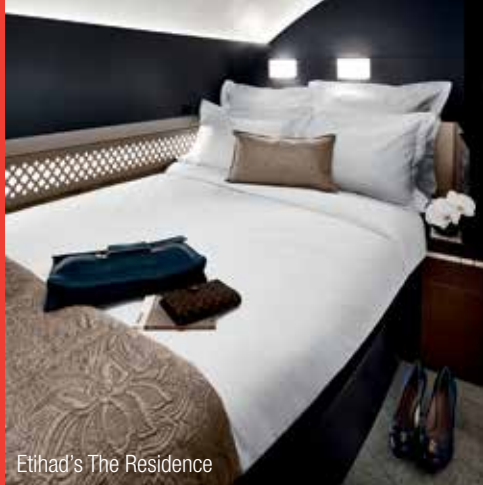




THE DAWN OF A GOLDEN ERA IN WORLD TRAVEL

CHEAPER AIRFARES
MORE AIRLINE CHOICE
GREATER COMFORT
LESS FLYING TIME

ANNUAL REPORT 2013/14

FLIGHT CENTRE
TRAVEL GROUP™



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KEY DATES 2014/15

AUGUST 27, 2014	2013/14 full year results released
SEPTEMBER 19, 2014	2013/14 final dividend record date
OCTOBER 17, 2014	2013/14 final dividend payment date
OCTOBER 30, 2014	Annual General Meeting
FEBRUARY 24*, 2015	2014/15 half year results released
MARCH 27*, 2015	2014/15 interim dividend record date
APRIL 16*, 2015	2014/15 interim dividend payment date

*Dates are subject to change

CORPORATE DIRECTORY

DIRECTORS

G.F. Turner
P.R. Morahan
G.W. Smith
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R.A. Baker

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STOCK EXCHANGE LISTINGS

FLT shares are listed on
the Australian Securities Exchange.

WEBSITE ADDRESS

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ABN

25 003 377 188

This financial report covers the consolidated financial statements for the consolidated entity consisting of Flight Centre Travel Group Limited (formerly Flight Centre Limited) and its subsidiaries. The financial report is presented in Australian currency.

Flight Centre Travel Group Limited (FLT) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Flight Centre Travel Group Limited
Level 2, 545 Queen St
BRISBANE QLD 4000

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 27 August 2014. The directors have the power to amend and reissue the financial report.

CHAIRMAN'S MESSAGE

BY PETER MORAHAN



Welcome to the Flight Centre Travel Group's (FLT) annual report for 2013/14.

I am pleased to report that the year to June 30, 2014 was another successful period for your company.

As you will read in the following pages, we achieved healthy underlying profit and sales growth, while continuing to invest in and expand our business. Importantly, we also made significant strategic progress, as we continued our transition from a travel agency to a world class retailer of travel products.

Given that our specific achievements - including our financial and operational highlights and, of course, our disappointments - are well documented elsewhere in this report, I don't intend to focus on them in detail in this column.

Instead, I will reflect briefly on our growth during the past six years, before sharing some statistics that underline our achievements in two areas that are very important but not always in the spotlight when we outline our accomplishments:

1. Our ability to identify and develop leaders and then fast-track their careers; and
2. Our contribution to the broader community via our various corporate social responsibility platforms

Growth

Looking back to my inaugural chairman's column in 2007/08, various achievements and milestones were highlighted.

These included:

- Total transaction value (TTV) exceeding \$10billion for the first time
- A profit before tax (PBT) exceeding \$200million for the first time; and
- Dividend payments to shareholders totalling \$0.86 per share

We also spoke of our global workforce reaching 13,000 people and looked forward to the opening of our 2000th shop early in 2008/09.

Now, just six years later:

- TTV has increased more than 60% to \$16billion
- Underlying PBT has increased about 77% to \$376.5million; and
- Dividend payments to shareholders have increased about 77% to \$1.52 per share

In July 2013, we opened our 2500th shop and business - five years after our 2000th - and our global workforce included more than 17,000 people by the end of 2013/14.

General funds - or company cash - have almost tripled.

Generally speaking, we have enjoyed considerable success in developing brands and rolling them out globally, a trend that should continue into the future. We have also completed our share of acquisitions and, in recent market announcements, have highlighted areas that could be of interest in the years ahead.

Leadership development

As these figures highlight, FLT is a growth company.

This means that we need to constantly develop leaders for our expanding global network of shops and support businesses. To meet this need, FLT places great emphasis on firstly identifying and nurturing talent and secondly promoting from within wherever possible.

This policy of promoting from within allows talented individuals to progress rapidly through the ranks and also ensures that our leaders have a great understanding of the business.

2013/14 milestones

- FLT's 2500th shop/business opened in July 2013
- 1000th Australian retail business opened
- Corporate Traveller brand's 20th birthday
- 250th shop/business opened in both Canada and the UK
- Canada TTV exceeded C\$1billion for first time
- USA TTV exceeded AUD\$2billion

We take pride in the fact that four of the five members of Graham "Skroo" Turner's global taskforce, the team that now sets the company's strategic direction, started their career with FLT as travel agents.

In addition to Skroo, the taskforce includes:

- Andrew Flannery, our chief financial officer and the only non travel agent in the team
- Melanie Waters-Ryan, our chief operating officer (COO) and the leader of our Australian business
- Rob Flint, the leader of our global corporate travel and Asia businesses
- Dean Smith, our United States executive general manager; and
- Chris Galanty, our executive general manager in the United Kingdom

Taskforce team members are relatively young in executive terms - the average age is 46 - but are highly experienced, with an average tenure of almost 20 years within FLT.

The leaders of our individual businesses globally have similar backgrounds.

Excluding Chris Greive (New Zealand) and Rakshit Desai (India), both of whom were recently appointed (or reappointed in Chris's case), the leaders of our individual countries have an average age of 42 and an average tenure of 17 years.

Six of the eight country leaders started as travel agents, while two joined as accountants.

Corporate social responsibility (CSR)

FLT acknowledges its responsibilities to its people, customers and the broader community, plus of course its suppliers and shareholders, and seeks to deliver sustainable benefits to all stakeholders.

While the company rarely talks publicly about its achievements in the CSR area, its accomplishments have been significant as highlighted by the following statistics:

- **Job creation:** At a time when many companies have rationalised their workforce, FLT created about 1200 new jobs globally during the past year
- **Employee earnings:** FLT paid its people in the order of \$1billion in salaries and wages during the year. A leisure travel consultant was in our top 10 earners globally and 16 front-end sales staff featured in our top 100
- **Health and financial well-being:** Healthwise conducted 9700 health and fitness consultations during the year, while Moneywise met with 8000 people. The combined total - 17,700 consultations - represents an average of one health or financial consultation for every staff member during the year
- **Gender diversity:** Almost half of the company's leaders are women. High profile examples include Melanie Waters-Ryan, our COO, Carole Cooper, our global Peopleworks (HR) leader, Janine Salame, our leader in South Africa, and Suyin Lee, our executive general manager in Singapore

CHAIRMAN'S MESSAGE CONTINUED

BY PETER MORAHAN (CONTINUED)

- **Workplace flexibility:** About 18% of our Australian workforce now work from home or under casual or part-time arrangement
- **Noble Selling Purpose (NSP):** The company invested significantly in this program during the year and has earmarked embedding the NSP as a priority throughout the organisation for 2014/15
- **Community assistance:** During 2013/14, the Flight Centre Foundation donated more than \$1million to charities and causes in Australia alone. The foundation has now donated \$6.6million since it was created in 2008
- **Staff contribution:** FLT has introduced a volunteer leave program that allows its people in Australia to take an additional day's paid leave each year to help charities. During 2013/14, FLT's people contributed roughly 1300 hours
- **Supply chain:** The company's TTV for 2013/14 equated to more than \$300million on average in sales for suppliers every week; and
- **Shareholder returns:** Based on FLT's \$47.50 closing share price on July 31, 2014, a shareholder who invested \$20,000 in the company's float in 1995 would have had a \$1million holding. Including the 2013/14 final dividend payment, that shareholder would have received an additional \$240,000 in dividends

2014/15

The year ahead - 2014/15 - will be our 20th as a public company and, as is the case in any given year, we are certain to face our share of challenges. Already, we have been touched by the loss of flight MH17. This tragic and senseless event claimed the lives of 13 of our customers and our thoughts are with all of those who have been affected.

As outlined in greater detail in Skroo's columns, growth targets are in place for 2014/15 and we are well placed to capitalise on the opportunities that will inevitably arise.

Our strengths include:

- Brand and geographic diversity - FLT now has company-owned businesses in 11 countries and generates more than 30% of its sales from corporate travel, making it one of the few travel companies globally that generates significant revenue from both leisure and business travel. Our non-travel businesses are also starting to make meaningful contributions
- Our balance sheet - we maintain strong cash reserves and have very little debt; and
- The strength of our sales force and leadership teams - we have dedicated and highly capable sales people, backed by young but experienced leaders

We are also investing in our infrastructure by enhancing systems and taking proactive steps to improve our shops and corporate travel offices by incorporating new features, as outlined elsewhere in this report.

In addition, we have a clear blueprint for the future and are proactively differentiating our business from current and future competitors by developing unique product ranges, blending on and offline operations and adopting various other strategies.

Board structure

As announced at our Annual General Meeting last October, I intend to resign after almost seven years as chairman before our next AGM. The company intends to maintain a five-person board and aims to appoint a replacement director in the near term.

FLT has a strong board and highly functional committees that are providing strong input and delivering real value.

Once again, thank-you for your support of our company. I believe we are well placed to deliver solid returns to our stakeholders in the future and I will continue to closely follow our company's progress as we enter a golden era of travel.

<i>Five-Year Summary</i>	June 2014	June 2013	June 2012	June 2011	June 2010
TTV	\$16,049m	\$14,259m	\$13,238m	\$12,200m	\$10,894m
Income margin	14.0%	13.9%	13.8%	13.8%	14.3%
EBITDA	\$378.4m	\$395.2m	\$330.7m	\$256.9m	\$257.3m
PBT (statutory)	\$323.8m	\$349.2m	\$290.4m	\$213.1m	\$198.5m
NPAT (statutory)	\$206.9m	\$246.1m	\$200.1m	\$139.8m	\$139.9m
EPS	205.8c	245.6c	200.1c	140.0c	140.3c
DPS	152.0c	137.0c	112.0c	84.0c	70.0c
ROE	18.8%	24.0%	23.3%	18.9%	19.7%

YEAR IN REVIEW AND OUTLOOK

BY GRAHAM TURNER



The Flight Centre Travel Group (FLT) has announced record results for 2013/14.

The company achieved a \$376.5million underlying profit before tax (PBT) for the year to June 30, 2014, a 9.7% increase on the record \$343.1million underlying PBT achieved during 2012/13.

Underlying PBT for 2013/14 does not include some non-recurring items. Specifically, these items are:

- The \$61.3million non-cash write-downs to goodwill and brand names that were announced in July 2014
- \$11million in fines imposed after the ACCC's competition law test case. FLT has appealed both the judgment and the fines that were subsequently imposed and has been advised that both appeals should be heard in November 2014; and
- A one-off \$19.6million gain within the Flight Centre Global Product (FCGP) business that was initially flagged at the half year in February 2014

Including these items, FLT achieved a statutory PBT of \$323.8million.

Underlying net profit after tax (NPAT) increased 9.8% to \$263.6million. Statutory NPAT was \$206.9million.

TTV increased 12.6% to a record \$16.05billion, while revenue increased 13% and finished the year at \$2.2billion.

Income margin was 14%, slightly above 2012/13.

FLT finished the year with record cash reserves and a strong positive net debt position, as outlined in Andrew Flannery's column within this report.

In light of the strong cash performance, FLT's directors declared a fully franked \$0.97 per share final dividend for 2013/14. This follows the \$0.55 per share interim dividend (paid in April 2014) and means shareholders will collectively receive about \$153million in dividend payments.

Operational highlights

Operational highlights included:

- Profits from all 10 countries for the fourth consecutive year, with seven countries achieving record EBIT - Australia, the United Kingdom,

the United States, New Zealand, South Africa, Singapore and Greater China

- Record TTV in all countries in local currency; and
- Continued network expansion. In addition to growing organically, FLT acquired a small corporate travel business in Ireland, Travelplan Corporate Limited, in April 2014 and announced plans to create a destination management joint venture in Asia

Results were generally stronger in leisure, although profit growth slowed late in the year, following the release of the Federal Budget in Australia.

In Australia, sales and profits increased in both the leisure and business travel sectors.

Corporate TTV increased marginally, but solid EBIT growth was achieved as the business benefited from cost reduction initiatives that took place late in 2012/13.

While the Australian business remained the company's main profit and sales driver, significant progress was again made overseas.

Together, FLT's international businesses contributed \$90.2million to group EBIT during 2013/14, a 21% year-on-year increase and another promising sign for the future.

Combined overseas EBIT has now:

- Increased 45% over the past two years; and
- Almost tripled over the past four years

The UK was again FLT's largest profit contributor after Australia. UK EBIT increased 24% to \$39.8million, with both the leisure and corporate businesses growing solidly.

The US business was again FLT's second largest region by sales.

The business turned over in excess of AUD\$2billion and generated a record \$12.7million in EBIT, up 16% on the prior year.

The US corporate travel business was again the major profit driver and generated 44% of TTV.

GLOBAL RESULTS¹



AUSTRALIA

TTV: \$9,115.7m,
up 7% in AUD
EBIT: \$289.4m
Businesses: 1421



USA

TTV: \$2,088.9m,
up 21.0% in AUD
(up 8.4% in local currency)
EBIT: \$12.7m
Businesses: 295



UK (INCLUDES IRELAND)

TTV: \$1,533.1m,
up 29.1% in AUD
(up 11.3% in local currency)
EBIT: \$39.8m
Businesses: 262



CANADA

TTV: \$1,079.6m,
up 13.2% in AUD
(up 8.0% in local currency)
EBIT: \$0.4m
Businesses: 255



NEW ZEALAND

TTV: \$871.4m,
up 27.1% in AUD
(up 10.1% in local currency)
EBIT: \$16.0m
Businesses: 187



SOUTH AFRICA

TTV: \$449.2m,
up 8.1% in AUD
(up 13.7% in local currency)
EBIT: \$10.6m
Businesses: 163



INDIA

TTV: \$334.9m,
up 5.8% in AUD
(up 6.1% in local currency)
EBIT: \$3.5m
Businesses: 41



GREATER CHINA

TTV: \$196.3m,
up 24.6% in AUD
(up 11.7% in local currency)
EBIT: \$2.3m
Businesses: 30



SINGAPORE

TTV: \$116.1m,
up 43.2% in AUD
(up 30.5% in local currency)
EBIT: \$2.6m
Businesses: 15



DUBAI

TTV: \$69.1m,
up 16.9% in AUD
(up 4.8% in local currency)
EBIT: \$2.2m
Businesses: 9

¹EBIT represents management EBIT

YEAR IN REVIEW AND OUTLOOK CONTINUED

BY GRAHAM TURNER (CONTINUED)

Corporate Traveller expanded into Atlanta and Miami, giving it a presence in 17 US cities.

The leisure business also expanded, with the company's second US hyperstore opening in Boston. In addition, Flight Center branded businesses opened within some existing Liberty locations.

Elsewhere in the world:

- The established New Zealand and South Africa business delivered strong profit and sales results. In NZ, EBIT exceeded the record established in 2003
- The emerging Greater China and Singapore businesses delivered record results and strong year-on-year growth. While corporate travel was again the major contributor, the Hong Kong and Singapore leisure businesses were profitable over the full year
- Canada delivered good top-line growth - TTV exceeded C\$1billion for the first time - but bottom-line results were below expectations. The corporate business, which has traditionally performed strongly, finished slightly down on the prior year in EBIT terms and leisure results were disappointing
- EBIT was in line with the prior year in India. As announced previously, FLT has written down the value of its India investment by \$13million
- The UAE business finished slightly down on the prior year in EBIT terms. To complement its corporate business, FLT will open a leisure travel shop in Abu Dhabi in the first half, following the opening of a Dubai shop during 2012/13; and
- Travelplan Corporate, the acquisition in Ireland - contributed a small profit in the months since acquisition.

Outside of the travel sector, the company's Pedal Group (cycle) joint venture generated \$45.6million in consolidated sales, 26% annual growth, and delivered almost \$2.1million in EBIT during its fifth full year.

Retailer 99 Bikes now has 17 stores, plus a popular web-store, and plans to open an additional three shops during 2014/15.

Wholesaler Advance Traders Australia (ATA) imported more than 45,000 bikes during 2013/14 and continued to develop its nationwide Bicycle Centre licensing network. Sixteen independent bike retailers are now trading as Bicycle Centres, with ATA's support.

Growth strategies

During 2013/14, FLT made significant progress in its journey from a travel agency to a world class retailer.

This journey, which is referred to within FLT as the company's "killer theme", is built around seven mini themes:

1. **Brand and specialisation:** Developing brands that truly specialise in specific areas of travel and have clear customer value propositions (CVPs)
2. **Unique product:** Making, combining and sourcing exclusive FLT products and services, rather than just selling suppliers' products. FLT's brands will have targeted product ranges in line with their specialisations
3. **Experts, not agents:** Ensuring each brand's people are experts in understanding the brand's speciality and that they in turn are backed by "travel gurus" if additional expertise is required
4. **Redefining the shop:** Ensuring corporate, wholesale and retail spaces reflect that FLT's people are retailers first and foremost, not office workers

5. **Blended access:** Ensuring our businesses are always open. Customers can touch, browse and buy FLT's products when and how they want – online, offline, shop, email, chat, phone or SMS
6. **Information – profiles, patterns and predictions:** Gaining a better understanding of customer habits and proactively using this information, thereby delivering and developing better products and increasing FLT's relevance to customers; and
7. **A better sales and marketing machine, focused on lead and enquiry generation:** Ensuring each brand engages with customers across the five phases of the travel cycle and has content that is relevant and up to date

Given that our progress in each of these areas has been highlighted in Melanie Waters-Ryan's column, I will not discuss in great detail the outcomes we have achieved in this section.

In addition to implementing the strategies listed above, we are also working to ensure that our NSP - We care about delivering amazing travel experiences - is embedded throughout the company.

"Care" is about being dedicated to improving our customers' lives and helping them have travel experiences that actually change their lives for the better.

"Delivering" is about proactively making it happen - not just talking about it.

"Amazing" means serving our customers' full needs with genuine expertise and terrific travel products, fantastic information and an actual experience that is extraordinary.

"Travel experiences" refers to an actual travel experience that is life-changing and an exciting experience of the highest quality.

Various NSP-related initiatives are already in place including a Rapid Refund program that allows FLT to refund money to customers immediately, rather than waiting for the funds to be returned by suppliers, a process that can typically take up to 12 weeks.

FLT is also developing new service-related products independently and in conjunction with key suppliers.

