value of financial assets at FVOCI		272	(200)
Changes in the fair value of cash flow hedges		775	1,261
Net exchange differences on translation of foreign operations		(1,214)	1,438
Income tax on items of other comprehensive income		(72)	(318)
Other comprehensive income		**(239)**	**2,181**
Total comprehensive income for the year attributable to FLT		**101,919**	**76,628**
Earnings per share for profit attributable to the ordinary equity holders of the company:		CENTS	CENTS
Basic earnings per share	12	101.2	73.7
Diluted earnings per share	12	100.7	73.5

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

STATEMENT OF CASH FLOWS

		HALF-YEAR ENDED 31 DECEMBER	
CASH FLOWS FROM OPERATING ACTIVITIES	**NOTES**	**2017 $'000**	**2016 $'000**
Receipts from customers[1]		1,415,872	1,320,524
Payments to suppliers and employees[1]		(1,467,462)	(1,403,946)
Royalties received		389	124
Interest received		9,635	12,608
Interest paid		(12,981)	(12,961)
Income taxes paid		(48,272)	(63,056)
Net cash (outflow) from operating activities		**(102,819)**	**(146,707)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	2d	(66,563)	(6,048)
Acquisition of joint ventures and associates		(908)	(9,800)
Payments for property, plant and equipment		(26,269)	(52,561)
Payments for intangibles		(16,515)	(13,171)
Payments for the purchase of financial asset investments		(655)	(392)
Proceeds from sale of financial asset investments		-	9,150
Dividends received from joint ventures		518	-
Loans advanced to related parties		-	(3,507)
Loans repaid by related parties		3,017	-
Net cash (outflow) from investing activities		**(107,375)**	**(76,329)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		125,043	23,854
Repayment of borrowings		(89,989)	(9,294)
Proceeds from issue of shares	11	617	2,041
Payments for purchase of treasury shares	11	(5,644)	-
Proceeds from allocation of treasury shares	11	2,322	-
Dividends paid to members of FLT	10	(94,990)	(92,873)
Net cash (outflow) from financing activities		**(62,641)**	**(76,272)**
Net (decrease) in cash held		**(272,835)**	**(299,308)**
Cash and cash equivalents at the beginning of the half year		1,281,648	1,315,386
Effects of exchange rate changes on cash and cash equivalents		1,330	(7,939)
Cash and cash equivalents at end of the half year	6	**1,010,143**	**1,008,139**

[1] Including GST

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

BALANCE SHEET

	NOTES	AS AT 31 DECEMBER 2017 $'000	AS AT 30 JUNE 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,010,908	1,281,648
Financial asset investments	7	202,555	199,974
Trade and other receivables		728,941	762,274
Other assets		73,600	69,341
Current tax receivables		20,423	15,783
Inventories		1,398	1,243
Other financial assets		120	3,000
Derivative financial instruments		4,032	4,538
Total current assets		**2,041,977**	**2,337,801**
Non-current assets			
Property, plant and equipment		249,712	256,196
Intangible assets	2c	561,105	471,494
Investments in joint ventures and associates		66,387	64,657
Deferred tax assets		58,553	54,334
Other financial assets		10,832	11,006
Total non-current assets		**946,589**	**857,687**
Total assets		**2,988,566**	**3,195,488**
LIABILITIES			
Current liabilities			
Trade and other payables		1,234,508	1,514,210
Contingent consideration	3	8,454	8,231
Borrowings	8	91,486	55,866
Provisions		44,590	42,702
Current tax liabilities		7,024	7,712
Derivative financial instruments		5,263	6,175
Total current liabilities		**1,391,325**	**1,634,896**
Non-current liabilities			
Trade and other payables		98,998	79,270
Contingent consideration	3	20,028	3,734
Provisions		36,716	36,982
Deferred tax liabilities		8,064	11,851
Total non-current liabilities		**163,806**	**131,837**
Total liabilities		**1,555,131**	**1,766,733**
Net assets		**1,433,435**	**1,428,755**
EQUITY			
Contributed equity	11	403,357	402,759
Treasury shares	11	(4,853)	(1,801)
Reserves		12,730	12,764
Retained profits		1,022,201	1,015,033
Total equity		**1,433,435**	**1,428,755**