For example, work is underway on a City Concierge concept that will provide our customers with a number of personalised services at key destinations globally. The concept is likely to be launched in New York.

In addition, an NSP team has also been created in Sydney.

This team has, to date, focused on our online customers and ensuring that their needs were being met in four areas (the Noble 4) that can sometimes cause issues for travellers:

1. Seat selection
2. Meal requirements
3. Visas/passports; and
4. Frequent Flyer updates.

Operational risks and outlook

At an operational level, key risks for our business to overcome in any given year include:

- Economic uncertainty, which can adversely affect short-term demand
- Global pandemics, SARS for example, that may cause travellers to temporarily bypass affected areas
- Use of alternative distribution channels that potentially allow suppliers and/or customers to bypass agents
- Reliance on the Australian business to drive overall group results

BY GRAHAM TURNER (CONTINUED)

- Cost control and the need to enhance in-store productivity, given that major expense items (wages, advertising and rent) typically increase while airfare prices typically remain steady or become more affordable in real terms
- Leadership, staff development and recruitment to meet FLT's growth needs; and
- Inconsistent customer service

FLT's brand and geographic diversity and the strategies that are in place globally are designed to address these risks in the short-term and, at the same time, buffer the company from future shocks.

For example, FLT's major global presence in leisure and corporate travel, plus the strength of its balance sheet, can shield it from the full effects of economic downturns or issues (including unrest, conflict or disease) that may affect travel to particular destinations.

In addition, the company is actively targeting customers who prefer to book online by delivering better websites and functionality, as part of the blended travel offering.

FLT's early success in creating and launching unique products also provides its consultants with key points of difference, compared to their online and bricks and mortar competitors.

Reliance on the Australian business to drive overall company results is gradually decreasing, as FLT gains scale internationally. About half of our businesses are now located overseas.

Cost control is an ongoing priority, as is enhancing productivity through a raft of new initiatives to help our sales people complete more sales each day.

To address FLT's recruitment and development needs, comprehensive training programs are in place to identify talent, develop leaders and enhance expertise.

Several initiatives are in place to enhance the customer experience, including the Global Sales Academy and the development of - and ongoing focus on - our NSP.

2014/15 outlook

In terms of 2014/15 guidance, FLT will initially target an underlying PBT between \$395million and \$405million (excluding any significant unforeseen items that can potentially arise).

A PBT within this range will represent 5-8% growth on the record underlying PBT achieved during 2013/14.

If achieved, a result within this range will also mean that PBT will have doubled in the five years between June 30, 2010 and June 30, 2015.

During 2014/15, FLT will target a first half profit result broadly in line with 2013/14 and will aim for accelerated profit growth during the second half of the year. The second half of 2013/14 was a comparatively weaker trading period, as growth slowed in the Australian leisure business in the lead-up to and following the Federal Budget's release.

Within FLT's individual businesses, the company will continue to focus on its key strategies.

In Australia, FLT will this year place additional emphasis on:

- The customer and its NSP
- Sales and marketing effectiveness
- Generating stronger sales growth in corporate travel
- Enhancing its information base; and
- Fostering leadership expertise at store level and elsewhere

The US and UK, FLT's second and third largest operations in sales terms, are also likely to be important contributors.

Both countries' corporate travel businesses are performing well and are poised for further expansion, with the US corporate business now on track to top \$1billion in TTV during 2014/15.

In leisure travel, the UK business has had great success in the niche sectors it has targeted as part of its well established plan to become a dominant player in various specialist areas, rather than a mass market retailer.

The Liberty leisure business in the USA, which has historically been seen as a Mexico/Caribbean vacation package specialist, is also targeting new niches and is proactively working to increase sales to Europe.

This sector alone is larger than the entire Australian outbound travel sector, with more than 10million Americans taking off to Europe during 2013.

To increase our share of this market, we have adopted various strategies including the EuroGuru program that has been initiated in Manhattan.

Under this program, customer enquiry for European flights and products is channelled to expert EuroGurus.

Growth in the company's Europe air sales is now outpacing growth in sales to other destinations and the Manhattan stores with EuroGurus are outperforming other shops.

Overall, FLT expects to grow its global sales network by 5-7% organically during 2014/15.

While growth will largely be organic, the company will continue to pursue strategic acquisitions, with a particular focus on capital-light vertical integration opportunities.

On August 27, 2014, the company agreed to invest in UK-based Topdeck Tours, a business that was effectively the predecessor to FLT.

Topdeck specialises in overland tours for "18 to 30 somethings" and offers a broad range of journeys across Europe, North America, Australia, New Zealand, Northern Africa and the Middle East.

FLT's investment in Topdeck has been outlined in greater detail in a separate market announcement that was lodged on August 27.

The company also hopes to complement its organic growth by expanding its Escape Travel franchise offering, which is delivering solid returns to participating franchisees.

Seven franchise shops have joined the network since the model was reintroduced 10 months ago.

The Golden Era of Travel

FLT's Killer Theme and NSP highlight the strategic changes the company is making as it enters a golden era of travel.

This golden era is characterised by:

- Cheaper airfares - flights are becoming more and more affordable in relative terms
- More choice - this applies to all travel sectors and to airlines in particular. New product ranges are being developed and travellers are being presented with a broader selection of offerings
- Greater luxury and comfort - airline seats and in-flight entertainment programs are better, as are the food and service; and
- Less flying time - flights are now faster, more direct and more reliable

Low cost carriers don't suit all travellers, but they have forced traditional carriers to innovate and have helped make it affordable for huge numbers of people to experience this golden era of travel.

YEAR IN REVIEW AND OUTLOOK CONTINUED

BY GRAHAM TURNER (CONTINUED)

The significant improvements in airfare affordability can be highlighted by matching historic flight prices with average wages that applied at the time.

When Qantas's first London flight took off 67 years ago, passengers paid the equivalent of \$1170 - about 85 weeks pay for the average worker at the time - for the four-day each-way flight.

By comparison, FLT has this month advertised return flights from Sydney to London from just \$1359, which is less than one week's salary (\$1515) for the average Australian worker according to the latest Australian Bureau of Statistics findings.

At the midpoint between these two dates - the early 1980s - Qantas started a price war on the famous Kangaroo Route to London with an \$1800 return fare, which represented roughly six weeks' pay for the average worker.

Based on today's average wage, the 1947 fare cost the equivalent of almost \$130,000 and the early 1980s fare cost the equivalent of just over \$9,000.

Interestingly, it is still possible to book return fares to London today - more than 30 years later - for \$1800 or less.

Had an \$1800 airfare simply increased in line with inflation since the early 1980s, it would today cost in the order of \$6500, an amount that would comfortably pay for a return business class seat to London or four of the cheapest economy fares.

Capital management

FLT plans to retain sufficient company cash to cover three months' operating expenses.

While the company's June 30 cash balance was in line with this plan, cash reserves typically decrease during the first half of a financial year as FLT pays dividends, tax instalments and suppliers for travel booked during the peak periods of the previous second half. Cash may also be used for acquisitions and to fund the company's corporate travel expansion.

FLT's board intends to maintain the current dividend policy, which is to return 50-60% of NPAT to shareholders.

WORLDWIDE TOP PERFORMERS



Hall of Fame:
Aaron Levine
Canada



Top BDM:
Charlene Leiss
USA



Top Wholesale Consultant:
Matthew Burnes
Australia



Top Retail Consultant:
Niall McNamara
Australia



Directors' Award:
Sally Sylvester Australia
& **John Beauvais** USA



Hall of Fame:
Sue Garrett
South Africa



Hall of Fame:
Sue Rennick
Australia



Top Corporate Account Manager:
Terry Harley
South Africa



Top Ticketer:
Tina Hamilton
Australia



FINANCE BY ANDREW FLANNERY (Chief Financial Officer)

The finance community includes the accountants who support FLT's shops, the head office teams that oversee specific finance and related functions and the individuals and teams who work alongside our leaders in Australia and overseas as financial controllers or CFOs.

During 2013/14, the company built on its previous success in several key financial areas by:

- Increasing cash reserves
- Maintaining low levels of debt; and
- Delivering strong returns to shareholders

In relation to cash generation, general cash - or company funds - increased about 10% to \$476million at June 30, 2014.

Debt was \$44.9million at year-end, giving the company a \$431.2million positive net debt position (FY2013: \$387.6million).

FLT's debt included about \$25.7million in traditional bank debt, plus \$19.2million in borrowings associated with the company's Business Ownership Scheme (BOS). The BOS-related borrowings are repayable to our people at some point in the future, as a result of their investment in the scheme.

General cash was part of a global cash and investment portfolio that totalled \$1.3billion at June 30, 2014. This portfolio is invested conservatively, with the vast majority (97%) held as cash, in bank accounts or term deposits.

FLT's treasury team manages this portfolio, under a board-approved policy that firstly aims to preserve the investment principal and secondly aims to ensure sufficient liquidity to meet FLT's operational requirements. The treasury team then works within this framework to maximise investment earnings while taking into account the risks associated with individual investments.

As expected, FLT's operating cash flow during 2013/14 followed traditional patterns, with funds accumulating during peak second half booking periods for payment to suppliers after peak travel periods during the first half of 2014/15.

A full year \$227.1million operating cash inflow was recorded, compared to a \$370.3million inflow during 2012/13. The year-on-year movement between 2012/13 and 2013/14 was largely brought about by timing factors related to the BSP process and tax payments in Australia, as outlined in greater detail in our full year result announcement on August 27, 2014.

In terms of costs, wages increased, as expected given the company's sales network expansion during 2013/14.

Payments to Key Management Personnel (KMP), however, decreased, 13% year-on-year because the company achieved a lower rate of underlying profit growth during 2013/14 (9.7%) than during 2012/13 (18.2%). FLT's sales and marketing costs over the full year represented 1.1% of TTV, in line with expectations and historical trends.

Rental costs increased as the company expanded its global network. Generally, lease renewals attracted slight increases, while discounts were secured for new leases.

FLT's record underlying results during 2013/14 again led to increased dividend returns to shareholders.

The fully franked final dividend was \$0.97 per share, up from \$0.91 the prior year.

Including the \$0.55 per share interim dividend, which was paid in April 2014, FLT returned \$1.52 per share to shareholders or \$152.9million.

At an operational level within the finance area, FLT initiated a global search for a new mid and back-office finance platform during 2013/14.

The aim is to deliver an enhanced platform that will:

- Support the company's omni-channel vision
- Enhance the customer and consultant experience; and
- Consolidate and eliminate the existing finance infrastructure

A preferred vendor has been selected after a comprehensive evaluation process and roll-out has been earmarked to start during the 2015/16 financial year.

FLT continues to strengthen its overall operations by enhancing its legacy systems and, in some cases, introducing new, off-the-shelf solutions.

As announced during the year, an enhancement within the Flight Centre Global Product (FCGP) business allowed the company to accurately calculate and capture an additional component of margin at the time of sale, rather than after the customer has travelled. This change, which brought FCGP into line with FLT's general revenue policy, led to a one-off \$19.6million gain being recognised in FLT's accounts during 2013/14.

In terms of capital expenditure, we expect to spend in the order of \$60million this year, in line with FLT's annual depreciation and amortisation (D&A) expense.

About \$40million will be invested in FLT's shop network for new stores, fit-outs and refurbishments, with the remaining \$20million dedicated towards IT systems (software and hardware).

While there may be slight variations from time to time, the company generally expects cap-ex to be broadly in line with D&A for the next few years.

In finishing, I would like to briefly highlight our performance in another important area, our communication with the financial and investment communities in Australia and overseas.

In recent years, the company has consciously expanded its investor relations activities to improve the investment community's understanding of the business and its strategies and to highlight the depth of leadership within FLT.

Pleasingly, our efforts have been recognised, with the company taking out a number of industry awards during the past year.

We look forward to building on this success in this and other areas in the future.

YEAR IN REVIEW AND OUTLOOK CONTINUED



TRAVEL AGENT TO TRAVEL RETAILER BY MELANIE WATERS-RYAN

(Chief Operating Officer and Executive General Manager - Australia)

FLT is reinventing itself, with the transformation from travel agent to world class retailer and a new Noble Selling Purpose (NSP) at the heart of the changes that are now taking place.

The transformation to a world class retailer to both the leisure and corporate traveller, which we refer to as our Killer Theme, has become the blueprint for our future globally.

It is already gaining traction, as we focus on seven key strategies or "mini themes":

1. Having world class brands that are special
2. Manufacturing our own product, not just selling someone else's
3. Being experts, not agents
4. Working from branded business spaces - not offices
5. Offering blended access to customers
6. Information as power - profiles, patterns and predictions; and
7. Creating a sales and marketing machine

These themes are also aligned to a new concept that we are rolling out globally, our Noble Selling Purpose.

Our NSP - We care about delivering amazing travel experiences - was developed during 2013/14 and was officially launched in July 2014 at our Global Gathering in Macau.

In simple terms, its purpose is twofold.

Firstly, it recognises the life-changing, wonderful product of travel that we sell and secondly that our people want to be part of a company that does far more than simply process travel transactions.

Our NSP will become part of our DNA. Every decision we make and every action we take will be done because we care about delivering amazing travel experiences and because ultimately that decision or action will benefit our customers' experience.

Our Killer Theme and our NSP highlight the strategic changes we are making in our business as we enter what we believe will be a golden era of travel.

It's hard to imagine that there has ever been a better time to travel.

The range of travel products is broader, deeper and more accessible than ever before, plus airfares are defying the impacts of inflation and becoming more affordable. Low cost carriers (LCCs) are opening up more destinations.

From boutique hotels to world class resorts, from small intimate ships to floating mega hotels, from small group tours using local transport to deluxe flying tours - the choice of travel options is unsurpassed now.

This fantastic range of products complements our Killer Theme to move from being a travel agent to a world class retailer. The seven key aspects to this journey are outlined below.

(1) Brand and specialisation

In short, all of our brands must be able to answer three key questions::

1. What do we HAVE that's special?
2. What do we KNOW that's special?; and
3. What do we DO that's special?

During the past year, we have developed and documented customer value propositions (CVPs) for each brand. Our CVPs must be easily understood by our people and are a clear statement of what each brand has and does that the customer values.

We have also outlined brand promises and recipes for success and have taken steps to develop clear product and pricing strategies, which will be supported by marketing and advertising plans that will deliver new customers and help retain existing ones.

Essentially, we are ensuring our brand collection provides real customer value and that each brand is more important to the customer than just the products he or she can buy there.

(2) Our product, not just someone else's

FLT is proactively developing private label products that represent quality, value and interesting travel options that our customers value and our consultants are proud to offer.

These exclusive products, which are promoted heavily in our advertising and in-store, support each brand's CVPs, as well as the company's vertical integration strategy.

Our progress in this area has been significant, with the development of exclusive products for each brand being one of our major success stories for 2013/14.

For leisure customers, our unique product range now includes:

- Flight Centre's Red Label Fares and Holidays
- Student Flights' Black Market Flights
- Escape Travel's Pack and Relax and Pack and Explore holidays
- The Travel Associates Platinum Range
- Cruiseabout's Watertight Deals
- My Adventure Store's Explorer packages; and
- MyTime, a program that delivers VIP bonuses to FLT customers at participating hotels throughout the world

We also have manufactured service offerings including:

- **City Concierge:** This program is about to be trialled in London and New York and will give our customers access to additional at-destination assistance and services; and
- **Travel Butler:** This program was developed by FLT's UK business as a value-add for customers flying around-the-world. These customers regularly change plans and have access to a dedicated Travel Butler, who can make the arrangements as seamlessly as possible. Work is underway on Travel Butler version 2, which will include an App

In corporate travel, we have launched a suite of Smart products for our customers, as outlined in Rob Flint's column.

Looking ahead, our aim is to continue to work with cornerstone suppliers to gain raw products and exclusive deals for these ranges. We will also continue to create unique bundles and options independently of our supply chain.

In addition, the upcoming launch of the Buffalo Tours destination management joint venture in Asia, and the acquisition of Topdeck, will also create opportunities to develop new products and service offerings for our customers.



Our product, not just someone else's: Red Label Holidays

(3) Experts, not agents

Our people need to be experts in their brands' specialised products.

This expertise is being enhanced via training programs, physical environments, at the point-of-sale and by tapping into the vast knowledge pool that exists in our company behind-the-scenes. Examples of this behind-the-scenes expertise include the airfare specialists who sit in our Ticket Centre teams and the hotel experts in our Infinity wholesale businesses.

In terms of training, our accreditation programs with certificate-level advancement ensure our experts' skills and knowledge are constantly updated.

At the point-of-sale, we are developing systems that will allow us to proactively provide our agents with suggestive ideas outlining the products that the group has found to be best options for certain searches.

For example, as a Flight Centre air expert searches for an airfare, the system will nominate the best options as identified by other consultants' recent searches. Customers will, therefore, benefit from the collective consultant knowledge.

(4) Branded business spaces

Our shops should not be seen as office spaces. They should instead be seen as branded businesses that offer exciting retailing experiences, inviting customers to enter and allowing them to browse our products, interact with our experts throughout the shop and, even while in store, have tailored offers presented to them via our mobile and digital interfaces.

We will no longer have desks or counters that create barriers - we will have stations for our experts to book travel.

Our corporate travel hubs will also reflect our corporate brands and will be a visual presentation of all that the brand does. We will be able to bring potential business customers to our hubs, where the benefits of our physical model will be tangible and obvious.

In terms of new design features, several concepts that were trialled in the Queen Street hyperstore in Brisbane have now been included as standard in our leisure shop fit-out and refurbishment plans.

For Flight Centre brand, these features include:

- Toblerone desks that allow for more open and personal consultations
- A digital departures board highlighting the best airfare offers
- Scribble maps that allow consultants to physically map out itineraries and options for customers
- Product zones showcasing our exciting new product ranges; and
- The use of live, digital content

In summary, in both leisure and corporate travel our shops will become places where:

- We display our wares
- Customers can touch and browse our products
- A counter no longer creates a barrier between the customer and our sales experts
- We have zones to reflect the different product ranges we have; and
- Different customer interactions happen

A full refurbishment program rolling out the new shop features will take place over the next few years.

(5) Blended travel

Blended access is all about ensuring our brands are always open for business.

In our blended world, access to our world class products and world class experts can happen at 2am or 2pm via the shop, phone, online, chat or email.

During the past couple of years, we have enhanced all sales and communication channels to meet customers' changing habits.

In leisure travel, this has seen:

- Shop trading hours extended significantly
- More products made available online. This includes international flights on flightcentre.com.au and various other sites
- More after-hours sales teams deployed. In Australia, we now have 11 24/7 teams, working out of head office locations in Brisbane and Sydney, to deal with the large volume of customer enquiry that is now being generated after hours
- "Chat" included on various websites; and
- The development of mobile sites, which will soon be followed by the launch of responsive sites and booking engines

We have also taken steps to proactively blend the physical aspects - shops and people - with the automated and centralised aspects. This has already taken away some of the pain points that our customers and consultants experienced in the past.