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

STATEMENT OF CHANGES IN EQUITY

	NOTES	FOR THE PERIOD ENDED 31 DECEMBER CONTRIBUTED EQUITY $'000	TREASURY SHARES $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000
BALANCE AT 1 JULY 2016		399,236	-	24,110	922,599	1,345,945
Profit for the half year		-	-	-	74,447	74,447
Other comprehensive income		-	-	2,181	-	2,181
Total comprehensive income for the half year		**-**	**-**	**2,181**	**74,447**	**76,628**
Transactions with owners in their capacity as owners:						
Employee share-based payments		1,743	-	3,226	-	4,969
Dividends provided for or paid	10	-	-	-	(92,873)	(92,873)
Balance at 31 December 2016		**400,979**	**-**	**29,517**	**904,173**	**1,334,669**
BALANCE AT 1 JULY 2017		402,759	(1,801)	12,764	1,015,033	1,428,755
Profit for the half year		-	-	-	102,158	102,158
Other comprehensive income		-	-	(239)	-	(239)
Total comprehensive income for the half year		**-**	**-**	**(239)**	**102,158**	**101,919**
Transactions with owners in their capacity as owners:						
Acquisition reserve		-	-	(4,749)	-	(4,749)
Employee share-based payments		598	-	4,954	-	5,552
Treasury shares	11	-	(3,052)	-	-	(3,052)
Dividends provided for or paid	10	-	-	-	(94,990)	(94,990)
Balance at 31 December 2017		**403,357**	**(4,853)**	**12,730**	**1,022,201**	**1,433,435**

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

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT MATTERS IN THE CURRENT REPORTING PERIOD

The following significant events and transactions occurred during the half-year ended 31 December 2017:

ACQUISITIONS DURING THE YEAR

- On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia (BHMA) a fast-growing Asia-based hotel management company, for an initial cash payment of $6,553,000. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future revenue and profit-related targets.
- On 1 August 2017, FLT acquired 75% of Les Voyages Laurier Du Vallon Inc. (LDV) for a consideration of $17,094,000, and simultaneously entered into a put/call option over the remaining 25%. LDV is a key leisure, corporate and MICE travel agency business based in Quebec City.
- On 1 August 2017, FLT acquired 100% of Olympus Tours for $27,565,000. Olympus is a leading Mexico-based destination management company (DMC) which provides transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.
- On 31 August 2017, FLT acquired 100% of Travel Managers Group (TMG), for an initial cash payment of $7,939,000, with a working capital adjustment to be made. TMG is a New Zealand based leisure-focused group that provides systems and support services to a network of more than 180 individual brokers. The acquisition gives FLT access to this growth segment of the retail market.
- On 31 August 2017, FLT acquired 100% of Executive Travel Limited (ETL), for an initial cash payment of $10,597,000, with a working capital adjustment to be made. The deal also includes additional performance-related payments that the owners will be entitled to if the business achieves future profit-related targets. ETL is New Zealand's largest independent corporate travel management company. The acquisition represents an opportunity for FLT to grow its corporate market share.
- On 29 September 2017, FLT acquired 100% of Travel Partners for $3,508,000. The deal also includes additional performance-related payments that the owner will be entitled to if the business achieves future growth targets. Travel Partners is an independent network of home based consultants in Australia and the acquisition gives FLT an entry point into the home based agent market in Australia, as well as providing an alternative flexible work environment for its consultants.

Refer to note 2 for further details of these acquisitions.

1 SEGMENT INFORMATION

(A) BASIS OF SEGMENTATION AND MEASUREMENT

The basis of segmentation and measurement of segment profit or loss has not changed since the 30 June 2017 annual financial statements. During the period ended 30 June 2017, there were changes in executive general manager (EGM) responsibilities and as such a change in the way information is presented to the chief operating decision makers (CODM). The segment note reflects this new structure and the comparative period has been reclassified to conform to the current period's presentation.

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

The segment information provided to the board and global task force for the reportable segments for the half-years ended 31 December 2017 and 31 December 2016 is shown in the following tables:

31 DECEMBER 2017	AUSTRALIA & NZ[3] $'000	AMERICAS[3] $'000	EMEA[3] $'000	ASIA $'000	OTHER SEGMENT[3] $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	5,894,841	2,089,218	1,420,599	637,083	115,413	10,157,154
Total segment revenue	783,166	253,289	202,472	43,974	130,483	1,413,384
Inter-segment revenue	(11,833)	(5,359)	(6,178)	(1,167)	(15,070)	(39,607)
Revenue from external customers	**771,333**	**247,930**	**196,294**	**42,807**	**115,413**	**1,373,777**
Statutory EBITDA	**134,053**	**16,116**	**38,461**	**3,455**	**(14,636)**	**177,449**
Depreciation and amortisation	(23,369)	(6,713)	(5,715)	(1,318)	(1,508)	(38,623)
Statutory EBIT	**110,684**	**9,403**	**32,746**	**2,137**	**(16,144)**	**138,826**
Interest income	2,831	1,209	4,224	99	3,692	12,055
BOS interest expense	(7,652)	(1,018)	(1,109)	-	(222)	(10,001)
Other interest expense	(1,390)	(1,281)	(977)	(1,228)	3,861	(1,015)
Other non-material items	(429)	-	(7)	-	-	(436)
Net profit before tax and royalty	**104,044**	**8,313**	**34,877**	**1,008**	**(8,813)**	**139,429**
Royalty	7,368	-	(7,368)	-	-	-
Net profit before tax and after royalty	**111,412**	**8,313**	**27,509**	**1,008**	**(8,813)**	**139,429**
RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT						
Statutory EBIT	**110,684**	**9,403**	**32,746**	**2,137**	**(16,144)**	**138,826**
Interest income[2]	630	40	204	-	5,825	6,699
BOS interest expense	(7,652)	(1,018)	(1,109)	-	(222)	(10,001)
Net FX (gains) / losses on intercompany loans	-	-	-	-	508	508
Adjusted EBIT / Segment Result	**103,662**	**8,425**	**31,841**	**2,137**	**(10,033)**	**136,032**

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

[2] Land wholesale interest only.

[3] The results of the new acquisitions and investments are shown in the following segments: Travel Partners, Executive Travel Limited and Travel Managers in the Australia & NZ segment, LDV in the Americas segment, ETSC investment in associate in the EMEA segment and BHMA and Olympus in the Other segment.

1 SEGMENT INFORMATION (CONTINUED)

31 DECEMBER 2016 (RESTATED)	AUSTRALIA & NZ[3] $'000	AMERICAS $'000	EMEA[3] $'000	ASIA $'000	OTHER SEGMENT $'000	TOTAL $'000
SEGMENT INFORMATION						
TTV[1]	5,652,626	1,931,172	1,222,056	438,688	98,737	9,343,279
Total segment revenue	767,964	236,675	179,791	36,476	109,859	1,330,765
Inter-segment revenue	(8,442)	(4,513)	(2,264)	(819)	(11,122)	(27,160)
Revenue from external customers	**759,522**	**232,162**	**177,527**	**35,657**	**98,737**	**1,303,605**
Statutory EBITDA	**128,242**	**74**	**29,335**	**(1,336)**	**(12,471)**	**143,844**
Depreciation and amortisation	(23,014)	(5,532)	(4,957)	(1,548)	(1,003)	(36,054)
Statutory EBIT	**105,228**	**(5,458)**	**24,378**	**(2,884)**	**(13,474)**	**107,790**
Interest income	2,791	634	3,422	34	6,566	13,447
BOS interest expense	(7,907)	(1,374)	(1,441)	-	(181)	(10,903)
Other interest expense	(1,188)	(453)	(890)	(741)	2,323	(949)
Other non-material items	(222)	-	(10)	(2)	-	(234)
Net profit before tax and royalty	**98,702**	**(6,651)**	**25,459**	**(3,593)**	**(4,766)**	**109,151**
Royalty	5,268	-	(5,268)	-	-	-
Net profit before tax and after royalty	**103,970**	**(6,651)**	**20,191**	**(3,593)**	**(4,766)**	**109,151**

RECONCILIATION OF STATUTORY EBIT TO ADJUSTED EBIT

Statutory EBIT	**105,228**	**(5,458)**	**24,378**	**(2,884)**	**(13,474)**	**107,790**
Interest income[2]	1,323	24	176	-	5,076	6,599
BOS interest expense	(7,907)	(1,374)	(1,441)	-	(181)	(10,903)
Net FX (gains) / losses on intercompany loans	-	-	-	-	1,715	1,715
Loss on disposal of joint venture	-	-	-	-	4,066	4,066
Other non-material items	-	-	-	(2)	(382)	(384)
Adjusted EBIT / Segment Result	**98,644**	**(6,808)**	**23,113**	**(2,886)**	**(3,180)**	**108,883**

[1] TTV is non-IFRS financial information and is not subject to audit or review procedures.
[2] Land wholesale interest only.
[3] The results of Ignite investment in associate are shown in Australia & NZ segment, Nordics and Germany acquisition are shown in EMEA segment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 BUSINESS COMBINATIONS

(A) CURRENT YEAR ACQUISITIONS

Summary of acquisitions

During the period FLT announced the acquisitions as set out below. The initial accounting for the business combinations is provisional pending finalisation of take-on balance sheets and valuation of intangible assets.

BESPOKE HOSPITALITY MANAGEMENT ASIA (BHMA)

On 24 July 2017, FLT acquired 100% of Bespoke Hospitality Management Asia (BHMA), a fast-growing Asia-based hotel management company, for an initial cash payment of $6,553,000. Future tranche payments may be required based on the performance of the business during FY18 and FY19 (refer note 3).

BHMA's current management portfolio includes 14 properties in Bangkok, Phuket, Koh Samui, Pattaya and Chiang Mai, plus an additional 19 properties that are under development and due to open. The properties range from individual villas and apartments to boutique hotels and resorts. The company is taking on larger properties, including a 265-room hotel in Bangkok, and is poised to expand its footprint in Vietnam and Indonesia.

The goodwill represents the value to FLT of obtaining instant access to a hotel management company which has established brands, market presence and hotel management operating systems.

LES VOYAGES LAURIER DU VALLON (LDV)

On 1 August 2017, FLT acquired 75% of Les Voyages Laurier Du Vallon Inc. (LDV) for a consideration of $17,094,000 and simultaneously entered into a put/call option over the remaining 25% (refer note 3). This resulted in FLT gaining effective control over 100% of LDV.

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

The goodwill represents the value to FLT of obtaining instant growth in the Quebec region, an important market to FLT as the second largest travel market in Canada.

OLYMPUS TOURS

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

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

The goodwill represents the value to FLT of obtaining instant access to a DMC business company which has an established brand, in the key operating segment of the Americas.

TRAVEL MANAGERS GROUP

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

The goodwill recognised represents the value to FLT of obtaining instant growth in the home-based travel agent market in New Zealand.

EXECUTIVE TRAVEL LIMITED

On 31 August 2017, FLT gained effective control over 100% of Executive Travel Limited (ETL) through the Share Purchase Agreement and other contracts entered into as part of the transaction for a cash consideration of $10,597,000. Future payments may be required based on the performance of the business to 31 December 2018 (refer note 3).

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

The goodwill recognised represents the value to FLT of immediately growing its market share in the corporate travel market in New Zealand.

2 BUSINESS COMBINATIONS (CONTINUED)

TRAVEL PARTNERS

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

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

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

	NOTES	BHMA $'000	TMG $'000	OLYMPUS $'000	ETL $'000	LDV $'000	TRAVEL PARTNERS $'000	TOTAL $'000
% Ownership		100%	100%	100%	100%	75%	100%	
Purchase consideration								
Cash consideration		6,553	7,939	26,973	10,597	17,094	3,508	72,664
Contingent consideration	3a	7,329	-	-	2,224	6,070	970	16,593
Working capital adjustments		-	-	592	-	-	-	592
Total purchase consideration		**13,882**	**7,939**	**27,565**	**12,821**	**23,164**	**4,478**	**89,849**
Assets and liabilities acquired at fair value								
Cash and cash equivalents		173	1,801	2,969	655	1,095	-	6,693
Accounts receivable		239	2,120	3,260	2,314	1,988	-	9,921
Prepayments		20	8	-	8	-	-	36
Other assets		41	22	19	-	299	-	381
Property, plant and equipment		13	109	440	51	640	46	1,299
Intangible assets	2c	5	-	42	-	-	-	47
Deferred tax assets		-	-	-	-	-	75	75
Trade and other payables		(1,744)	(4,031)	(6,029)	(1,982)	(2,205)	-	(15,991)
Provisions		-	(52)	-	(394)	-	(249)	(695)
Deferred tax liabilities		-	-	(200)	-	-	-	(200)
Net identifiable assets and liabilities acquired		**(1,253)**	**(23)**	**501**	**652**	**1,817**	**(128)**	**1,566**
Acquisition reserve[1]		-	-	-	-	6,070	-	6,070
Goodwill arising on acquisition[2]	2c	15,135	7,962	27,064	12,169	15,277	4,606	82,213
		13,882	**7,939**	**27,565**	**12,821**	**23,164**	**4,478**	**89,849**

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

[2] Goodwill arising on acquisition is provisional pending the results of audit and valuation of the acquired intangible assets.