In corporate travel, we have continued to enhance the blended model that has always been in place. New online booking tools have been launched, along with new services and features that have paved the way for customers to have multiple ways to access their brand.



Branded business spaces: Queen Street hyperstore

(6) Information is power

Quality information about our customers and our business can help drive our long-term investments and our short-term actions.

This mini-theme is all about harnessing the information that is already at our fingertips to develop profiles, patterns and predictions.

We need to clearly understand:

- Who our customers are
- How they like to behave
- What the market is doing
- How we are performing in the market and how we are performing in terms of our chosen strategies; and
- What we are investing in and what it is or isn't delivering

YEAR IN REVIEW AND OUTLOOK CONTINUED

TRAVEL AGENT TO TRAVEL RETAILER BY MELANIE WATERS-RYAN CONTINUED

A new customer insights team has been formed in Australia. This team's focus is on gaining a better understanding of our customers' behaviour, their profiles, purchasing patterns and general interactions with our brands so we can improve our marketing and product delivery to be far more targeted in approach and better meet our customers' needs.

The US business has also taken proactive steps in this area. For example, we profiled our USA customer base in March 2013 and subsequently implemented product, advertising and training strategies to target particular styles of customer and to boost sales in key segments, including travel to Europe. These focus areas of growth have outperformed other organic sections of the business.

(7) A sales and marketing machine

In its sales and marketing activities, FLT has always focused on customer acquisition.

While generating more enquiry and leads will remain a focus, our sales and marketing machine in our leisure, corporate and non-travel businesses is also now geared towards proactively speaking to customers at all stages of their journeys along the buying path - not just when it is time to make the booking.

The aim is to activate and promote the relevant CVPs for each brand at the time they most resonate with the individual traveller.

By becoming more targeted and personalised in our sales and marketing activities, we can proactively offer customers the amazing travel experiences they desire and, at the same time, reinforce that we care.



PEOPLEWORKS BY CAROLE COOPER (Executive General Manager)

The Peopleworks' businesses oversee FLT's key human resources, recruitment, training and staff development functions. In any given year, these functions are critical to the company's success, given FLT's focus on organic expansion.

The 2013/14 financial year was another period of significant activity for Peopleworks, with some 1200 people recruited to fill new job vacancies, investments being made to develop expertise in recruitment, learning and leadership and a number of initiatives implemented.

These initiatives included:

- **Noble Selling Purpose (NSP):** FLT is working to ensure that its NSP – “We care about delivering amazing travel experiences” - is embedded throughout the organisation. The NSP was launched in Australia and rolled out internationally at the company's Global Gathering in July 2014. A 12-month program has been initiated for 2014/15 to ensure the NSP gains traction
- **Recruitment:** The company consolidated its “One Best Way” process globally by combining assessment days and panel interviews. In addition, a Graduate Program was rolled out across Australia to help fast-track new recruits with university degrees into in-store leadership positions. To attract potential recruits, we revamped our brand-aligned advertising and launched new attraction videos for Flight Centre brand. New kits and videos were created to welcome recruits to the company
- **The Learning Revolution:** We revamped our training and development methodology and moved from an in-classroom model to a blended

learning model with a greater focus on on-the-job learning. We also relaunched our Welcome Aboard Program (WAP) to ensure it focused on the customer and featured regular, consistent assessments to reinforce learning

- **Corporate business improvement:** New programs were launched for corporate account managers, travel managers and business development managers (BDMs); and
- **Leadership:** An emerging leader program was launched to operate alongside the senior leadership programs that were already in place, thereby ensuring a full leadership pathway was in place

In addition, FLT's organisational development team, the business that developed FLT's Senior Leaders, Emerging Leaders and Learning Bites programs, won the team platinum award at the prestigious Learn X Impact Awards. These awards, which will be presented in October, are an Asia-Pacific initiative designed to recognise excellence in Learning and Development.

During 2014/15, priorities for Peopleworks include embedding the NSP, winning the “war for talent”, working with our sales people globally to develop expertise, expanding the Global Mobility program and commercialising our leadership programs.

The Global Mobility program was launched in 2012/13 and has, to date, focused on exchange programs between countries.



CORPORATE, ASIA AND THE MIDDLE EAST BY ROB FLINT (Executive General Manager)

FLT's corporate brands continue to perform strongly, consolidating the company's position as Australia's largest travel manager and one of the largest businesses of its kind in the world.

Together, the company's corporate brands turned over about \$4.8 billion during 2013/14, roughly 30% of FLT's sales globally.

Like FLT's leisure travel business, the company's corporate business is proactively evolving from a travel management company to a new-age business travel retailer (BTR).

Our five brands - FCm Travel Solutions, Corporate Traveller, Campus Travel, cievents and Stage and Screen - are putting customer needs at the heart of every decision to ensure we remain relevant and offer a valued service to clients. Guided by FLT's Noble Selling Purpose (NSP) that "we care about delivering amazing travel experiences", our evolution to BTR has been gaining momentum as we push forward using innovation, unique product, expertise, and a blended service offering.

The evolution to BTR no doubt contributed to our corporate businesses' success during 2013/14.

In TTV terms, all businesses grew at greater than 10% with the exception of the large Australian business and India.

In EBIT terms, the Greater China and Singapore corporate businesses delivered growth in the order of 50%, while the USA, UK and South Africa also achieved strong year-on-year growth. In Australia, EBIT growth significantly exceeded TTV growth.

While Corporate Traveller, which turned 20 during 2013, and FCm, which will turn 10 during 2014/15, were the main profit and sales drivers, FLT's niche corporate brands also made solid contributions. In particular, Stage and Screen, which now has offices across Australia, the USA and Canada, achieved record profit and turnover results.

Network growth and expansion

Going hand-in-hand with FLT's strong fiscal results in the corporate market is the continuing expansion of our global footprint.

The FCm partner network now extends to 89 countries, via company-owned businesses and independent licensees.

During 2013/14, the company acquired Travelplan Corporate Limited, which was formerly FCm's licensee in Ireland. The FCm business in Canada was also boosted with the integration of offices that were secured as part of the Garber acquisition several years ago.

In the United States, FLT continued to expand the corporate business organically. Corporate Traveller expanded into Atlanta and Miami on April 1 and May 1 respectively and has earmarked two new locations - Orange County and Silicon Valley - during 2014/15. This will give the business a presence in 19 US cities.

FLT also launched a business travel consulting business, 4th Dimension, in Australia in early 2014, which followed on from the July 2013 launch of consulting in the USA.

Innovation and unique product

The business's focus on innovation and manufactured product has delivered a suite of tailored solutions for our corporate customers.

Early this year, we launched FCm Secure - a uniquely manufactured travel risk management program that offers customers a variety of traveller security and tracking options.

FCm Secure has no equal in the corporate market, much like our latest reporting tool Clientbank Cloud, which saw FCm's global reporting tool move to the cloud for "big data" style analytics.

Partnering with a range of third-party organisations such as data specialists tClara, FCm has developed a tool with highly sought after reporting capabilities.

Our efforts to add more value to the personal travel experience has seen the expansion of our Smart Travel product line.

Our range of Smart Travel options has gained impressive traction since the launch of SmartSTAY into the market early 2013.

The SmartSTAY program delivers value-added inclusions to FLT's corporate customers at selected hotels throughout the world.

At the end of the program's first year, some 280 properties were involved, with each property offering three value-added inclusions. Looking ahead, our goal is to have a selection of hotels in each key location and we are currently working to expand the SmartSTAY footprint in the USA, particularly in secondary cities. Following the success of SmartSTAY, SmartDRIVE is now being rolled out across the network and work is also progressing on our SmartFLY offering.

Corporate Traveller's shift to the Tramada front and mid-office system in Australia has helped to increase consultant productivity and reporting capabilities for our multitude of small-to-mid market customers.

The business has also formed new partnerships with online booking tool providers Serko in Asia Pacific, Concur in the USA and KDS in Europe/UK.

These partnerships will enable our people to not only offer truly blended service but ensures we are diversifying our product options according to clients' specific local market needs.

Asia and the Middle East

In Asia and the Middle East, FLT initially used its corporate travel brands to enter key markets, including India, mainland China, Hong Kong, Singapore and the United Arab Emirates (UAE). In all of these markets, FLT has subsequently launched retail travel businesses to expand and diversify its overall offering.

The Singapore and Hong Kong leisure businesses were profitable during 2013/14, with the former performing strongly and the latter generating its first full year profit.

In the UAE, FLT opened its first retail shop in Dubai during 2012/13 and plans are progressing for a hyperstore-style location in Abu Dhabi within the Yas Mall. A number of new stores are also flagged for key retail and shopping precincts in capital cities in India, where The Flight Shops brand is consciously targeting customers with higher disposable incomes.

Our business in Mainland China recently celebrated another milestone when it issued its first domestic ticket. Previously, we were required to buy domestic tickets through third party consolidators or wholesalers. Now, we can issue Chinese domestic tickets directly to leisure and corporate customers.

Awards and honours

Finally, while the financial results speak for themselves, FLT's corporate division was also recognised for service excellence by a number of award programs.

Awards included:

- Corporate Meeting of the Year and Incentive Reward of the Year, Meetings and Events Australia 2014 National Conference in Kuala Lumpur, Malaysia (cievents)
- Account Management Team of the Year, 2014 Business Travel People Awards (FCm UK)
- World's Leading Travel Management Company, World Travel Awards 2013 (FCm); and
- Leading Travel Management Company awards for nine regions as part of the 2013 World Travel Awards (FCm)

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 2014.

DIRECTORS

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

G.F. Turner

P.R. Morahan

G.W. Smith

J.A. Eales

R.A. Baker was appointed a director on 20 September 2013 and continues in office at the date of this report.

P.F. Barrow was a director from the beginning of the financial year until his resignation on 19 September 2013.

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.

At the Annual General Meeting on 31 October 2013, it was resolved to change the company name from Flight Centre Limited to Flight Centre Travel Group Limited, effective from 1 November 2013. There has been no change in the group's principal activities or nature of activities as a result of the company name change.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

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

	2014 \$'000	2013 \$'000
Final ordinary dividend for the year ended 30 June 2013 of 91.0 cents (2012: 71.0 cents) per fully paid share, paid on 18 October 2013	91,476	71,103
Interim ordinary dividend for the year ended 30 June 2014 of 55.0 cents (2013: 46.0 cents) per fully paid share, paid on 17 April 2014	55,308	46,192
	146,784	117,295

REVIEW OF OPERATIONS – OVERCOMING OPERATIONAL RISKS

A review of operations, operational risks and details of FLT's outlook for 2014/15 are included on pages 3 to 11 of this report, along with comprehensive details on FLT's strategies for dealing with risks and growing its business.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 27 August 2014, the group agreed to acquire 90% of the voting shares (and an option over the remaining 10%) of Top Deck Tours Limited, an unlisted company based in the United Kingdom and specialising in tour operations, for potential consideration of up to £26,000,000 for 100% ownership. Top Deck Tours Limited reported statutory audited revenue of £43,000,000 and net profit before tax of £3,700,000 for their year ended 31 October 2013. Refer to note H3 for further details.

On 27 August 2014, FLT's directors declared a fully franked 97.0 cents per share final dividend on ordinary shares for the 2014 financial year. The total amount of the dividend is \$97.6 million. The combined interim and final dividend payments represent a \$152.9 million return to shareholders, 74% of FLT's statutory NPAT.

No other material matters have arisen since 30 June 2014.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the group's operations and the expected results of operations has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

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
			Ordinary shares
P.R. Morahan MAICD	FLT director since 2007. Executive chairman of the investment company that owns Moreton Hire. Member of Australian Institute of Company Directors and the Australian Institute of Management.	Independent non-executive chairman Remuneration & nomination committee member Audit committee member	17,915
G.W. Smith BCom, FCA, FAICD	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 since 2012.	Independent non-executive director Resigned as remuneration & nomination committee chairman on 30 January 2014 Remuneration & nomination committee member Audit committee member	15,000
P.F. Barrow FCA, FAICD	FLT director from 1995 until his resignation on 19 September 2013.	Resigned as audit committee chairman on 19 September 2013	29,140
J.A. Eales BA, GAICD	FLT director since 2012. Director of GRM International, International Quarterback, Australian Rugby Union Limited, 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 Appointed remuneration & nomination committee chairman on 30 January 2014 Audit committee member	2,000
R.A. Baker FCA, GAICD	FLT director since 20 September 2013. Former audit partner of PricewaterhouseCoopers, with vast experience in the retail, travel and hospitality sectors. Advisory board member and Audit and Risk Committee member for the Catholic Development Fund, Archdiocese of Sydney since 2011.	Independent non-executive director Remuneration & nomination committee member Appointed audit committee chairman on 20 September 2013	-
G.F. Turner BVSc	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 options or performance rights during the period (2013: nil).

COMPANY SECRETARY

The company secretary, Mr D.C. Smith (B.Com, LLB), was appointed on 31 January 2008 and has worked for FLT for 12 years.

DIRECTORS' REPORT CONTINUED

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 2014 and the number of meetings attended by each director were:

	Committee meetings					
	Full meetings of directors		Audit		Remuneration & nomination	
	A	B	A	B	A	B
P.R. Morahan	14	14	3	3	2	2
G.W. Smith	12	14	3	3	2	2
P.F. Barrow	2	2	1	1	1	1
J.A. Eales	14	14	3	3	2	2
R.A. Baker	12	12	2	2	1	1
G.F. Turner	13	14	*	*	*	*

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

REMUNERATION REPORT

The remuneration report sets out FLT'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. Long-term incentives (LTIs): BOS return multiples on redemption
4. Share-based compensation; and
5. Loans to key management personnel

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 creation
- (iii) Director remuneration
- (iv) Executive KMP remuneration structures
- (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 structured a simple remuneration system that is aligned with its core philosophies.

This remuneration framework balances participants' interests with those of the company and its shareholders by providing executives and other employees (excluding non-executive directors) with the security of fixed base pay (retainers) and opportunity to earn additional variable income (incentives) when FLT or the executives' individual businesses achieve or exceed pre-determined targets and shareholder value is created.

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 in place and achievements against these targets are measurable; and
- Compatible with the company's longer term aims, capital management strategies and structures

REMUNERATION REPORT (CONTINUED)

FLT strongly believes in the value of incentives, a belief that is underlined in its core philosophies, and uses measurable and reliable outcome-based key performance indicators (KPIs) as the basis of its incentive and overall remuneration system globally. If the right outcomes are rewarded under this system, the company, its people and its shareholders will benefit.

FLT's philosophies also underline the company's belief in the importance of providing staff 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:

- Base pay (fixed retainers)
- Short-term incentives (STIs) that are paid monthly and based on measurable KPIs (variable)
- BOS returns (variable)
- Long-term incentives (LTIs), in the form of share-based compensation and, in certain circumstances, BOS return multipliers (variable); and
- Other fixed remuneration, such as long service leave and superannuation contributions

Additional detail on each of these components is included below:

Components of executive remuneration

Base pay

Base pay (retainer) is fixed and represents a fraction of overall executive earnings. For example, the managing director and Australian-based KMP earned between \$207,225 and \$282,225 in base pay during 2013/14 (2012/13: \$175,000).

FLT does not guarantee annual retainer increases for executive or non-executive directors.

The increase during 2013/14 was implemented to lower the percentage of earnings that were "at risk" for KMP and was accompanied by a reduction in targeted STI earnings. The effect was, therefore, to lower the percentage of "at risk" income without altering targeted remuneration packages.

With this change, 50 per cent of targeted packages - which includes base pay, superannuation and STIs - are now incentive-related and subject to performance.

Short-term incentives (STIs)

STIs are paid monthly, based on measurable achievements against predetermined KPIs.

Executives earn STIs if:

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

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

BOS returns

FLT believes it is important that its leaders see the businesses they run as their businesses and, under the BOS, invites eligible executives to invest in unsecured notes in their individual businesses as an incentive to improve performance in both the short and long term.

In return for this investment, the executive receives a variable return on investment that is tied to his or her 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 risks of his or her business, as neither FLT nor any of its group companies guarantees returns.

In accordance with the BOS prospectus, the board, via its remuneration and nomination committee, has the power to review and amend a BOS note if an individual return exceeds 35% of the BOS note's face value in any 12-month period.

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 4, 5, 10 and up to 15 times the BOS return in the last full financial year before their BOS note is redeemed.

Three KMP currently participate in this program.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (CONTINUED)

Share-based compensation

Share-based compensation may be available to staff through FLT's:

- Employee Share Plan (ESP)
- Senior Executive Option Plan (SEOP); and
- Senior Executive Performance Rights Plan (SEPRP)

The ESP was available to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK during 2013/14.

In prior years, specific executives have been granted share options or performance rights under the SEOP and SEPRP respectively, as outlined in section 4 of this report.

No new options or performance rights were granted during 2013/14.

Options and performance rights that vested during the year were granted under the existing plans and related to the company's performance during 2012/13. The options and performance rights that are related to FLT's 2013/14 achievements vested on August 27, 2014, when FLT released audited accounts.

Generally, the board has the discretion to either issue new shares or to buy shares on market under each of the ESP, the SEOP and the SEPRP, subject to relevant laws.

Superannuation

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

1ii) Alignment with shareholder wealth and creation

How does FLT align executive remuneration with shareholder wealth creation?

FLT ties incentives to profit growth and other measurable KPIs that drive results and shareholder value creation. In simple terms, this means that an executive's targeted remuneration will typically be:

- Broadly in line with expectations in years where results are in line with expectations
- Above expectations in years where results are above expectations and shareholders benefit from higher than expected dividends and EPS; and
- Below expectations when results and ultimately shareholder returns are below expectations

The following table illustrates growth in shareholder wealth during the past five years. This period corresponds with the SEOP and has seen actual PBT increase from \$198.5million during 2009/10 to \$323.8million during 2013/14, 10.3% compound annual growth.

	2013/14	2012/13	2011/12	2010/11	2009/10
Profit before income tax	\$323.8m	\$349.2m	\$290.4m	\$213.1m	\$198.5m
Underlying profit before income tax ¹	\$376.5m	\$343.1m	\$290.4m	\$245.2m	\$205.1m
Profit after tax	\$206.9m	\$246.1m	\$200.1m	\$139.8m	\$139.9m
Interim dividend	55.0c	46.0c	41.0c	36.0c	26.0c
Final dividend	97.0c	91.0c	71.0c	48.0c	44.0c
Earnings per share (basic)	205.8c	245.6c	200.1c	140.0c	140.3c
Share price at 30 June	\$44.45	\$39.33	\$18.93	\$21.62	\$16.63

¹Underlying profit before income tax is a non-IFRS measure.

FLT's remuneration system consistently rates highly in pay for performance scales, with CEO Graham Turner judged Australia's best value CEO for his efforts in creating shareholder value during the 2012 financial year (Source: Egan & Associates and The Australian Financial Review).

Generally, the company's unique remuneration structure has also been well received by shareholders. At FLT's 2013/14 AGM, less than 0.6% of the proxy votes cast were against the company's remuneration report.