	BHMA	TMG	OLYMPUS	ETL	LDV	TRAVEL PARTNERS	TOTAL
Purchase consideration - cash outflow							
Cash consideration	6,553	7,939	26,973	10,597	17,094	3,508	72,664
Working capital adjustment	-	-	592	-	-	-	592
Less: balances acquired	(173)	(1,801)	(2,969)	(655)	(1,095)	-	(6,693)
Total cash outflow - investing activities	**6,380**	**6,138**	**24,596**	**9,942**	**15,999**	**3,508**	**66,563**

2 BUSINESS COMBINATIONS (CONTINUED)

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

	BHMA $'000	TMG $'000	OLYMPUS $'000	ETL $'000	LDV $'000	TRAVEL PARTNERS $'000	TOTAL $'000
Revenue & profit contribution from the date of acquisition to period-end							
Revenue	698	4,273	10,433	2,135	3,813	12,097	33,449
Profit / (Loss) before tax	(228)	678	751	478	1,163	(174)	2,668
Had the acquisitions occurred on 1 July 2017, revenue and profit contribution for the period-end would have been:							
Revenue & profit contribution for half year to 31 December 2017							
Revenue	889	6,124	13,601	3,651	5,366	12,097	41,728
Profit / (Loss) before tax	(594)	518	1,102	1,084	1,853	(174)	3,789

Acquisition costs

Acquisition-related costs of $848,000 have been recognised in the statement of profit or loss and other comprehensive income (other expenses) and in operating cash flows in the statement of cash flows (payments to suppliers and employees).

(B) PRIOR YEAR ACQUISITIONS

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

(C) RECONCILIATION OF INTANGIBLE ASSETS MOVEMENTS

	NOTES	GOODWILL $'000	BRAND NAMES AND CUSTOMER RELATIONSHIPS $'000	SOFTWARE $'000	TOTAL $'000
Balance at 1 July 2017		**371,808**	**14,822**	**84,864**	**471,494**
Additions		-	-	17,492	17,492
Acquisitions	2a	82,213	5	42	82,260
Disposals		-	-	(2,830)	(2,830)
Amortisation		-	(86)	(6,814)	(6,900)
Other		1,651	-	-	1,651
Exchange differences		(1,928)	(8)	(126)	(2,062)
Balance at 31 December 2017		**453,744**	**14,733**	**92,628**	**561,105**

(D) RECONCILIATION TO CASH FLOW STATEMENT

	NOTES	$'000
Acquisition of subsidiary - net cash outflow	2a	66,563
Total outflow of cash - investing activities		**66,563**

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(A) FAIR VALUE HIERARCHY

There have been no changes to the classification of financial instruments within the fair value hierarchy from 30 June 2017. All financial instruments are stated at their carrying amount, which approximates fair value with the exception of debt securities measured at fair value through other comprehensive income (FVOCI). The valuation techniques of financial instruments are described below:

DEBT SECURITIES

Refer to note 7 for valuation techniques of financial asset investments.

CONTINGENT CONSIDERATION

Contingent consideration is recognised in relation to the acquisitions listed below. FLT has determined that it is classified as Level 3 (2016: Level 3) under the AASB 13 Fair value measurement hierarchy as the main valuation inputs outlined below are unobservable.

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

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

Top Deck Tours Limited (TDT)

The financial liability related to the put option for TDT ($4,488,000) has been recorded as part of current contingent consideration as it is now available to exercise at either parties' discretion. The fair value of this liability is calculated as the higher of a multiple of the probability-adjusted EBITDA or a minimum amount payable (floor price). The expected cash flows are currently based on the floor price of $4,488,000.

AVMIN

The financial liability related to the put option for AVMIN ($1,125,000) has been recorded as part of non-current contingent consideration. The fair value of this liability has been estimated by discounting the value of future expected cash flows for the settlement of the put option at a discount rate of 2.1% for AVMIN. The expected cash flows are based on a multiple of the probability-adjusted EBITDA of between $454,000 and $524,000 at the expected date of exercise.

Ignite Travel Group

The financial liability related to the earn out payment for Ignite ($2,486,000) has been recorded as part of non-current contingent consideration. The potential undiscounted amount payable per the share sale agreement is between $nil and $2,515,000. The calculation is based on a multiple of the estimated final audited 30 June 2019 consolidated EBITDA, using a discount rate of 2%.

Travel Tour Groups India

In relation to the amount payable for the TTG acquisition ($3,807,000), fair value has been established through valuation of the FCM India business. The contingent consideration represents 7.39% of this valuation.

BHMA

Contingent consideration of $7,329,000 to be paid to the shareholders has been recorded as part of non-current contingent consideration. The potential undiscounted amount payable under the agreement is between $nil and $7,329,000. The calculation is based on a multiple of revenue growth within the Asia and Non-Asia markets between the calendar years ended 31 December 2018 and 2019, using a discount rate of 2%.