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 executives, as targeted STI packages are based on FLT achieving a specific PBT target.

If FLT falls short of its growth target, profit-related STI earnings for KMP will finish below expectations. Conversely, profit-related STI earnings for KMP will exceed expectations if FLT exceeds its profit target for the year.

Despite FLT's success in recording a record underlying PBT during 2013/14, STIs for several executives declined year-on-year, as did the total compensation paid to KMP (down 13% year-on-year). This reflects the lower underlying PBT growth achieved during 2013/14 (9.7%) than during 2012/13 (18.2%).

REMUNERATION REPORT (CONTINUED)

How does FLT's remuneration system benefit both its employees and its shareholders?

For executives and employees in general benefits include:

- Provision of clear targets and structures for achieving rewards. When outcomes achieved exceed the targets set, rewards will be greatest
- Achievement, capability and experience are recognised and rewarded; and
- Contribution to shareholder wealth creation is rewarded

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 are required to deliver reasonable year-on-year growth to maintain earnings year-on-year
- 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 non-executive directors remunerated?

To preserve their independence, non-executive directors (NEDs) receive fixed fees. The fees reflect the positions' demands and responsibilities and are reviewed annually by FLT's remuneration and nomination committee.

Fees are benchmarked annually and 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.

NEDs are not eligible to participate in the ESP or BOS program and have elected not to participate in the SEOP or the SEPRP.

Fees for 2014/15 are in line with fees paid during 2013/14.

How are chairman's fees determined?

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

1iv) Executive KMP remuneration structures

How are KMP incentivised?

As articulated in the company's philosophies, FLT strives to deliver a "magnificent return" to its shareholders. In line with this aim, 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.

KMP STIs for 2013/14 were based on the following:

- The CEO (Graham Turner) and CFO (Andrew Flannery) were incentivised on FLT's underlying profit before tax (PBT) for the year
- The COO (Melanie Waters-Ryan) was incentivised on a combination of FLT's underlying PBT (65% of targeted STI) and KPIs within her designated businesses (35%)
- The executive general manager of FLT's UK business (Chris Galanty) was incentivised on his businesses' underlying PBT results, including UK, South Africa and Ireland
- The executive general manager of FLT's US business (Dean Smith) was incentivised on his business's underlying PBT results; and
- The leader of FLT's global corporate and Asian businesses (Rob Flint) was incentivised on a combination of global PBT (20%), global corporate results (30%) and EBIT generated by the company's Asian businesses (50%)

No executives were remunerated on external factors

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?

At the beginning of each year, executives are offered a targeted remuneration package built around:

- A fixed retainer
- Superannuation; and
- Variable short-term incentives (STIs) that are paid monthly.

Changes introduced during 2013/14 meant that the fixed retainer and superannuation component would represent 50% of the KMP's targeted package.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (CONTINUED)

Targeted packages for 2013/14 were, therefore:

- \$600,000 for Graham Turner and Andrew Flannery (\$300,000 in base pay and superannuation)
- \$500,000 for Melanie Waters-Ryan (\$250,000 in base pay and super); and
- \$450,000 for Rob Flint (\$225,000 in base pay and super).

Actual remuneration in any given year may, however, be higher or lower than these targeted packages, which means fixed remuneration may be higher or lower than 50%.

These variations between actual and targeted remuneration packages will arise because:

- Senior executive STIs are tied to FLT's profit growth and actual earnings cannot be accurately measured at the start of a year, when targeted packages are set
- Some KMP earn additional BOS returns that are not factored into targeted STI packages. These returns are variable (tied to individual business profit) and cannot be quantified at the beginning of the year; and
- KMP may earn additional remuneration via FLT's LTI programs

While some organisations recommend that at least 50% of annual remuneration should be fixed, FLT's commitment to rewarding its people for actual outcomes achieved mean that it is impossible to predetermine the total remuneration that an executive will actually earn and, therefore, the level of fixed income that will ultimately represent 50% of earnings.

How do the targeted packages that KMP are offered differ from overall earnings?

Targeted packages are built around fixed retainers, superannuation and anticipated short-term incentive earnings. As outlined above, additional factors, including LTIs, BOS returns and long service leave provisions, are included in the KMP earnings that are disclosed in this annual report.

Are non-financial KPIs used in FLT's LTI and STI programs?

The KPIs that are linked to KMP incentive earnings are profit or sales related. Exceptions may arise if the desired outcome is considered integral to the business's success.

Are executive STIs capped?

For KMP, profit-related STIs are uncapped because they are tied to global profit results. Effectively, KMP earn a percentage of global profit or a percentage of their business's profit. This percentage is calculated in such a way that the executive will earn his or her profit-related STI target (other STIs may also be in place) if FLT or the executive's business achieves its profit growth target.

For example, an executive who was targeted to earn \$30,000 in profit-related STIs if FLT achieved a \$300million PBT could be offered 0.01% of FLT's audited profit result.

While there is no cap on profit-related incentives, decelerator mechanisms are in place. The effect of these mechanisms is that executive earnings slow if the company achieves a pre-determined stretch profit target. As outlined in greater detail elsewhere in this report, the remuneration and nomination committee also has the discretion to adjust KPIs during the course of the year if executive earnings exceed targeted packages.

1v) Executive LTIs

What performance hurdles are in place as part of FLT's long-term incentive plans?

LTIs for executives predominantly relate to the company's SEOP and SEPRP.

Under these plans, participating executives become entitled to a maximum of 40,000 options (under the SEOP) or 5,500 performance rights (SEPRP) if FLT achieves pre-determined year-on-year profit growth targets that are set at the start of each year.

Options or performance rights are available in three tiers:

- A low tier of 10,000 options or 1,500 performance rights if the company hits its low tier PBT target
- A mid tier of 25,000 options or 3,500 performance rights if the company hits its mid tier PBT target; and
- A top tier of 40,000 options or 5,500 performance rights if the company hits its top tier PBT target

No options or performance rights will vest if FLT does not achieve its targets.

Additional details are included in section 4 of this report.

Why is PBT used as the performance condition for the SEOP and SEPRP?

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 long and short-term incentive plans. Key executives 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 LTI programs, including Total Shareholder Returns (TSR).

The current senior executive option and performance rights plans have both completed their final year and the options and performance rights that are due to vest on August 27 will be the last under these plans.

The remuneration and nomination committee is currently considering the need for, and possible structure of, a new LTI to replace the SEOP and SEPRP.

REMUNERATION REPORT (CONTINUED)

Are other LTIs in place, in addition to the SEOP and SEPRP?

FLT recognises that its senior executives are integral to its success and are likely to be targeted by competitors globally, both in the travel sector and by retailers generally.

Accordingly, in some cases FLT offers an additional LTI that is aligned to the company's BOS structures worldwide 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, Melanie Waters-Ryan, Dean Smith and Chris Galanty, have been included in this BOS Multiplier program initially.

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. Additional details are included in section 3.

1vi) Remuneration governance

How is executive remuneration monitored to ensure FLT achieves its reward objectives?

FLT's non-executive directors sit on the company's remuneration and nomination committee. This committee proactively 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 committee 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 remuneration and nomination committee formally monitors remuneration details for KMP and other high earners quarterly.

The committee can adjust KPIs at any time in situations where actual earnings are likely to excessively exceed targeted packages or if a material change occurs within the business. For example, the committee could normalise earnings by excluding an acquired business's contributions for the purposes of calculating short and long-term incentives.

During 2013/14, KMP earnings were based on underlying PBT, rather than statutory PBT. KMP did not, therefore, benefit from the \$19.6million one-off gain recorded during the year and were not penalised for non-recurring losses (impairment and ACCC fine). Excluding Graham Turner, no executives who were classed as KMP during 2013/14 were in their current roles when FLT acquired the businesses that were impaired during 2013/14.

The committee also has the discretion to alter or amend the ESP, SEOP and SEPRP. Under the SEOP's rules, the committee can "alter, modify, add to or repeal any provisions of the SEOP'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 SEPRP rules".

Under both the SEOP and SEPRP, 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.

Given that a large portion of overall remuneration is at risk, what safeguards are in place to protect and grow shareholder value?

As executive incentive earnings are predominantly linked to the company's financial performance or the performance of its key divisions, they are subject to rigorous internal reviews.

Options and performance rights are tied to full year PBT results and only vest each August, when FLT's auditors formally sign-off on the company's accounts for the relevant period.

STI payments are made monthly and are adjusted during future periods if required to correct over or under payments.

The importance FLT places on year-on-year profit growth – in its STI programs, BOS and its option and performance rights plans – also encourages longer term thinking and ensures executives are focused on delivering sustainable results for the future, as plans and strategies implemented during the current year will drive future earnings.

As outlined previously, the remuneration and nomination committee proactively monitors earnings and can alter STIs, in addition to having discretion to amend, add to, revoke or substitute elements of the SEPRP and SEOP in certain circumstances.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (CONTINUED)

2 Details of remuneration

FLT achieved a record underlying PBT during 2013/14. The PBT was within market guidance, but year-on-year growth was lower than the growth rate recorded during 2012/13.

Consequently, overall remuneration provided to KMP decreased during the year, despite the company increasing underlying PBT by 9.7%.

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 2014. 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

P.R. Morahan

G.W. Smith

P.F. Barrow (resigned 19 September 2013)

J.A. Eales

R.A. Baker (appointed 20 September 2013)

Executive director

G.F. Turner

Parent entity

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

Other Group KMP

R. Flint – executive general manager – global corporate and Asia

M. Waters-Ryan – chief operating officer

A. Flannery – chief financial officer

C. Galanty – executive general manager – UK

D.W. Smith – executive general manager – USA

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. 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 (CONTINUED)

KMP and other group executives

Name	Short-term employee benefits			Post employment benefits ¹	Total benefit received	Long-term employee benefits		Share-based payments	Total
	Cash salary and fees \$	Short-term incentive \$	BOS interest ² \$	Superannuation \$		Long service leave ³ \$	BOS multiplier provision ⁴ \$	Equity settled options/rights ⁵ \$	

Non-executive directors

P.R. Morahan

2014	183,761	-	-	16,998	200,759	-	-	-	200,759
2013	176,881	-	-	15,919	192,800	-	-	-	192,800

G.W. Smith

2014	137,761	-	-	12,743	150,504	-	-	-	150,504
2013	130,880	-	-	11,779	142,659	-	-	-	142,659

P. F. Barrow (resigned 19 September 2013)

2014	34,440	-	-	3,186	37,626	-	-	-	37,626
2013	130,880	-	-	11,779	142,659	-	-	-	142,659

J.A. Eales

2014	137,761	-	-	12,743	150,504	-	-	-	150,504
2013	106,080	-	-	9,547	115,627	-	-	-	115,627

R.A. Baker (appointed 20 September 2013)

2014	106,902	-	-	9,888	116,790	-	-	-	116,790
2013	-	-	-	-	-	-	-	-	-

Executive directors

G.F. Turner

2014	282,225	313,500	-	17,775	613,500	43,573	-	-	657,073
2013	175,000	636,029	-	25,000	836,029	47,275	-	-	883,304

Other group KMP

R. Flint

2014	207,225	212,929	357,290	17,775	795,219	17,016	-	6,088	818,323
2013	175,000	510,993	338,327	25,000	1,049,320	(3,173)	-	67,834	1,113,981

M. Waters-Ryan

2014	232,225	267,883	564,564	17,775	1,082,447	26,553	380,000	4,342	1,493,342
2013	175,000	521,209	481,777	25,000	1,202,986	25,047	960,000	56,989	2,245,022

A. Flannery

2014	282,225	313,500	-	17,775	613,500	28,605	-	4,342	646,447
2013	175,000	636,029	-	25,000	836,029	56,386	-	56,989	949,404

C. Galanty

2014	265,440	353,623	554,350	-	1,173,413	-	675,000	-	1,848,413
2013	229,148	329,124	419,723	-	977,995	-	600,000	-	1,577,995

D.W. Smith

2014	244,148	312,776	187,923	-	744,847	-	175,000	1,937	921,784
2013	217,597	257,180	151,322	-	626,099	-	105,000	1,905	733,004

Total KMP compensation

2014	2,114,113	1,774,211	1,664,127	126,658	5,679,109	115,747	1,230,000	16,709	7,041,565
2013	1,691,466	2,890,564	1,391,149	149,024	6,122,203	125,535	1,665,000	183,717	8,096,455

¹No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2013: nil).

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

³Long 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. Negative amounts are sometimes recognised, as provisions naturally adjust after periods of stronger than anticipated growth.

⁴BOS Multiplier program provisions are linked to profit and, therefore, vary from year to year. Information on the BOS program is included in section 3.

⁵Share-based payments represent amounts expensed in relation to options/rights granted under the SEOP/SEPRP, and D. W. Smith's are matched shares under the ESP (refer to section 4).

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (CONTINUED)

Non-executive directors receive fixed fees for service, do not receive short or long-term incentives and do not participate in the BOS or BOS Multiplier program.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
FLT directors						
P.R. Morahan	100	100	-	-	-	-
G.W. Smith	100	100	-	-	-	-
P.F. Barrow	100	100	-	-	-	-
J.A. Eales	100	100	-	-	-	-
R.A. Baker	100	-	-	-	-	-
G.F. Turner	52	27	48	73	-	-

Other group KMP

R. Flint	29	17	70	77	1	6
M. Waters-Ryan	18	10	56	45	26	45
A. Flannery	51	26	48	68	1	6
C. Galanty	14	15	49	47	37	38
D.W. Smith	27	30	54	56	19	14

Remuneration consisting of share options and performance rights for the year

	2014 %	2013 %
R. Flint	1	6
M. Waters-Ryan	0	3
A. Flannery	1	6

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 of this report.

Details of remuneration paid and forfeited: cash bonuses, options and performance rights

For each incentive and grant of options or performance 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 options or performance rights will vest if the conditions are not satisfied, hence the minimum value of the option or performance right yet to vest is nil. The maximum value of the options or performance rights yet to vest has been estimated as the amount of the grant date fair value that could be expensed.

	Incentives		Options and Performance Rights					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options/ performance rights may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
Other group KMP								
R. Flint	95	5	2011	100%	0%	2012-2015	nil	22,324
M. Waters-Ryan	100	-	2009	100%	0%	2011-2015	nil	17,369
A. Flannery	100	-	2009	100%	0%	2011-2015	nil	17,369
C. Galanty	100	-	-	-	-	-	-	-
D.W. Smith	100	-	-	-	-	-	-	-

REMUNERATION REPORT (CONTINUED)

3 Long-term incentives: 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, FLT's chief operating officer and leader of the company's Australian business
- Chris Galanty, FLT's UK executive general manager who also oversees the South African and Irish operations; and
- Dean Smith, executive general manager of FLT's USA business

Under the program's terms, if the BOS note is redeemed between five and ten 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, 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, the applicable redemption multiple.

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					
	Grant Date	Vested %	Forfeited %	Financial years in which BOS Return Multiple may vest	Minimum total BOS Return Multiple	Maximum total BOS Return Multiple*
<i>Other group KMP</i>						
M. Waters-Ryan	1 July 2012	-	-	2018-2023	nil	10 times
C. Galanty	1 July 2010	-	-	2016-2026	nil	15 times
D.W. Smith	1 July 2010	-	-	2016-2021	nil	10 times

*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 vesting period, the maximum amount cannot be reliably estimated.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (CONTINUED)

4 Share-based compensation

Options and performance rights can be granted to executives, including KMP, at the board's discretion under the SEOP and SEPRP respectively. Options that are available under the current plan to four senior executives, two of whom remain KMP, were granted on 29 June 2009. Performance rights, under the plan established in April 2010, were offered to two senior executives. One executive subsequently forfeited her rights in the year ended 30 June 2013.

Terms and conditions

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

General terms

Options and performance rights granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of options and performance 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 Black-Scholes option pricing model is used to individually determine the fair values at grant date.

There were no options or performance rights granted during the period and there were no modifications to the SEOP or SEPRP during the year. Therefore, there have been no changes to the fair value calculation for options or performances rights.

When exercisable, each option and performance right is convertible into one ordinary FLT share.

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

Date granted	Expiry date	Issue price of shares	Number under performance right/option
29 June 2009	30 June 2015	\$10.00	235,000
12 August 2011	30 June 2015	\$0.00	1,500

Senior Executive Option Plan (SEOP)

Under the plan's rules, options are granted for no consideration and are exercisable over FLT's fully paid ordinary shares

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
29 June 2009	Five vesting tranches of up to 200,000 each granted at no consideration. Each tranche vests upon release of the audited financial statements at each year-end, from 30 June 2010 to 30 June 2014, provided pre-determined profit targets are met.	30 June 2015	\$10.00	\$2.17 - \$2.32

Senior Executive Performance Rights Plan (SEPRP)

Under the plan's rules, upon vesting, the performance rights will be automatically exercised into an equal number of FLT shares.

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per right at grant date
12 August 2011	Four vesting tranches of up to 5,500 each granted at no consideration. Each tranche vests upon release of the audited financial statements at each year end, from 30 June 2011 to 30 June 2014, provided pre-determined profit targets are met.	30 June 2015	\$0.00	\$16.24 - \$18.43

REMUNERATION REPORT (CONTINUED)

Performance targets

The following tiers of options or performance rights will become available (vest) upon release of the audited accounts to each participating executive if FLT achieves set PBT targets and all performance criteria are met:

Tier	Number of Options	Number of Performance Rights	Growth Targets
			2013/14
Low	10,000	1,500	\$375million
Mid	25,000	3,500	\$390million
Top	40,000	5,500	\$405million

The SEOP and SEPRP targets are based on FLT achieving predetermined year-on-year PBT growth. If the company does not achieve its low-tier target, no options or performance rights vest.

For the SEPRP, for the performance conditions to be met in a particular year, the executive must continue to be a senior FLT executive at the end of that financial year. Performance rights lapse immediately if the performance conditions are not met within the relevant year.

No targets have been set for 2014/15, as 2013/14 was the final year for both the SEOP and SEPRP. No options or performance rights will vest under these programs after August 27, 2014.

The board, via its remuneration and nomination committee, has the discretion to alter, modify, add to or repeal all or any of the plan's rules. The board can also amend profit targets if material changes occur during the course of the year.

Option and performance rights vested

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

Other group KMP Options	Number vested during year	
	2014	2013
M. Waters-Ryan	40,000	40,000
A. Flannery	40,000	40,000
Performance rights		
R. Flint	5,500	5,500

The relevant portion of the expense relating to these options and performance rights has been recognised during the period ended 30 June 2014, refer to note D3.

Options and performance rights relating to 2013/14 vested on August 27, 2014 when FLT released audited accounts for the year.

The board has exercised its discretion and based on FLT's performance for 2013/14, participating executives will earn the low tier, based on FLT achieving an underlying PBT between \$375million and \$390million, its low-tier target for the year and a result 10% above the record underlying PBT of \$343.1million in 2012/13.