Executive Travel

The financial liability related to the earn out for ETL ($2,224,000) has been recorded as part of non-current contingent consideration. The fair value of this liability is based on the forecast audited EBITDA of ETL in the financial year to 31 December 2018.

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

LDV

The financial liability related to the put option for LDV ($6,070,000) has been recorded as part of non-current contingent consideration. The option is exercisable after two years from the acquisition date.

The settlement amount is based on a multiple of the company's EBITDA in the highest of 2017 (the year acquired) or the year the option is exercised.

The expected cash flows are based on the probability-adjusted EBITDA of $2,954,000 at the expected date of exercise in FY2020. The fair value of this liability has been estimated by discounting the value of future expected cash flows at a discount rate of 1.6%.

Travel Partners

The financial liability related to the earn out payment for Travel Partners ($970,000) has been recorded as part of contingent consideration ($163,000 as current with the remaining $807,000 as non-current). The fair value of this liability is based on TTV growth multiples for the three financial years following acquisition.

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

	NOTES	CONTINGENT CONSIDERATION $'000
Opening balance 1 July 2017		**11,965**
New business combinations	2a	16,593
Other increases / (decreases)		(89)
Unrealised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		62
Realised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		(49)
Closing balance 31 December 2017		**28,482**
Current contingent consideration		8,454
Non-current contingent consideration		20,028
Total contingent consideration		**28,482**

(B) FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

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

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

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

4 REVENUE

REVENUE FROM THE SALE OF TRAVEL SERVICES	HALF-YEAR ENDED 31 DECEMBER 2017 $'000	HALF-YEAR ENDED 31 DECEMBER 2016 $'000 RESTATED[1]
Commission and fees from the provision of travel	901,849	868,378
Revenue from the provision of travel	333,706	289,672
Revenue from tour operations[1]	89,038	79,077
Revenue from other operations	35,519	51,467
Total revenue from the sale of travel services	**1,360,112**	**1,288,594**
OTHER REVENUE		
Rents and sub-lease rentals	1,220	1,307
Interest	12,055	13,447
Royalties	390	257
Total other revenue	**13,665**	**15,011**

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

ACCOUNTING POLICY

The group recognises revenue when:

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

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

REVENUE FROM THE SALE OF TRAVEL SERVICES

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

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

Revenue from tour operations, where FLT is acting as principal, is derived from FLT owned touring and ground-handling operations, including Top Deck Tours Limited, Back Roads Touring Co. Limited and Olympus Tours. It is recognised upon tour departure.

5 OTHER EXPENSES

	HALF-YEAR ENDED 31 DECEMBER 2017 $'000	HALF-YEAR ENDED 31 DECEMBER 2016 $'000
Other occupancy costs	32,906	32,131
Consulting fees	43,294	35,039
Communication and IT	48,825	45,033
Net foreign exchange losses	520	81
Loss on disposal of Employment Office[1]	-	4,066
Other expenses	104,708	102,813
Total other expenses	**230,253**	**219,163**

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

6 CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER 2017 $'000	AS AT 30 JUNE 2017 $'000
General cash at bank and on hand	361,485	425,861
Client cash	649,423	855,787
Total cash and cash equivalents	**1,010,908**	**1,281,648**
Reconciliation to Statement of Cash Flows		
Cash and cash equivalents	1,010,908	1,281,648
Bank overdraft	(765)	-
Balance per Statement of Cash Flows	**1,010,143**	**1,281,648**

FLT's global cash and investment portfolio as at 31 December 2017 totalled $1,213,463,000 (30 June 2017: $1,481,622,000). This represents cash and cash equivalents and financial asset investments (refer to note 7).

7 FINANCIAL ASSET INVESTMENTS

	AS AT 31 DECEMBER 2017 $'000	AS AT 30 JUNE 2017 $'000
Equity investments - Fair value through profit or loss (FVTPL)[1]	1,298	643
Debt securities - Fair value through profit or loss (FVTPL)[1]	10,706	4,396
Debt securities - Fair value through other comprehensive income (FVOCI)[1]	94,862	99,246
Debt securities - Amortised cost	33,689	65,689
Repurchase receivable - Amortised cost	62,000	30,000
Total financial asset investments	**202,555**	**199,974**

[1] These are general investments.

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

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

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

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

Debt securities at FVOCI and debt securities at FVTPL are measured at fair value, which is determined by reference to price quotations in a market for identical assets. As the assets are not heavily traded, FLT has determined that they are classified as Level 2 (2017: Level 2) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique as described above.