Option and performance rights holdings

The number of options and performance rights over ordinary FLT shares held during the financial year by FLT's group KMP is set out below:

Other group KMP Options	Balance at the start of the year	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
M. Waters-Ryan	80,000	-	80,000	40,000	40,000
A. Flannery	125,000	-	125,000	85,000	40,000
Performance rights					
R. Flint	11,000	(5,500)	5,500	-	5,500

As no options or performance rights were granted or lapsed during the period, the value of options or performance rights granted and lapsed is \$ nil.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (CONTINUED)

Shareholdings

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

2014 FLT directors	Balance at the start of the year	Received during the year on the exercise of options/rights	Other changes during the year	Balance at the end of the year
P.R. Morahan	17,915	-	-	17,915
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	29,140	-	-	29,140
J.A. Eales	2,000	-	-	2,000
R.A. Baker	-	-	-	-
G.F. Turner	15,244,487	-	-	15,244,487

Other group KMP

R. Flint ¹	-	5,500	(5,500)	-
M. Waters-Ryan ³	70,725	-	-	70,725
A. Flannery ³	256	-	-	256
C. Galanty	2,002	-	-	2,002
D.W. Smith ²	758	-	292	1,050

¹R. Flint participated in the SEPRP. Upon exercise of the performance rights, \$0.00 per share was paid and the value at exercise date was \$266,255, determined as the rights' intrinsic value at that date.

²D.W. Smith participated in the ESP and was issued with 292 ordinary shares. These were issued under the same terms and conditions as all other ESP participants.

³M. Waters-Ryan and A. Flannery participated in the SEOP. No options were exercised during the year.

No amounts are unpaid on any shares issued on the exercise of options or performance rights.

Other group KMP	Date of exercise of options/rights	Number of ordinary shares issued on exercise of options/rights	Amount paid per share	Value at exercise date*
R. Flint	27 August 2013	5,500	-	\$266,255

*The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the options' intrinsic value at that date.

5 Loans to key management personnel

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%), and Matthew Turner (25%).

Loan to Pedal Group	Notes	2014 \$'000
Beginning of the year		7,407
Loans advanced		4,600
Loans repaid		(1,775)
Interest charged		461
End-of-year	C3	10,693

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 term is 10 years. The interest rate on the loan during the year ranged from 4.26% - 4.91%.

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, the company 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 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 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 28.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, 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 Class Order 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

27 August 2014

AUDITOR'S INDEPENDENCE DECLARATION



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

In relation to our audit of the financial report of Flight Centre Travel Group Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young
Ernst & Young

Alison de Groot

Partner

27 August 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 30 June	
		2014 \$'000	2013 \$'000
	Notes		
Revenue			
Revenue from the sale of travel services	A2	2,207,450	1,944,557
Other revenue	A2	37,119	41,238
Total revenue		2,244,569	1,985,795
Other income	A3	5,127	18,755
Expenses			
Employee benefits	F1	(1,151,874)	(1,038,120)
Sales and marketing		(168,950)	(137,581)
Rental expense relating to operating leases	F1	(128,846)	(116,488)
Amortisation and depreciation	B7	(53,777)	(49,812)
Finance costs	A4	(32,987)	(31,524)
Share of profit / (loss) of joint ventures and associates accounted for using the equity method	E1	1,346	(1,004)
Impairment charge	A5/F4	(61,300)	-
Other expenses	A4	(329,528)	(280,812)
Profit before income tax expense		323,780	349,209
Income tax expense	F9	(116,862)	(103,127)
Profit attributable to members of FLT		206,918	246,082

Other comprehensive income:

Items that may be reclassified to profit or loss

Changes in the fair value of available-for-sale financial assets	F8	579	2,318
Changes in the fair value of cash flow hedges	F8	-	285
Net exchange differences on translation of foreign operations	F8	5,568	31,383
Income tax on items of other comprehensive income	F9	127	(819)
Other comprehensive income		6,274	33,167
Total comprehensive income for the year attributable to FLT		213,192	279,249

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

		Cents	Cents
Basic earnings per share	F2	205.8	245.6
Diluted earnings per share	F2	205.5	244.2

The group has elected to present the statement of profit or loss and statement of comprehensive income as one statement at 30 June 2014.

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

STATEMENT OF CASH FLOWS

		For the year ended 30 June	
		2014 \$'000	2013 \$'000
Notes			
Cash flows from operating activities			
Receipts from customers (including GST)		2,154,899	1,914,125
Payments to suppliers and employees (including GST)		(1,782,486)	(1,446,170)
Dividends received		-	550
Royalties received		509	492
Interest received		32,345	39,464
Interest paid		(33,667)	(31,575)
Income taxes paid		(144,507)	(106,563)
Net cash inflow from operating activities	B1	227,093	370,323
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	A6	(2,033)	5,412
Payments for property, plant and equipment	B7/F4	(46,213)	(40,781)
Payments for intangibles	A5/B7	(9,214)	(10,615)
Payments for the purchase of investments		(18,000)	-
Proceeds from sale of investments		20,138	28,217
Loans advanced to related parties	E2	(4,600)	(2,799)
Loans repaid by related parties	E2	1,775	3,726
Net cash inflow / (outflow) from investing activities		(58,147)	(16,840)
Cash flows from financing activities			
Proceeds from borrowings		6,402	11,428
Repayment of borrowings		(7,886)	(68,272)
Proceeds from issue of shares	D4	3,126	4,795
Dividends paid to company's shareholders	B6	(146,784)	(117,295)
Net cash inflow / (outflow) from financing activities		(145,142)	(169,344)
Net increase / (decrease) in cash held		23,804	184,139
Cash and cash equivalents at the beginning of the financial year		1,227,019	1,027,617
Effects of exchange rate changes on cash and cash equivalents		10,859	15,263
Cash and cash equivalents at end of the financial year	B1	1,261,682	1,227,019

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

BALANCE SHEET

		As at 30 June	
		2014	2013
		\$'000	\$'000
ASSETS			
Notes			
Current assets			
Cash and cash equivalents	B1	1,261,682	1,227,019
Available-for-sale financial assets	B2	41,240	36,803
Trade and other receivables	F3	576,472	502,235
Current tax receivables		4,286	4,527
Inventories		1,044	966
Derivative financial instruments	C2	-	13,416
Other financial assets	C3	2,825	-
Total current assets		1,887,549	1,784,966
Non-current assets			
Property, plant and equipment	F4	160,916	158,683
Intangible assets	A5	304,575	366,689
Investments accounted for using the equity method	E1	5,451	4,105
Deferred tax assets	F9	42,704	50,694
Other financial assets	C3	9,192	7,407
Total non-current assets		522,838	587,578
Total assets		2,410,387	2,372,544
LIABILITIES			
Current liabilities			
Trade and other payables	F5	961,694	1,178,571
Financial liabilities at fair value through profit and loss	F6	211,306	-
Borrowings	B4	42,923	43,550
Provisions	F7	22,643	16,369
Current tax liabilities		13,223	49,011
Derivative financial instruments	C2	9,432	-
Total current liabilities		1,261,221	1,287,501
Non-current liabilities			
Trade and other payables	F5	18,870	22,132
Borrowings	B4	1,955	2,636
Provisions	F7	30,196	30,094
Deferred tax liabilities	F9	347	3,987
Total non-current liabilities		51,368	58,849
Total liabilities		1,312,589	1,346,350
Net assets		1,097,798	1,026,194
EQUITY			
Contributed equity	D4	390,976	387,804
Reserves	F8	(27,218)	(35,516)
Retained profits		734,040	673,906
Total equity		1,097,798	1,026,194

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 \$'000	Total \$'000
Balance at 1 July 2012		382,989	(70,979)	545,119	857,129
Profit for the year		-	-	246,082	246,082
Other comprehensive income		-	33,167	-	33,167
Total comprehensive income for the year		-	33,167	246,082	279,249
<i>Transactions with owners in their capacity as owners:</i>					
Employee share-based payments	D4/F8	4,815	2,296	-	7,111
Dividends provided for or paid	B6	-	-	(117,295)	(117,295)
Balance at 30 June 2013		387,804	(35,516)	673,906	1,026,194
Profit for the year		-	-	206,918	206,918
Other comprehensive income		-	6,274	-	6,274
Total comprehensive income for the year		-	6,274	206,918	213,192
<i>Transactions with owners in their capacity as owners:</i>					
Employee share-based payments	D4/F8	3,172	2,024	-	5,196
Dividends provided for or paid	B6	-	-	(146,784)	(146,784)
Balance at 30 June 2014		390,976	(27,218)	734,040	1,097,798

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

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT MATTERS IN THE CURRENT REPORTING PERIOD

The following significant events and transactions occurred during the reporting period:

- On 25 July 2014, FLT announced non-cash write-downs to goodwill, brand names and customer relationships of \$13,000,000 in India and \$48,300,000 in the United States (\$2,448,000 of this in property, plant and equipment). The write-downs relate to the corporate travel business in India and the Liberty (leisure) and GOGO (wholesale) businesses in the US. Refer to notes A5 and F4 for further details.
- System improvements during the financial year mean that FLT can now recognise an additional component of margin at point of sale, rather than after the customer has travelled. This means that the full year result includes \$19,600,000 in "brought forward" earnings that previously would have been recognised during future reporting periods. After this year, there will be no impact on future years' results. Refer to note A2 for further details.
- FLT has appealed against the Federal Court's December 2013 decision to uphold the ACCC's competition law test case against it. The company lodged a notice of appeal covering both the court's judgment in the ACCC's favour and the \$11,000,000 in penalties that were handed down after the subsequent penalties hearing, which concluded in February 2014. Refer to notes H2 and A4.
- On 2 May 2014, FLT purchased 100% of Travelplan Corporate Limited, a Dublin-based travel management business, for \$2,070,000. The acquisition was effective 1 April 2014, with all transactions subsequent to 1 April 2014 belonging to FLT. Prior to the acquisition, Travelplan Corporate Limited was part of the FCm Travel Solutions travel management network that FLT created in 2004. The acquired business will continue to operate as FCm Ireland and will complement FLT's corporate travel businesses in the United Kingdom. Refer to note A6 for further details.
- Subsequent to the year-end, on 27 August 2014, the group agreed to acquire 90% of the voting shares (and an option over the remaining 10%) of Top Deck Tours Limited, an unlisted company based in the United Kingdom and specialising in tour operations, for potential consideration of up to £26,000,000 for 100% ownership. Top Deck Tours Limited reported statutory audited revenue of £43,000,000 and net profit before tax of £3,700,000 for their year ended 31 October 2013. Refer to note H3 for further details.
- On 15 June 2014, FLT entered into an agreement with Thien Minh Group (TMG) to work together in a joint venture (JV) to expand TMG's Buffalo Tours destination management business throughout Asia. This agreement is subject to certain conditions being met and FLT expects completion by the end of September 2014. FLT will initially contribute USD\$1,470,000 in capital with FLT holding a 49% interest in the JV, and will have three representatives each on the JV operating board.
- FLT signed a 10-year lease agreement for a new global head office at Brisbane's South Bank. The building, which features 20,000 square metres of A-grade commercial space, will be completed in 2016 and will allow FLT to consolidate its Brisbane city head office operations. This is included in future lease commitments, refer to notes F1 and G3.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes:

- Override revenue - note A2
- Impairment of goodwill, brand names and customer relationships - note A5

Financial statements

Notes to the financial statements have been restructured to make the financial report more relevant and readable, with information about specific aspects of the group's financial position and performance now presented together. Additional information has also been included where it is important for understanding the group's performance.

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgments. All other accounting policy information is disclosed at the end of the financial report in note I.

A FINANCIAL OVERVIEW

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

A1	Segment information
A2	Revenue
A3	Other income
A4	Expenses
A5	Intangible assets
A6	Business combinations

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) 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 – UK, with oversight of South Africa and Ireland
- Executive general manager – USA; and
- Executive general manager – global corporate and Asia

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 task force, via a group Financial Report.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A1 SEGMENT INFORMATION (CONTINUED)

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 opted to not disclose non-current assets by geographic location as this information is not provided to and/or reviewed by the chief operating decision makers and is not readily available. 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 unaudited, 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 2014 and 30 June 2013 is shown in the tables on the following pages.

A1 SEGMENT INFORMATION (CONTINUED)

June 2014	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other Segment¹ \$'000	Total \$'000
<i>Segment information</i>						
TTV²	9,115,662	2,088,909	1,533,138	3,116,524	194,815	16,049,048
Total segment revenue	1,332,261	246,011	239,005	380,156	183,633	2,381,066
Inter-segment revenue	(110,418)	1,459	(14,707)	(12,831)	-	(136,497)
Revenue from external customers	1,221,843	247,470	224,298	367,325	183,633	2,244,569
Statutory EBITDA	340,872	2,280	46,849	31,691	(43,315)	378,377
Depreciation and amortisation	(30,589)	(7,589)	(4,745)	(9,681)	(1,173)	(53,777)
Statutory EBIT	310,283	(5,309)	42,104	22,010	(44,488)	324,600
Interest income	691	363	1,159	4,348	25,606	32,167
BOS interest expense	(21,482)	(293)	(2,294)	(3,977)	(1,432)	(29,478)
Other interest expense	(839)	(222)	(115)	(3,039)	1,191	(3,024)
Other non-material items	(456)	-	(25)	(4)	-	(485)
Net profit before tax and royalty	288,197	(5,461)	40,829	19,338	(19,123)	323,780
Royalty	28,371	-	(14,806)	(13,565)	-	-
Net profit before tax and after royalty	316,568	(5,461)	26,023	5,773	(19,123)	323,780
<i>Reconciliation of Statutory EBIT to Adjusted EBIT</i>						
Statutory EBIT	310,283	(5,309)	42,104	22,010	(44,488)	324,600
Interest income ³	575	-	-	1,547	10,856	12,978
BOS interest expense	(21,482)	(293)	(2,294)	(3,977)	(1,432)	(29,478)
Net foreign exchange (gains) / losses on intercompany loans	-	-	39	-	1,408	1,447
ACCC fine	-	-	-	-	11,000	11,000
Impairment charges ⁴	-	18,700	-	13,000	29,600	61,300
FCGP revenue alignment	-	-	-	-	(19,600)	(19,600)
Intercompany dividend	-	-	-	5,127	(5,127)	-
Other non-material items	(7)	(397)	-	(41)	-	(445)
Adjusted EBIT / Segment Result	289,369	12,701	39,849	37,666	(17,783)	361,802
Shop numbers ²	1,421	295	262	700	-	2,678

¹Other segment includes Brisbane-based support businesses that support the global network.

²TTV and shop numbers are un-audited, non-IFRS measures.

³Land wholesale interest only

⁴Included in the impairment charge are brand names which are managed by the global teams, hence included in other segment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A1 SEGMENT INFORMATION (CONTINUED)

June 2013	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other Segment¹ \$'000	Total \$'000
<i>Segment information</i>						
TTV²	8,516,380	1,726,980	1,187,557	2,669,692	158,653	14,259,262
Total segment revenue	1,204,955	206,237	184,504	334,047	165,839	2,095,582
Inter-segment revenue	(93,126)	2,069	(10,491)	(950)	(7,289)	(109,787)
Revenue from external customers	1,111,829	208,306	174,013	333,097	158,550	1,985,795
Statutory EBITDA	311,371	18,791	37,822	36,520	(9,265)	395,239
Depreciation and amortisation	(27,594)	(7,350)	(3,991)	(9,375)	(1,502)	(49,812)
Statutory EBIT	283,777	11,441	33,831	27,145	(10,767)	345,427
Interest income	768	333	1,427	976	31,802	35,306
BOS interest expense	(21,156)	(491)	(1,488)	(3,882)	(1,131)	(28,148)
Other interest expense	(908)	(1,047)	(143)	(447)	(1,035)	(3,580)
Other non-material items	96	-	(40)	(4)	152	204
Net profit before tax and royalty	262,577	10,236	33,587	23,788	19,021	349,209
Royalty	24,464	(4,865)	(10,907)	(8,692)	-	-
Net profit before tax and after royalty	287,041	5,371	22,680	15,096	19,021	349,209
<i>Reconciliation of Statutory EBIT to Adjusted EBIT</i>						
Statutory EBIT	283,777	11,441	33,831	27,145	(10,767)	345,427
Interest income ³	676	-	-	1,349	10,513	12,538
BOS interest expense	(21,156)	(491)	(1,488)	(3,882)	(1,131)	(28,148)
Net foreign exchange (gains) / losses on intercompany loans	-	-	-	-	1,721	1,721
Reversal of previous impairment of land and buildings	(5,532)	-	-	(598)	-	(6,130)
Intercompany dividend	-	-	-	7,289	(7,289)	-
Other non-material items	(259)	(35)	(329)	(22)	132	(513)
Adjusted EBIT / Segment Result	257,506	10,915	32,014	31,281	(6,821)	324,895
Shop numbers ²	1,296	283	235	667	-	2,481

A2 REVENUE

	2014 \$'000	2013 \$'000
Revenue from the sale of travel services		
Commission and fees from the provision of travel	1,664,793	1,469,511
Revenue from the provision of travel	469,577	399,654
Other revenue from travel services	73,080	75,392
	2,207,450	1,944,557
Other revenue		
Rents and sub-lease rentals	4,411	5,511
Interest	32,167	35,306
Royalties	541	421
	37,119	41,238

Significant matter

Commission and fees from the provision of travel includes a one-off gain of \$15,300,000 related to the Flight Centre Global Product (FCGP) wholesale business. An additional one-off gain of \$4,300,000 (note A4) is included in net foreign exchange losses. The gains have been brought about by system improvements, which have allowed FLT to accurately calculate and capture an additional component of margin within the FCGP business at the time of sale, rather than after the customer has travelled. The change brings FCGP in to line with FLT policy (as detailed below).

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.

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

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.

The volume incentives are recognised at the amount receivable when annual targets are likely to 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 anticipated future flown revenues 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; and
- Renegotiations – periodic renegotiations of terms and contractual arrangements with suppliers may result in additional volume/incentives, rebates or other bonuses being received. These payments may not be specified in existing contracts.

Information on override receivables is included in note F3.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A3 OTHER INCOME

Other income	2014 \$'000	2013 \$'000
Net foreign exchange gains	-	10,053
Gain on financial assets at fair value ¹	5,127	2,572
Reversal of previous impairment of land and buildings ²	-	6,130
	5,127	18,755

¹Gain on financial assets at fair value includes a one-off gain of \$5,127,000 relating to the maturity of the group's remaining CDO, which had been fully written down in 2011.

²In the year ended 30 June 2013, management obtained external market valuations for the group's land and buildings. Increases in the value of the land and buildings in Australia (\$5,532,000) and South Africa (\$598,000) were recorded in the related profit or loss. These increases reversed a previous revaluation impairment that was taken to the profit or loss in 2009.

A4 EXPENSES

Profit before income tax includes the following expenses:

Finance costs	Notes	2014 \$'000	2013 \$'000
BOS interest expense	D2	29,478	28,148
Interest and finance charges paid/payable		3,024	3,580
Unwind of make good provision discount	F7	485	(204)
Total finance costs		32,987	31,524
Other expenses			
Other occupancy costs		55,843	47,265
Consulting fees		39,838	42,676
Communication and IT		60,000	53,748
Net foreign exchange losses		14,984	-
Other expenses ¹		158,863	137,123
Total other expenses		329,528	280,812

¹Other expenses include the ACCC penalties of \$11,000,000.

The following expenses are located elsewhere in the financial report:

- Depreciation and amortisation expense - note B7 Capital expenditure
- Rental expense relating to operating leases - note F1 Other expenses; and
- Impairment losses on trade receivables - note F3 Trade and other receivables.

A5 INTANGIBLE ASSETS

Overview

On 25 July 2014, FLT announced non-cash write-downs to goodwill, brand names and customer relationships of \$13,000,000 in India and \$48,300,000 in the United States (\$2,448,000 of this in property, plant and equipment - refer to note F4).

The write-downs relate to the corporate travel business cash-generating unit (CGU) in India and the Liberty (leisure) and GOGO (wholesale) businesses CGU in the US.

In India, the corporate travel business has generally been profitable, but it has not delivered the consistent year-on-year profit growth that FLT initially expected.

The US businesses were acquired in 2008, just before the dawn of 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, both the India and US businesses are profitable and the US achieved another record result during 2013/14, the profit contribution from various acquired brands in both countries has not been large enough to justify the current carrying values pre-impairment. The overall India business also includes the retail business and the overall US business also includes the corporate travel business.

FLT also continues its strategic investment in projects that will ultimately underpin its transition from a leisure and corporate travel agent to an innovative retailer. As part of this transition, various systems are being upgraded to enhance productivity in-store and to deliver a better experience to customers across all sales channels.

	Goodwill \$'000	Brand names and customer relationships ¹ \$'000	Other intangible assets ² \$'000	Total \$'000
Opening balance at 1 July 2012				
Cost	313,208	64,513	61,890	439,611
Accumulated amortisation (including accumulated impairment losses)	(29,539)	(14,233)	(43,217)	(86,989)
Net book amount at 1 July 2012	283,669	50,280	18,673	352,622
Additions	-	122	10,493	10,615
Acquisitions	1,078	-	-	1,078
Disposals ³	-	(125)	(117)	(242)
Transfer to property, plant and equipment ³	-	-	(3,724)	(3,724)
Exchange differences ³	15,098	773	188	16,059
Amortisation	-	(3,391)	(6,328)	(9,719)
Net book amount at 30 June 2013	299,845	47,659	19,185	366,689
Opening balance at 1 July 2013				
Cost	332,246	66,666	55,530	454,442
Accumulated amortisation (including accumulated impairment losses)	(32,401)	(19,007)	(36,345)	(87,753)
Net book amount at 1 July 2013	299,845	47,659	19,185	366,689
Additions	-	-	9,214	9,214
Acquisitions	2,011	-	-	2,011
Disposals ³	-	-	(3,435)	(3,435)
Exchange differences ³	(1,430)	(41)	6	(1,465)
Amortisation	-	(3,377)	(6,210)	(9,587)
Impairment	(27,300)	(31,552)	-	(58,852)
Net book amount at 30 June 2014	273,126	12,689	18,760	304,575
Closing balance at 30 June 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 30 June 2014	273,126	12,689	18,760	304,575

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A5 INTANGIBLE ASSETS (CONTINUED)

Impairment tests

Critical accounting estimates, assumptions and judgments – impairment of goodwill

The group tests goodwill annually for impairment, in accordance with the accounting policy stated in note 1(g). The CGU's 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 five-year period. Refer below for details of these assumptions and the potential impacts of reasonable changes to the assumptions.

Goodwill is allocated to the CGUs, identified according to relevant business and country of operation. Each segment includes a number of separately identifiable CGUs. A segment level summary of the goodwill allocation is presented below:

Goodwill	Australia ¹ \$'000	United Kingdom ² \$'000	United States ¹ \$'000	Other countries ³ \$'000	Total \$'000
2014	137,280	81,296	22,817	31,733	273,126
2013	138,954	79,115	37,682	44,094	299,845

Goodwill impairment

2014	-	-	(14,300)	(13,000)	(27,300)
2013	-	-	-	-	-

Brand names

2014	-	-	12,689	-	12,689
2013	-	-	42,289	-	42,289

Brand names impairment

2014	-	-	(29,600)	-	(29,600)
2013	-	-	-	-	-

The \$29,600,000 of brand name impairment has been allocated to the United States CGU for impairment testing purposes. However, for note A1, the impairment charge is included in other segment, as brand names are managed by the global teams. Additionally \$1,952,000 of customer relationship intangibles were impaired in the United States segment.

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

(a) Key assumptions used for value-in-use calculations

Goodwill	Discount rate ⁵	
	2014 %	2013 %
CGU		
Australia ¹	15.4	14.7
United Kingdom ²	15.4	14.7
United States ¹	16.6	15.7
India ⁴	22.0	20.9
Other countries (excluding those listed above) ³	15.4	14.7
Brand names		
United States ¹	16.6	15.7

¹The individually significant CGUs are Corporate and Retail.

²The individually significant CGU is Corporate.

³Other countries consist of a number of individually insignificant CGUs.

⁴The India CGU is Corporate.

⁵In performing the value-in-use calculations for each CGU, the company has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed. The discount rates are calculated each year based on market data and applied to each individually significant CGU within each geography.

A5 INTANGIBLE ASSETS (CONTINUED)

For the purposes of impairment testing, terminal growth rates were not applied to all CGUs. The exceptions are the United States and India, where rates between 2.3% and 5.5% (2013: 2% 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 cash flows uses the following key operating assumptions:

- 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 analyses and there are no reasonably possible changes in a key assumption which would cause a CGU's carrying value to materially exceed its recoverable amount.

However, given the impairment charges taken this year in the US and India, any adverse change in a key assumption would result in additional impairment in those CGUs.

A6 BUSINESS COMBINATIONS

Travelplan Corporate Limited

(a) Summary of acquisition

On 2 May 2014, FLT purchased 100% of Travelplan Corporate Limited, a Dublin-based travel management business. This acquisition was effective 1 April 2014, with all transactions subsequent to 1 April 2014 belonging to FLT. Prior to the acquisition, Travelplan Corporate Limited was part of the global FCm Travel Solutions travel management network that FLT created in 2004. The acquired business will continue to operate as FCm Ireland and will complement FLT's corporate travel businesses in the United Kingdom.

FLT has provisionally recognised the fair values of the identifiable net assets based on the best information available at the reporting date. Provisional business combination accounting is detailed below. These amounts have been calculated using the group's accounting policies.

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

Purchase consideration:	\$'000
Cash Paid	2,070
Total Purchase Consideration	2,070

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

	Fair Value \$'000
Working capital acquired	37
Net identifiable assets acquired	37
Add: Goodwill	2,033
Net assets acquired	2,070

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A6 BUSINESS COMBINATIONS (CONTINUED)

The goodwill is attributable to Travelplan Corporate Limited's profitability, as well as enabling FLT a low-cost entry to the Irish corporate travel sector.

Revenue and profit contribution

Travelplan Corporate Limited contributed commission revenues of \$970,000 and net profit of \$100,000 to the group for the period from 1 April 2014 to 30 June 2014. Travelplan Corporate Limited is reported within the United Kingdom segment (note A1).

Had the acquisition occurred on 1 July 2013, consolidated commission revenue and profit for the year ended 30 June 2014 would have been \$3,700,000 and \$380,000, respectively. These amounts have been calculated using the subsidiary's results.

(b) Purchase consideration – cash outflow

Outflow of cash to acquire Travelplan Corporate Limited, net of cash acquired:

	\$'000
Cash consideration	2,070
Less: balances acquired	
Cash	37
Outflow of cash - Investing activities	2,033

Acquisition-related costs

Acquisition-related costs of \$80,000 are included in other expense in profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

B CASH MANAGEMENT

FLT has a focus on maintaining a strong balance sheet through increasing cash and investments and reducing 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	Available-for-sale (AFS) financial assets
B3	Cash & AFS - 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(j).

	2014 \$'000	2013 \$'000
General cash at bank and on hand	476,042	433,799
Client cash	785,640	793,220
	1,261,682	1,227,019

For the purpose of the consolidated statement of cash flows, cash and cash equivalents is equal to the balance as disclosed above.

Reconciliation of profit after tax to net cash inflow from operating activities

Profit for the year	206,918	246,082
Depreciation and amortisation	53,777	49,812
Net (gain) / loss on disposal of non-current assets	4,662	1,087
Net (gain) on reversal of impairment	-	(5,562)
Impairment charges against assets	61,300	-
Net (gain) / loss on sale of financial assets at fair value	(5,127)	(2,572)
Share of (profits) / losses of joint ventures and associates not received as dividends or distributions	(1,346)	1,004
Net exchange differences	12,772	(15,429)
(Increase) / decrease in trade and other receivables	(73,559)	(46,864)
(Increase) / decrease in deferred tax assets	8,040	(1,623)
(Increase) / decrease in inventories	(86)	6
Increase / (decrease) in trade creditors, other payables and financial liabilities at fair value through profit or loss	(5,371)	136,271
Increase / (decrease) in net income taxes payable	(35,612)	(2,605)
Increase / (decrease) in deferred tax liabilities	(3,547)	(1,423)
Increase / (decrease) in other provisions	4,272	12,139
Net cash inflow / (outflow) from operating activities	227,093	370,323

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B2 AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

	2014 \$'000	2013 \$'000
Unlisted debt securities	41,240	36,803

These are bearing interest between 0% and 4.71% (2013: 0% and 4.82%).

The weighted average interest rate for the year was 2.80% (2013: 2.56%).

B3 CASH AND AFS - FINANCIAL RISK MANAGEMENT

Credit risk

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

Financial assets' credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Equivalent S&P rating			Non investment grade / unrated \$'000	Total \$'000
	AA and above \$'000	AA- to A- \$'000	BBB+ to BBB \$'000		
<i>At 30 June 2014</i>					
Cash and cash equivalents	130	1,165,700	59,768	36,084	1,261,682
Available-for-sale financial assets	9,626	23,212	7,956	446	41,240
<i>At 30 June 2013</i>					
Cash and cash equivalents	-	1,148,204	62,602	16,213	1,227,019
Available-for-sale financial assets	9,713	5,067	16,940	5,083	36,803

The maximum exposure to credit risk at the reporting period's end is the fair value of all available-for-sale securities and the carrying amount of cash and cash equivalents as disclosed above.

No impairment charge was written off to the statement of profit or loss and other comprehensive income during the period (2013: nil).

Fair value

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

AFS financial assets are measured at fair value, which is determined by reference to price quotations in a non-active market for identical assets.

The AFS financial assets are classified as Level 2 (2013: Level 2) under the AASB 7 Fair value measurement hierarchy, based on the valuation technique as described above.

Market risk

Interest rate risk

Refer to note C1 for sensitivity of interest rate risk and other price risk.

B4 BORROWINGS

	Notes	2014 \$'000	2013 \$'000
Current			
Bank loans		23,722	27,920
Net unsecured notes principal	D2	19,201	15,630
Total current borrowings		42,923	43,550
Non-current			
Bank loans		1,955	2,636
Total non-current borrowings		1,955	2,636

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 have an average maturity of 4.1 years (2013: 5.8 years) and are at floating interest rates.

The current interest rates on bank loan facilities range from 1.67% - 11.31% (2013: 1.63% - 11.75%).

Liquidity risk

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

	Bank loan		Purchase cards		Letters of credit	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unused	10,646	8,579	26,123	19,205	39,244	47,456
Used	25,677	30,556	25,964	24,427	54,952	38,057
Total facilities	36,323	39,135	52,087	43,632	94,196	85,513

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B4 BORROWINGS (CONTINUED)

Assets pledged as security

The South Africa building loan is secured and the related building is pledged as security:

	2014 \$'000	2013 \$'000
Current	421	456
Non-current	1,955	2,636
Total secured bank loans	2,376	3,092
Carrying value of buildings pledged as security	5,234	4,055

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 (refer to note B4), general cash (refer to note B1) and equity attributable to the parent's equity holders (refer to notes D4 and F8)

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	2014 \$'000	2013 \$'000
General cash at bank and on hand	B1	476,042	433,799
Less:			
Borrowings - current		42,923	43,550
Borrowings - non-current		1,955	2,636
	B4	44,878	46,186
Positive net debt¹		431,164	387,613

FLT is currently in a positive net debt position.

¹Net debt = General cash – (Current + Non-current Borrowings). The calculation excludes client cash and related AFS financial assets.

Gearing ratio	Notes	2014 \$'000	2013 \$'000
Total borrowings	B4	44,878	46,186
Total equity		1,097,798	1,026,194
Gearing ratio²		4.1%	4.5%

²Gearing 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 company intends to retain approximately 3 months' average operating expenses in available cash holdings.

	2014 \$'000
Average 3 months' operating expense ¹	452,710

¹Average operating expenses is calculated as total expenses excluding non-cash depreciation and amortisation for the year and excluding one-off items (impairment charge and ACCC fine) over the relevant period.

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

The combined interim and final dividend payments represent a \$152,866,000 return to shareholders, 74% of FLT's statutory NPAT. It represents 58% of FLT's underlying NPAT.

	2014 \$'000	2013 \$'000
Ordinary shares		
Final ordinary dividend for the year ended 30 June 2013 of 91.0 cents (2012: 71.0 cents) per fully paid share, paid on 18 October 2013	91,476	71,103
Interim ordinary dividend for the year ended 30 June 2014 of 55.0 cents (2013: 46.0 cents) per fully paid share, paid on 17 April 2014	55,308	46,192
	146,784	117,295

Dividends not recognised at the end of the year

Since year-end, the directors have recommended a 97.0 cents per fully paid share (2013: 91.0 cents) final dividend. The aggregate amount of the dividend to be paid on 17 October 2014 out of retained profits at 30 June 2014, but not recognised as a liability at year-end is:	97,558	91,388
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Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30%	269,022	238,213
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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 \$41,811,000 (2013: \$39,166,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B7 CAPITAL EXPENDITURE

Overview

As it grows its network, FLT aims to maintain capital expenditure on property, plant and equipment and intangibles at approximately the same level as annual depreciation and amortisation expense. This excludes any major strategic expenditure.

<i>Depreciation</i>	Notes	2014 \$'000	2013 \$'000
Buildings	F4	1,266	484
Plant and equipment	F4	42,924	39,179
Total depreciation		44,190	39,663
<i>Amortisation</i>			
Brand names and customer relationships	A5	3,377	3,391
Other intangibles	A5	6,210	6,328
Borrowing costs		-	430
Total amortisation		9,587	10,149
Total depreciation and amortisation		53,777	49,812

<i>Additions</i>			
PPE	F4	48,742	42,966
Intangibles	A5	9,214	10,615
Total additions		57,956	53,581

There has been ongoing investment in the sales network (shop growth of 197* to 2678*) and a number of IT projects to support the FLT strategy.

* Shop numbers are un-audited, non-IFRS measures.

Contractual commitments

Neither the parent entity, nor the group, has any contractual obligations to purchase plant and equipment or intangible assets at balance date (2013: nil).

C FINANCIAL RISK MANAGEMENT

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

- C1 Financial risk management
- C2 Derivative financial instruments
- C3 Other financial assets

C1 FINANCIAL RISK MANAGEMENT

Overview

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price 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. Liquidity risk and sensitivity are 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 \$498,345,000 (2013: \$471,820,000) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

	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
2014						
<i>Non-derivatives</i>						
Non-interest bearing trade and other payables	923,627	-	-	-	923,627	923,627
Financial liabilities at FVTPL	211,306	-	-	-	211,306	211,306
Borrowings	43,170	669	1,448	-	45,287	44,878
Total non-derivatives	1,178,103	669	1,448	-	1,180,220	1,179,811
<i>Derivatives</i>						
Derivatives - net settled	9,432	-	-	-	9,432	9,432
2013						
<i>Non-derivatives</i>						
Non-interest bearing trade and other payables	1,146,852	20	65	18	1,146,955	1,146,955
Financial liabilities at FVTPL	-	-	-	-	-	-
Borrowings	45,282	715	2,146	-	48,143	46,186
Total non-derivatives	1,192,134	735	2,211	18	1,195,098	1,193,141
<i>Derivatives</i>						
Derivatives - net settled	-	-	-	-	-	-

C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

2014 <i>Financial assets</i>	Carrying amount \$'000	Interest rate risk		Foreign exchange risk	
		-1% Profit	+1% Profit	-10% Profit	+10% Profit
Cash and cash equivalents	1,261,682	(12,617)	12,617	2,093	(1,694)
Available-for-sale financial assets	41,240	(312)	312	-	-
Trade and other receivables	560,250	-	-	2,365	(1,935)
Derivative financial instruments	-	-	-	-	-
Other financial assets	12,017	(107)	107	-	-
<i>Financial liabilities</i>					
Trade and other payables	923,627	-	-	(620)	507
Financial liabilities at FVTPL	211,306	-	-	(23,519)	19,243
Borrowings - current	42,923	237	(237)	-	-
Borrowings - non-current	1,955	20	(20)	-	-
Derivative financial instruments	9,432	-	-	29,637	(24,220)
Total increase / (decrease)		(12,779)	12,779	9,956	(8,099)

2013 <i>Financial assets</i>	Carrying amount \$'000	Interest rate risk		Foreign exchange risk	
		-1% Profit	+1% Profit	-10% Profit	+10% Profit
Cash and cash equivalents	1,227,019	(12,270)	12,270	1,550	(1,322)
Available-for-sale financial assets	36,803	(218)	218	-	-
Trade and other receivables	502,235	-	-	1,851	(1,515)
Derivative financial instruments	13,416	-	-	22,626	(18,521)
Other financial assets	7,407	(74)	74	-	-
<i>Financial liabilities</i>					
Trade and other payables	1,146,826	-	-	(6,645)	5,437
Contingent consideration	129	2	(2)	-	-
Borrowings - current	43,550	497	(497)	-	-
Borrowings - non-current	2,636	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Total increase / (decrease)		(12,063)	12,063	19,382	(15,921)

There is no equity impact 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C2 DERIVATIVE FINANCIAL INSTRUMENTS

	2014 \$'000	2013 \$'000
Current assets		
Forward foreign exchange contracts - held-for-trading	-	13,416
Total current derivative financial instrument assets	-	13,416
Current liabilities		
Forward foreign exchange contracts - held-for-trading	9,432	-
Total current derivative financial instrument liabilities	9,432	-

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 forward foreign exchange contracts are classified as Level 2 (2013: Level 2) under the AASB 7 Fair value measurement hierarchy, based on the valuation technique described above.