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

8 BORROWINGS

CURRENT	AS AT 31 DECEMBER 2017 $'000	AS AT 30 JUNE 2017 $'000
Bank loans	22,194	14,073
Short-term borrowings	56,044	26,883
Net unsecured notes principal	13,248	14,910
Total current borrowings	**91,486**	**55,866**

9 NET DEBT

NET DEBT	NOTES	AS AT 31 DEC 2017 $'000	AS AT 30 JUNE 2017 $'000
General cash at bank and on hand	6	361,485	425,861
General financial investments	7	106,866	104,285
		468,351	**530,146**
LESS:			
Borrowings - current	8	91,486	55,866
Positive net debt[1]		**376,865**	**474,280**

FLT is currently in a positive net debt position.

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

10 DIVIDENDS

OVERVIEW

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

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

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

The interim dividend payment represents a $60,566,000 (2016: $45,443,000) return to shareholders, 59.3% (2016: 61.0%) of FLT's statutory NPAT. It represents 59.3% (2016: 58.1%) of FLT's underlying NPAT[1].

	HALF-YEAR ENDED	
ORDINARY SHARES	DECEMBER 2017 $'000	DECEMBER 2016 $'000
Final ordinary dividend for the year ended 30 June 2017 of 94.0 cents (2016: 92.0) per fully paid share.	94,990	92,873
Dividends not recognised at the end of the half year		
Since half-year end, the directors have recommended an interim dividend of 60.0 cents (2016: 45.0 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 April 2018 out of retained profits at 31 December 2017, but not recognised as a liability at the end of the half year is:	60,566	45,443

[1] Underlying NPAT is a non-IFRS measure. December 2017 does not include any underlying adjustments. December 2016 underlying PBT excludes $4,066,000 relating to the loss on disposal of investment in Employment Office and underlying PAT also excludes the related tax impact of $303,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 CONTRIBUTED EQUITY

OVERVIEW

Typically movements in contributed equity relate to shares issued under the employee share plan (ESP). This reinforces the importance that FLT places on ownership to drive business improvement and overall results.

Where shares in FLT are acquired by on-market purchases prior to settling the vested entitlement, the cost of the acquired shares is carried as treasury shares and deducted from equity.

RECONCILIATION OF ORDINARY SHARE CAPITAL

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

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

DETAILS	NUMBER OF AUTHORISED SHARES	WEIGHTED AVERAGE ISSUE PRICE	$'000
Opening Balance 1 July 2016	**100,927,520**		**399,236**
Employee Share Plan	52,249	$33.36	1,743
Employee Share Plan Matched Shares	3,614	$0.00	-
Closing Balance 31 December 2016	**100,983,383**		**400,979**
Opening Balance 1 July 2017	**101,048,815**		**402,759**
Employee Share Plan	13,164	$45.43	598
Closing Balance 31 December 2017	**101,061,979**		**403,357**

RECONCILIATION OF TREASURY SHARES

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

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

DETAILS	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	$'000
Opening Balance 1 July 2017	**(53,114)**		**(1,801)**
Purchase of shares by share trust	(124,228)	$45.43	(5,644)
Allocation of shares to employee share plan	52,720	$44.04	2,322
Allocation of shares to employee share plan matched shares	5,782	$46.66	270
Closing Balance 31 December 2017	**(118,840)**		**(4,853)**

12 EARNINGS PER SHARE

OVERVIEW

Statutory earnings per share (EPS) was 101.2 cents (2016: 73.7 cents), up 37.3% (2016: down 36.3%) on the prior comparative period. At an underlying level[1], EPS increased 30.6% (2016: decreased 26.0%) to 101.2 cents (2016: 77.5 cents).

	HALF-YEAR ENDED	
BASIC EARNINGS PER SHARE	**31 DECEMBER 2017 CENTS**	**31 DECEMBER 2016 CENTS**
Profit attributable to the company's ordinary equity holders	101.2	73.7
DILUTED EARNINGS PER SHARE		
Profit attributable to the company's ordinary equity holders	100.7	73.5

RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE	**$'000**	**$'000**
Profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	102,158	74,447

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	**NUMBER**	**NUMBER**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share[2]	100,972,676	100,951,527
Adjustments for calculation of diluted earnings per share:		
Share rights	478,666	323,325
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	101,451,342	101,274,852

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

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

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

LTRP & ESP

Rights granted under the LTRP and ESP are considered contingently issuable ordinary shares as at 31 December 2017 as if this was the end of the contingency period if they have met the related service-based contingencies. They are included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights are not included in the determination of basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 CONTINGENT ASSETS AND LIABILITIES