Accounting policy

In accordance with its financial risk management policies, FLT uses derivative financial instruments (such as foreign exchange contracts) in the normal course of business to hedge its exposure to interest and foreign exchange rate fluctuations. Such derivative financial instruments are stated at fair value and calculated using the valuation technique as described above. The resulting gain or loss's recognition depends on whether the derivative is designated as an effective hedging instrument and, if so, the nature of the item being hedged. The group has entered into forward foreign exchange contracts that are economic hedges, but are not designated as effective hedging instruments and, therefore, do not satisfy hedge accounting requirements. Gains or losses on these contracts are recognised in profit or loss and other comprehensive income. The derivatives are used exclusively for hedging purposes, not as trading or other speculative instruments.

C3 OTHER FINANCIAL ASSETS

	2014 \$'000	2013 \$'000
Current		
Loans to related parties	2,825	-
Non-current		
Loans to related parties	7,868	7,407
Security deposits	1,324	-
Total non-current other financial assets	9,192	7,407

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

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

All other financial assets are categorised as no default customers as they have had no late payments or other breaches of trading terms that would require a provision to be raised.

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
 - Senior Executive Option Plan (SEOP)
 - Senior Executive Performance Rights Plan (SEPRP)
 - Employee Share Plan (ESP)
- D4 Contributed equity

D1 KEY MANAGEMENT PERSONNEL

KMP compensation	2014 \$	2013 \$
Short-term employee benefits	5,552,451	5,973,179
Post-employment benefits	126,658	149,024
Share-based payments	16,709	183,717
Long-term benefits	1,345,747	1,790,535
	7,041,565	8,096,455

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

Other transactions with KMP

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

D2 BUSINESS OWNERSHIP SCHEME (BOS)

Overview

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

Accounting policy – Business Ownership Scheme

The 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 demand by either party or upon termination of the note holder's employment. Interest is generally payable one month in arrears.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

D2 BUSINESS OWNERSHIP SCHEME (BOS) (CONTINUED)

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.

	2014 \$'000	2013 \$'000
Unsecured notes principal	93,627	93,266
Loans held for unsecured notes	(74,426)	(77,636)
Net unsecured notes principal	19,201	15,630

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 from time to time will not exceed 35% of the face value of the unsecured note in any 12-month period.

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

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

Accounting policy – BOS multiple

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.

Employee benefits - Other long-term benefits	4,791	4,049
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D3 SHARE-BASED PAYMENTS

Overview

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

- Senior Executive Option Plan (SEOP)
- Senior Executive Performance Rights Plan (SEPRP); and
- Employee Share Plan (ESP)

Expenses arising from share-based payment transactions

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

	2014 \$'000	2013 \$'000
Options issued under the SEOP	17	228
Performance rights issued under the SEPRP	6	113
Matched shares allocated under ESP	836	509
	859	850

Directors are not eligible to participate in the ESP and have elected not to participate in the SEOP and SEPRP.

D3 SHARE-BASED PAYMENTS (CONTINUED)

Accounting policy

The fair value of options granted under FLT's SEOP or rights granted under FLT's SEPRP 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 options/rights.

The fair value at grant date is determined using a Black-Scholes pricing model. The model takes into account the exercise price, the options'/rights' term, market conditions, the impact of dilution, the options'/rights' non-tradable nature, the share price at grant date and the underlying share's expected price volatility, the expected dividend yield and the risk-free interest rate for the options'/rights' term.

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

Senior Executive Option Plan (SEOP) and Senior Executive Performance Rights Plan (SEPRP)

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Forfeited during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number	Weighted average share price at exercise date	Weighted average remaining contractual life
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2014

Senior Executive Option Plan

29/06/09	30/06/15	\$10.00	365,000	-	(80,000)	285,000	125,000	\$47.78	1 year
Weighted average exercise price			\$10.00	-	\$10.00	\$10.00	\$10.00		

Senior Executive Performance Rights Plan

12/08/11	30/06/15	\$0.00	11,000	-	(5,500)	5,500	-	\$48.41	1 year
Weighted average exercise price			\$0.00	-	\$0.00	\$0.00	-		

2013

Senior Executive Option Plan

29/06/09	30/06/15	\$10.00	660,000	-	(295,000)	365,000	45,000	\$29.41	2 years
Weighted average exercise price			\$10.00	-	\$10.00	\$10.00	\$10.00		

Senior Executive Performance Rights Plan

12/08/11	30/06/15	\$0.00	33,000	(11,000)	(11,000)	11,000	-	\$24.00	2 years
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	-		

There have been no options or performance rights granted during the period and there were no modifications to the SEOP or SEPRP during the year. Therefore, there have been no changes to the fair value calculation for options or performance rights.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

D3 SHARE-BASED PAYMENTS (CONTINUED)

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 shares 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.

	2014	2013
Number of shares issued under the plan to participating employees	59,416	73,438
Weighted average market price of shares issued*	\$39.95	\$25.39

*Includes dilutive effect of matching shares at nil value.

D4 CONTRIBUTED EQUITY

Overview

The movements in contributed equity during the period related to shares issued under the ESP, SEOP and SEPRP. 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 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 2012	100,047,288		382,989
Employee Share Plan	65,021	\$28.68	1,865
Employee Share Plan Matched Shares	8,417	\$0.00	-
Senior Executive Option Plan	295,000	\$10.00	2,950
Senior Executive Performance Rights Plan	11,000	\$0.00	-
Closing Balance - 30 June 2013	100,426,726		387,804
Employee Share Plan	49,515	\$47.93	2,372
Employee Share Plan Matched Shares	9,901	\$0.00	-
Senior Executive Option Plan	80,000	\$10.00	800
Senior Executive Performance Rights Plan	5,500	\$0.00	-
Closing Balance - 30 June 2014	100,571,642		390,976

E RELATED PARTIES

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

- E1 Investments accounted for using the equity method
- E2 Related party transactions

E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Overview

FLT continues its involvement in two joint ventures as follows:

- A 50% shareholding in Employment Office Australia Pty Ltd, a recruitment business incorporated in Australia; and
- 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.

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

Joint venture information is presented in accordance with the accounting policy described in note 1(d)(ii) and is set out below.

	2014 \$'000	2013 \$'000
<i>Investments accounted for using the equity method – carrying value</i>		
Interest in joint ventures	5,451	4,105

The joint ventures are structured through separate vehicles and FLT has a residual interest in the vehicles' net assets. Accordingly, FLT has recorded its investment in Employment Office Australia Pty Ltd and Pedal Group Pty Ltd as joint ventures.

Share of joint venture results

	2014 \$'000	2013 \$'000
<i>Share of joint venture results</i>		
Profit or loss from continuing operations	1,346	(1,004)
Total comprehensive income	1,346	(1,004)
<i>Share of joint venture commitments</i>		
Lease commitments	3,104	3,263
Capital expenditure commitments	-	75

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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%), and Matthew Turner (25%).

The remaining 50% of My Adventure Store Holdings Pty Ltd was purchased on 30 June 2013, meaning it was not a joint venture related party during the period. This change is reflected in the disclosures below.

KMP compensation

KMP disclosures are set out in note D1.

Transactions with related parties

	2014 \$	2013 \$
<i>Income from joint venture-related parties</i>		
Management fees	128,528	839,731
Fit-out	4,439	2,095
Travel and conference	443,976	379,405
Advertising and marketing	-	1,482,474
Rent	330,502	294,227
IT services	101,474	265,257
Other	71,870	568,510
<i>Expenses to joint venture-related parties</i>		
Commissions	-	16,520
Overrides expense	-	1,067,951
Marketing expense	-	264,303
Recruitment advertising expense	2,851,346	1,938,963
<i>Income from director-related entities</i>		
Service fee income	141,277	21,466
<i>Expenses to director-related entities</i>		
Conference expense	125,448	196,004
Travel Expo expense	1,619,456	1,426,862
Marketing expense	1,380	33,261

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:

	2014 \$	2013 \$
<i>Joint ventures</i>		
Current receivables	330,243	54,010
Current payables	205,418	193,901
<i>Director-related entities</i>		
Current receivables	66,064	21,466
Prepaid expenses	68,602	87,407
Current payables	4,386	24,895

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/from related parties

	Notes	2014 \$'000	2013 \$'000
<i>Loans to joint-venture related parties</i>			
Beginning of the year		7,407	7,902
Loans advanced		4,600	2,799
Loans repaid		(1,775)	(3,726)
Non-cash repayment		-	(72)
Interest charged		461	447
Foreign exchange movement		-	57
End-of-year	C3	10,693	7,407

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 4.26% - 4.91% (2013: 2.61% - 5.59%).

	2014 \$'000	2013 \$'000
<i>Loans from related parties</i>		
Beginning of the year	(287)	-
Recognition of loan on consolidation	-	(222)
Loans advanced	(1)	(43)
Interest charged	(6)	(5)
Foreign exchange movement	(28)	(17)
End-of-year	(322)	(287)

All loans from related parties were made on normal commercial terms and conditions and at market rates. The interest rate on loans during the year ranged from 2.22% - 2.61% (2013: 2.61% - 3.0%).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F OTHER INFORMATION

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

F1	Other expenses • Employee benefits • Rent expense • Operating lease commitments
F2	Earnings per share
F3	Trade and other receivables
F4	Property, plant and equipment
F5	Trade and other payables
F6	Financial liabilities at fair value through profit or loss
F7	Provisions
F8	Reserves
F9	Tax • Income tax expense • Deferred tax asset • Deferred tax liability
F10	Auditor's Remuneration

F1 OTHER EXPENSES

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

	2014 \$'000	2013 \$'000
Employee benefits expense		
Defined contribution superannuation expense	60,511	53,584
Other employee benefits expense	1,091,363	984,536
Total employee benefits expense	1,151,874	1,038,120

Staff numbers ¹	17,289	16,116
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Rental expense relating to operating leases

Lease expense ²	128,846	116,488
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Shop numbers ¹	2,678	2,481
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¹Staff 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.

²Elements 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:

	2014 \$'000	2013 \$'000
Within one year	121,782	111,773
Later than one year but not later than five years	284,958	259,983
Later than five years	163,885	44,909
	570,625	416,665

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

F2 EARNINGS PER SHARE

Overview

Statutory earnings per share (EPS) reached 205.8 cents, down 16.2% on the prior comparative period. At an underlying level, EPS increased 9.5% to 262.2 cents. Underlying EPS* during 2013/14 excludes the non-cash adjustments of \$61,300,000 impairment, the positive \$19,600,000 FCGP revenue alignment and the \$11,000,000 ACCC fine. Building revaluation gains of \$6,130,000, were excluded from underlying EPS during 2012/13.

<i>Basic earnings per share</i>	2014 Cents	2013 Cents
Profit attributable to the company's ordinary equity holders	205.8	245.6

<i>Diluted earnings per share</i>		
Profit attributable to the company's ordinary equity holders	205.5	244.2

<i>Reconciliations of earnings used in calculating EPS</i>	\$'000	\$'000
Profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	206,918	246,082

<i>Weighted average number of shares used as the denominator</i>	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	100,523,681	100,214,980

<i>Adjustments for calculation of diluted earnings per share:</i>		
Options and rights	182,168	553,638
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	100,705,849	100,768,618

*Underlying EPS are un-audited, non-IFRS measures.

Information concerning the classification of securities

Options and rights

Options and rights granted under the Senior Executive Option Plan and Senior Executive Performance Rights Plan are considered contingently issuable ordinary shares if they have met the related earnings-based contingencies. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and performance rights have not been included in the determination of basic earnings per share. Option and rights details are set out in note D3.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F3 TRADE AND OTHER RECEIVABLES

	2014 \$'000	2013 \$'000
Trade receivables	379,349	331,256
Override receivables	165,090	141,874
Less: Provision for impairment of receivables	(6,878)	(5,798)
	537,561	467,332
GST receivable	3,299	1,461
Prepayments	23,100	22,262
Accrued interest	6,766	7,416
Other receivables	5,746	3,764
Total trade and other receivables	576,472	502,235

Accounting policy

Trade receivables relating to volume incentives (override receivables) are recognised at the amount receivable when annual targets are likely to be achieved.

Additional information on trade and other receivables accounting policies is included in note 1(m).

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	2014 \$'000	2013 \$'000
US Dollar	15,954	12,991
British Pound	674	307
Euro	1,705	421
Thai Baht	514	786
Fijian Dollar	334	582
New Zealand Dollar	720	566
Chinese Renminbi	380	235
Other	1,008	852

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

F3 TRADE AND OTHER RECEIVABLES (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, financial position and security available 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 receivable's 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

<i>Movements in the provision for impairment of receivables are as follows:</i>	2014 \$'000	2013 \$'000
At 1 July	5,798	6,346
Bad debts expense ¹	5,657	12,695
Changes due to foreign exchange translation	61	405
Receivables written off during the year as uncollectible	(4,638)	(13,648)
At 30 June	6,878	5,798

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

The impaired receivables mainly relate to overdue receivables with a provision recorded against them, in line with group policy, or discrepancies under discussion with corporate clients.

Past due but not impaired

The trade receivables past due but not impaired ageing analysis is as follows:

	2014 \$'000	2013 \$'000
Up to 9 months	73,393	59,273
Over 9 months	333	376
	73,726	59,649

These receivables are due from a number of large corporate customers and suppliers and full recovery is expected because of contractual agreements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 1(n).

	Freehold land & buildings \$'000	Plant & equipment \$'000	Total \$'000
Opening balance at 1 July 2012			
Cost	38,577	276,878	315,455
Accumulated depreciation	(5,101)	(166,843)	(171,944)
Net book amount at 1 July 2012	33,476	110,035	143,511
Additions	32	42,934	42,966
Acquisitions	-	1,783	1,783
Disposals ¹	-	(1,562)	(1,562)
Transfer from intangibles ¹	-	3,724	3,724
Reversal of previous impairment ²	6,130	-	6,130
Depreciation expense	(484)	(39,179)	(39,663)
Exchange differences ¹	(212)	2,006	1,794
Net book amount at 30 June 2013	38,942	119,741	158,683

At 30 June 2013

Cost	44,567	306,659	351,226
Accumulated depreciation	(5,625)	(186,918)	(192,543)
Net book amount at 30 June 2013	38,942	119,741	158,683

Year ended 30 June 2014

Additions	-	48,742	48,742
Disposals ¹	-	(1,633)	(1,633)
Depreciation expense	(1,266)	(42,924)	(44,190)
Impairment	-	(2,448)	(2,448)
Exchange differences ¹	569	1,193	1,762
Net book amount at 30 June 2014	38,245	122,671	160,916

At 30 June 2014

Cost	45,256	337,806	383,062
Accumulated depreciation	(7,011)	(215,135)	(222,146)
Net book amount at 30 June 2014	38,245	122,671	160,916

¹Balances shown net of accumulated depreciation.

²In the year ended 30 June 2013, management obtained external market valuations for the group's land and buildings. Increases in the value of the land and buildings in Australia (\$5,532,000) and South Africa (\$598,000) were recorded in the related profit or loss. These increases reversed a previous revaluation impairment that was taken to the profit or loss in 2009.

F5 TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
Current		
Trade payables	282,196	254,014
Client creditors	636,698	887,427
Accrued unsecured note interest	4,733	5,385
Annual leave	33,759	31,719
Contingent consideration	-	26
Straight-line lease liability	4,308	-
	961,694	1,178,571
Non-current		
Lease incentive liability	4,859	4,575
Contingent consideration	-	103
Straight-line lease liability	14,011	17,454
	18,870	22,132

Financial Risk Management

Market risk

Foreign exchange risk

The group's exposure to foreign currency risk on trade and other payables and financial liabilities at fair value through profit or loss at the end of the reporting period is set out below:

	2014 \$'000	2013 \$'000
US Dollar	92,249	27,591
British Pound	11,323	2,851
Euro	24,345	6,142
Thai Baht	17,974	5,843
Fijian Dollar	23,709	5,740
New Zealand Dollar	10,680	2,412
Canadian Dollar	5,865	2,421
Hong Kong Dollar	4,270	2,393
Malaysian Ringgit	4,291	1,166
French Pacific Franc	3,612	1,077
Singapore Dollar	8,491	1,817
South African Rand	2,209	1,025
United Arab Emirates Dirham	3,966	-
Vanuatu Vatu	1,756	-
Japanese Yen	653	-
Chinese Renminbi	703	-
Other	1,160	257

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, due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F6 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 \$'000	2013 \$'000
Financial liabilities at fair value through profit or loss	211,306	-

Financial Risk Management

Fair value

On 1 July 2013, the group elected to designate certain client creditor liabilities as financial liabilities at fair value through profit or loss, 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. As the designation was elected on 1 July 2013, there is no restatement of the prior year comparative. The fair value adjustment through profit or loss was \$584,000 (2013: nil), which is recognised in net foreign exchange losses (note A4).

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.

The financial liabilities at fair value through profit or loss are classified as Level 2 (2013: nil) under the AASB 7 Fair value measurement hierarchy, based on the valuation technique as described above.

F7 PROVISIONS

Current	Notes	2014	2013
		\$'000	\$'000
Employee benefits - long service leave		22,643	16,369
		22,643	16,369
Non-current			
Employee benefits - long service leave		14,583	17,299
Employee benefits - other long-term benefits	D2	4,791	4,049
Make good provision		10,822	8,746
		30,196	30,094

Movements in provisions

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

<i>Make Good Provision</i>	Notes	2014
		\$'000
Carrying amount at start of year		8,746
Additional provisions recognised		1,430
Increase / (decrease) in discounted amount arising from passage of time and discount rate adjustments	A4	485
Other changes		161
Carrying amount at end of year		10,822

Amounts not expected to be settled within 12 months

Long service leave (LSL)

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 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:

	2014	2013
	\$'000	\$'000
Leave obligations expected to be settled after 12 months	17,305	14,506

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F8 RESERVES

	2014 \$'000	2013 \$'000
Available-for-sale investments revaluation reserve	(673)	(1,079)
Share-based payments reserve	8,838	6,814
Foreign currency translation reserve	(35,383)	(41,251)
	(27,218)	(35,516)

Movements in reserves:

<i>Available-for-sale investments revaluation reserve</i>	Notes	2014 \$'000	2013 \$'000
Balance 1 July		(1,079)	(2,704)
Revaluation gross		579	2,318
Deferred tax	F9	(173)	(693)
Balance 30 June		(673)	(1,079)

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(k), and accumulated in a separate reserve within equity. Amounts are reclassified in profit or loss when the associated assets are sold or impaired.

<i>Share-based payments reserve</i>	Notes	2014 \$'000	2013 \$'000
Balance 1 July		6,814	4,518
Share-based payments expense		479	683
Deferred tax	F9	1,545	1,613
Balance 30 June		8,838	6,814

The share-based payments reserve is used to recognise the fair value of options issued.

<i>Foreign currency translation reserve</i>	Notes	2014 \$'000	2013 \$'000
Balance 1 July		(41,251)	(72,634)
Net exchange differences on translation of foreign operations		5,568	31,383
Deferred tax	F9	300	-
Balance 30 June		(35,383)	(41,251)

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

<i>Hedging reserve</i>	Notes	2014 \$'000	2013 \$'000
Balance 1 July		-	(159)
Fair value adjustments		-	285
Deferred tax	F9	-	(126)
Balance 30 June		-	-

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedges that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss. The group did not have any cash flow hedges during the period.