ACCC COMPETITION LAW TEST CASE

CURRENT STATUS

On 14 December 2016, a majority of the High Court of Australia ruled in favour of the ACCC ending the main part of the long running competition law case that the ACCC initiated against FLT. This judgement overturned the unanimous Full Federal Court judgement in FLT's favour handed down in July 2015. The initial penalty of $11 million was returned to FLT in August 2015 following the successful appeal to the Full Federal Court. The Full Federal Court's rehearing of the appeal against the penalty payable by Flight Centre was held on 10 May 2017. The Full Court reserved judgement and we expect it will be delivered during 2018. FLT is also liable for a portion of the ACCC's legal costs. The penalty and ACCC's legal costs have not been accrued as they are not reliably measurable.

GENERAL CONTINGENCIES

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

As a global business, from time to time FLT is also subject to various claims and litigation from third parties during the ordinary course of its business. The directors of FLT have given consideration to such matters which are or may be subject to claims or litigation at period end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims of litigation exists.

The group had no other material contingent assets or liabilities.

14 COMMITMENTS

3MUNDI

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

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

As at 31 December 2017, no asset or liability has been accrued as the related derivatives (classified as level 3 financial instruments, valuation based on EBITDA multiple) are deemed to have no significant value.

IGNITE

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

- Tranche 2 obliges FLT to acquire a further 2% of Ignite's share capital upon finalisation of the June 2018 audit. This was initially at the finalisation of the June 2017 audit, however this was subsequently amended.
- Tranche 3 obliges FLT to acquire an additional 24% of Ignite's share capital upon finalisation of the June 2019 audit.
- Tranche 4 obliges Ignite's original owners to grant FLT a call option and FLT to grant the Ignite original owners a put option over the remaining 25% of Ignite's share capital.

The amended contract includes an advance payment of $4,000,000 in respect of future tranches payable upon finalisation of the June 2018 audit.

The contract also grants Ignite's original owners a conditional put option at the end of June 2019 (initially June 2018, amended as per above) which is highly unlikely to vest. As at 31 December 2017, no liability has been accrued for these future tranches as the tranches are not yet exercisable and any related derivatives are deemed to have no significant value.

14 COMMITMENTS (CONTINUED)

AIRTREE

In a prior period, FLT signed an agreement with AirTree Ventures 2 Partnership LP to invest $5,000,000 into the venture capital fund. As at 31 December 2017 FLT has only received capital calls to the value of $1,298,000 leaving $3,702,000 to be called in the future. The amount to be called has not been recognised as a liability at period end as FLT does not have a present obligation. The obligation only arises upon receipt of the capital call notices.

FLT has no control or managerial involvement in the running of the venture capital fund and the total contribution of $5,000,000 is less than 4% of the total capital in the fund.

15 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

ACQUISITION SUBSEQUENT TO YEAR END

On 1 January 2018, in accordance with the overlying shareholder agreement, FLT gained control over Buffalo Tours (Singapore) Pte and Buffalo Tours (Hongkong) Limited. At 31 December 2017 these have been recognised as investments in joint ventures. The change from joint control to control occurred because of a change in Board representation giving FLT a majority without any change in ownership.

The initial accounting for this step acquisition is incomplete at the time the financial report was authorised for issue, accordingly further disclosures under *AASB 3 Business Combinations* cannot be made.

APPOINTMENT OF DIRECTOR

On 7 February 2018, FLT appointed C. Garnsey as a non-executive director.

DIVIDEND

On 22 February 2018, FLT's directors declared a dividend for the half-year ended 31 December 2017. Refer to note 10 for details.

OTHER MATTERS

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

16 SEASONALITY

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

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

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

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

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

(A) BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Flight Centre Travel Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and *ASX Listing Rules*.

The accounting policies adopted are consistent with those applied at 30 June 2017.

Reclassification

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

(B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New or amended standards that became applicable to FLT for the first time for the 31 December 2017 interim half-year report did not result in a change to the group's accounting policies or require any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period, as outlined below:

AASB 15 Revenue from Contracts with Customers

AASB 15 was issued by the AASB in December 2014 and replaces virtually all revenue recognition requirements, including those as set out in *AASB 118 Revenue*. The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (e.g. leases).

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

IMPLEMENTATION

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

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

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

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

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

DISCLOSURE

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

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

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

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

AASB 16 Leases

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

The key features of the new standard are:

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

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

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

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

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of Flight Centre Travel Group Limited for the half-year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

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

On behalf of the board

G.F. Turner
Director

22 February 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Flight Centre Travel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
22 February 2018