F9 TAX

(a) Income tax expense

	2014 \$'000	2013 \$'000
<i>(i) Income tax expense</i>		
Current tax	110,710	105,751
Deferred tax	6,023	(1,359)
Adjustments for current tax of prior periods	129	(1,265)
Income tax expense	116,862	103,127

Deferred income tax expense / (revenue) included in income tax expense comprises:

(Increase) / decrease in deferred tax assets	4,930	(1,064)
Increase / (decrease) in deferred tax liabilities	1,093	(295)
	6,023	(1,359)

Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax expense	323,780	349,209
Tax at the Australian tax rate of 30% (2013 - 30%)	97,134	104,763

Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:

Non-deductible / (assessable) amounts	1,911	1,001
Impairment	17,374	-
ACCC fine	3,309	-
Other amounts	(349)	(538)
	119,379	105,226
Tax losses not recognised	512	595
Effect of different tax rates on overseas income	(3,158)	(1,429)
Under / (over) provision of prior year's income tax	129	(1,265)
	(2,517)	(2,099)
Income tax expense	116,862	103,127

(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 but 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	(1,545)	(1,613)
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(iii) Tax expense / (income) relating to items of other comprehensive income

Available-for-sale financial assets and cash flow hedges	173	819
Foreign exchange reserve	(300)	-
	(127)	819

(iv) Potential deferred tax assets

Unused tax losses for which no deferred tax asset has been recognised (non-capital)	6,355	4,400
Temporary timing differences relating to brand name impairment (capital)	29,600	-
Potential tax benefit at 30% (2013 - 30%)	10,787	1,320

All unused tax losses in 2014 and 2013 were incurred by entities in 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F9 TAX (CONTINUED)

(b) Deferred tax assets (DTA)

<i>The balance comprises temporary differences attributable to:</i>	Notes	2014 \$'000	2013 \$'000
Doubtful debts		1,832	1,674
Employee benefits	F9(a)(ii)	22,410	19,943
Property, plant and equipment		13,442	10,961
Accruals		5,647	6,663
Investment write-down		-	1,416
Losses		670	6,513
Leasing		9,048	8,825
Provisions		2,740	2,710
Other	F9(a)(iii)	1,366	1,708
		57,155	60,413
Set-off of deferred tax liabilities pursuant to set-off provisions		(14,451)	(9,719)
Net deferred tax assets		42,704	50,694

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)

<i>The balance comprises temporary differences attributable to:</i>	Notes	2014 \$'000	2013 \$'000
Trade and other receivables		9,120	6,005
Property, plant and equipment		1,493	3,468
Leasing		3,684	3,110
Other	F9(a)(iii)	501	1,123
		14,798	13,706
Set-off of deferred tax liabilities pursuant to set-off provisions		(14,451)	(9,719)
Net deferred tax liabilities		347	3,987

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:

	2014 \$	2013 \$
<i>Amounts received or due and receivable by Ernst & Young for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	1,065,156	908,872
Other services in relation to FLT and any other entity in the consolidated group	17,303	48,517
	1,082,459	957,389
<i>Amounts received or due and receivable by related practices of Ernst & Young for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	863,416	718,107
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	7,630	22,849
Assurance related	-	19,566
Special audits required by regulators	10,618	58,758
Other services	38,725	122,221
	920,389	941,501
	2,002,848	1,898,890
<i>Amounts received or due and receivable by non Lead Auditor audit firms for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	79,631	51,534
Other services in relation to FLT and any other entity in the consolidated group		
Special audits required by regulators	2,989	1,334
Other services	-	29,203
	82,620	82,071

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G GROUP STRUCTURE

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

G1	Subsidiaries
G2	Deed of cross guarantee
G3	Parent entity financial information

G1 SUBSIDIARIES

Material subsidiaries

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

Name of entity	Country of incorporation	Class of shares/ Ownership	Equity Holding	
			2014 %	2013 %
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

¹This 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 have been no significant judgments or assumptions in determining the entities' consolidation.

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 Flight Centre Travel Group Limited and Flight Centre Technology Pty Ltd deed was revoked on 28 December 2013.

Flight Centre Technology Pty Ltd became a party to the deed above by virtue of a Deed of Assumption on 2 December 2013.

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.

In order to disclose consistent and comparable information, the deed includes Flight Centre Technology Pty Ltd results and eliminations for the full financial year. The 30 June 2013 result has been restated to include Flight Centre Technology Pty Ltd for the full financial year.

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	
	2014 \$'000	2013 \$'000
Revenue		
Revenue from the sale of travel services	1,305,938	1,192,518
Other revenue	55,774	59,944
Total revenue	1,361,712	1,252,462
Other income	5,127	11,180
Expenses		
Employee benefits	(651,134)	(624,146)
Sales and marketing	(90,354)	(73,771)
Rental expenses relating to operating leases	(76,067)	(71,085)
Amortisation and depreciation	(28,605)	(26,604)
Finance costs	(21,963)	(21,038)
Share of profit / (loss) from joint venture	1,346	(1,004)
Impairment charge	(29,600)	-
Other expenses	(199,048)	(150,962)
Profit before income tax expense	271,414	295,032
Income tax expense	(97,322)	(86,730)
Profit after income tax expense	174,092	208,302
Statement of comprehensive income		
Changes in the fair value of available-for-sale financial assets	547	2,307
Income tax expense on items of other comprehensive income	(164)	(692)
Total comprehensive income for the year	174,475	209,917
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	618,476	527,469
Profit from ordinary activities after income tax expense	174,092	208,302
Dividends provided for and paid	(146,784)	(117,295)
Retained profits at the end of the financial year	645,784	618,476

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G2 DEED OF CROSS GUARANTEE (CONTINUED)

	As at 30 June	
	2014 \$'000	2013 \$'000
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	795,219	854,679
Available-for-sale financial assets	40,794	34,659
Trade and other receivables	321,119	332,127
Current tax receivable	244	519
Inventories	198	168
Derivative financial instruments	-	13,125
Other financial assets	12,886	1,231
Total current assets	1,170,460	1,236,508
<i>Non-current assets</i>		
Property, plant and equipment	72,047	64,584
Intangible assets	42,199	78,252
Investments accounted for using the equity method	497,122	513,201
Deferred tax assets	31,535	34,225
Other financial assets	88,838	7,407
Total non-current assets	731,741	697,669
Total assets	1,902,201	1,934,177
LIABILITIES		
<i>Current liabilities</i>		
Trade and other payables	427,773	806,320
Financial liabilities at fair value through profit or loss	211,306	-
Borrowings	12,004	10,434
Provisions	22,501	16,137
Current tax liabilities	4,420	44,765
Derivative financial instruments	9,175	-
Total current liabilities	687,179	877,656
<i>Non-current liabilities</i>		
Trade and other payables	143,507	15,650
Provisions	24,308	26,551
Total non-current liabilities	167,815	42,201
Total liabilities	854,994	919,857
Net assets	1,047,207	1,014,320
EQUITY		
Contributed equity	390,976	387,804
Reserves	10,447	8,040
Retained profits	645,784	618,476
Total equity	1,047,207	1,014,320

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	
	2014 \$'000	2013 \$'000
Current assets	1,168,741	1,257,726
Total assets	1,963,076	1,960,727
Current liabilities	1,001,715	1,109,127
Total liabilities	1,170,081	1,151,327
Contributed equity	390,976	387,804
Available-for-sale investments revaluation reserve	(669)	(1,054)
Share-based payments reserve	8,838	6,814
Retained profits	393,850	415,836
Total shareholders' equity	792,995	809,400
Profit after tax for the year	124,798	164,305
Total comprehensive income	125,181	165,920

Guarantees entered into by the parent entity

	Parent	
	2014 \$'000	2013 \$'000
<i>Unsecured</i>		
Canada	2,726	2,826
United Kingdom	47,502	70,142
Australia	-	2,814
Hong Kong	4,181	7,565
India	32,564	21,059
China	10,346	10,632
New Zealand	5,066	7,117
Other	9,975	5,990
Total	112,360	128,145

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 guarantees' fair values are immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

Contingent liabilities of the parent entity

The parent entity's contingent liabilities at 30 June 2014 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:

	2014 \$'000	2013 \$'000
Within one year	78,089	72,776
Later than one year but not later than five years	189,775	172,882
Later than five years	130,529	16,887
	398,393	262,545

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

H UNRECOGNISED ITEMS

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

H1	Commitments
H2	Contingencies
H3	Events occurring after the end of the reporting period

H1 COMMITMENTS

FLT has commitments in relation to operating leases (refer to note F1).

H2 CONTINGENCIES

Contingent assets and liabilities

FLT announced in April 2014 it would appeal both the penalties imposed by the Federal Court in March 2014 and the court's judgment in the ACCC's favour in December 2013. The ACCC has lodged a cross appeal in May 2014 in relation to the penalty judgment. FLT was required to pay \$11,000,000 in penalties in May 2014 and is reflected in the 30 June 2014 year-end PBT result. The ACCC's legal costs have not been accrued, as they are unknown.

FLT will update the market when the Full Court of the Federal Court hands down its decision.

The group had no other material contingent assets or liabilities.

H3 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Top Deck Tours Limited

Summary of acquisition

On 27 August 2014, the group agreed to acquire 90% of the voting shares of Top Deck Tours Limited, 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 the product offering.

The purchase consideration consists of the following:

- Cash of £19,656,000
- Contingent consideration up to a maximum of £3,744,000 which will be based on a multiple of final full year October 2014 audited consolidated EBITDA results of Top Deck Tours Limited. The range of outcomes for this contingent consideration is between nil and £3,744,000
- A put/call option for FLT to purchase the remaining 10% of Top Deck Tours Limited was simultaneously entered into on the acquisition date. The purchase price will be based on a multiple of final full year audited consolidated EBITDA results of Top Deck Tours Limited for the year in which the option is exercised.

While the group holds less than 100% of the equity interests in Top Deck Tours Limited, no non-controlling interest will be recorded. As the group is considered to have a 100% present ownership interest in Top Deck Tours Limited upon acquisition, given the put/call option simultaneously entered into on the acquisition date.

The initial accounting for the business combination is incomplete at the time the financial report was authorised for issue, as the acquisition date was the same date as this financial report and there was insufficient time to complete.

Top Deck Tours Limited reported statutory audited revenue of £43,000,000 and net profit before tax of £3,700,000 for their year ended 31 October 2013.

Acquisition-related costs

Initial acquisition-related costs were \$101,084 and were included in other expenses in profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

Dividends

On 27 August 2014, FLT's directors declared a dividend for the year ended 30 June 2014. Refer to note B6 for details.

No other matters have arisen since 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES

This section details FLT accounting policies. Significant accounting policies are contained with the financial statement notes to which they relate and are not detailed in this section.

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 Flight Centre Travel Group Limited (FLT) and its subsidiaries.

(a) Corporate information

At the Annual General Meeting held on 31 October 2013, it was resolved to change the company name from Flight Centre Limited to Flight Centre Travel Group Limited, effective from 1 November 2013.

(b) 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 2013, except for AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*, as outlined below.

AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

The effective date of this amendment is 1 January 2014 and it has been early adopted in the reporting period ended 30 June 2014. Disclosures have been amended in note A5.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

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 Class Order 98/100.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period's presentation, as outlined in note I.

(c) Changes in accounting policy

The group has applied the following standards and amendments for the first time for their annual reporting period ended 30 June 2014:

- revised AASB 119 *Employee Benefits (revised 2011)*
- AASB 7 *Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities – amendments to AASB 7*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*

The adoption of the standards and interpretations is described below:

Revised AASB 119 Employee Benefits (revised 2011)

Based on an analysis of leave taken, there has been no change to the classification or measurement of the group's annual leave obligations as a result of the revised standard.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

AASB 7 Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities

The group has reviewed its offset arrangements in the context of the amendments to this standard and determined that no additional disclosures are required, as the group already discloses offset arrangements in note D2 Business Ownership Scheme.

AASB 10 Consolidated Financial Statements

This standard establishes a new control model that applies to all entities and replaces the guidance on control and consolidation of AASB 127 *Consolidated and Separate Financial Statements*, and *Interpretation 12 Consolidation – Special Purpose entities*. FLT has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and, therefore, no adjustments are required as a result of this new standard.

AASB 11 Joint Arrangements

This standard replaces AASB 131 *Interests in Joint Ventures* and introduces a principles-based approach to joint arrangements accounting. As FLT has joint control of its joint ventures, they continue to be accounted for using the equity method and there are no changes as a result of this new standard.

AASB 12 Disclosure of Interests in Other Entities

This standard has introduced new disclosures about the judgments made by management to determine whether control exists and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. New disclosures in relation to subsidiaries are set out in note G1 and joint ventures in note E1.

AASB 13 Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements.

This standard has introduced new financial report disclosures, which are set out in notes B3, B4, C2, C3 and F6.

FLT has assessed its policies in measuring fair values, in particular, its inputs such as non-performance risk for fair value measurement of assets and liabilities. These new requirements did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual KMP disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. These amendments are effective for annual periods beginning on or after 1 July 2013. The updated disclosures are set out in note D1 and KMP information is included in the remuneration report.

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2014 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(h) 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated profit or loss and other comprehensive income, balance sheet and statement of changes in equity respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 is reclassified to profit or loss where appropriate.

(e) 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. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

(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.

(f) 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(iv) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(g) 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 equity investments classified as available-for-sale, 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.

(h) 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. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. 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 and the amount of any non-controlling interest in the acquiree 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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as equity are not remeasured and subsequent settlement is accounted for within equity. Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

(i) 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 cash-generating units (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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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.

(j) 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.

(k) Investments and other financial assets

(i) Classification

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The group does not have any held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management classifies its investments at initial recognition and re-evaluates this designation each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Derivatives in this category are current if they are expected to be settled within 12 months. Otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period's end. These are classified as non-current assets. Loans and receivables are included in trade and other receivables (note F3) and other financial assets (note C3) in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any other category. These assets are predominantly client monies that are effectively repayable on demand and, therefore, classified as current assets.

(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 fair value through profit or loss. Financial assets carried at fair value through profit or loss 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.

When securities classified as available-for-sale 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.

(iii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category 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 fair value through profit or loss 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 available-for-sale 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. Other changes in carrying amounts are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(l) 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 interests.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in notes B3, C2 and F6.

(m) 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.

Ongoing reviews are conducted to determine trade receivables' collectability. Debts known to be uncollectible are written off. An impairment provision is established when there is objective evidence that the group will not be able to collect all amounts due, according to the receivables' original terms. The debtor's significant financial difficulties, probability that the debtor will enter bankruptcy or financial reorganisation and payment default or delinquency are considered indicators that trade debtors are impaired. The impaired amount 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.

(n) Property, plant and equipment

Buildings and other property, plant and equipment are stated at historical cost less depreciation. 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 (g)). 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.

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost primarily represents average costs.

(p) 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.

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(i) Make good provision

The group is required to restore leased premises to their original condition at the end of the respective lease terms.

A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and restore the leased premises. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term or the asset's useful life.

(r) 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 government 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.

(s) 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.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(t) 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). This has the effect of reducing the income tax payable and current tax expense.

(ii) Tax consolidation legislation

FLT and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, FLT, and the tax consolidated group's controlled entities continue to account for their current and deferred tax amounts. These tax amounts are measured as if each entity continues to be a standalone taxpayer.

In addition to its current and deferred tax amounts, FLT also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the tax consolidated group's controlled entities.

(iii) Nature of the tax sharing arrangement

Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(iv) Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the tax funding agreement, the wholly-owned entities fully compensate FLT for any current tax payable assumed and are compensated by FLT for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to FLT under the tax consolidation legislation.

The funding amounts are the amounts recognised in the wholly-owned entities' financial statements. Amounts receivable or payable under the tax funding agreement are due when the head entity's funding advice is received. This advice is issued as soon as practicable after each financial year's end. The head entity may also require payment of interim funding amounts to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Contributed equity

Ordinary shares are classified as equity (note D4). Ordinary shares entitle the holder to participate in dividends and the proceeds of the company's wind up in proportion to the number of and amount paid on the shares held.

On a show of hands, every holder of an ordinary share present at a meeting, either in person or by proxy, is entitled to one vote. Upon a poll, each share is entitled to one vote.

Ordinary shares have no par value and there are no partly paid shares currently on issue.

Incremental costs directly attributable to new share or option issues are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to shares or options issued for a business acquisition are not included in the acquisition's cost as part of the purchase consideration.

If the entity reacquires its own equity instruments, as the result of a share buyback for example, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(w) 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.

(x) Financial guarantee contracts

A financial guarantee contract is recognised as a financial liability when the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments required without the guarantee or the estimated amount payable to a third party for assuming the obligations.

Where guarantees in relation to subsidiaries' or associates' loans or other payables are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the investment's cost.

(y) 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.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. FLT has assessed the impact of these new standards and interpretations and has outlined their expected impacts below:

AASB 9 *Financial Instruments*

AASB 9 addresses classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.

The effective date of this standard has been revised from 1 January 2015 to 1 January 2018, however it is available for early adoption. The group has not yet assessed how it will be affected by the new standard and has not yet decided when to adopt it.

I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued by the IASB on 28 May 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.

The effective date of this standard is 1 January 2017, with early adoption permitted. FLT has not yet assessed this new standard's impact and does not intend to adopt it before its operative date, which means that it will be applied in the reporting period ending 30 June 2018.

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

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 29 to 89 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; 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; and
- (c) 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.

Note I(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



G.F. Turner

Director

BRISBANE

27 August 2014

INDEPENDENT AUDITOR'S REPORT



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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 2014, 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(b), 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 2014 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(b).

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INDEPENDENT AUDITOR'S REPORT



Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young
Ernst & Young

Alison de Groot

Alison de Groot

Partner

Brisbane

27 August 2014

COMPANY VISION, PURPOSE AND PHILOSOPHIES

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

OUR VISION

"To be the world's most exciting travel company, delivering an amazing experience to our people, customers and partners."

OUR PURPOSE

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

OUR PHILOSOPHIES

1. Our people

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

2. Our customer

We recognise that our customers always have a choice. Therefore, a superior customer service experience, provided with honesty, integrity and a great attitude, is key to our company's success, as is the travel experience we provide.

3. Profit

A fair margin resulting in a business profit is the key measure of whether we are providing our customers with a product and service they value.

4. Ownership

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

5. Incentives

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

6. Brightness of future

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

7. Our standard systems "one best way"

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

8. Family, village, tribe

Our structure is simple, lean, flat and transparent, with accessible leaders.

There is a maximum of 4 and sometimes 5 layers. The village is an unfunded, self-help support group that forms an integral part of our structure.

1. Teams (the family) (minimum 3, maximum 7 members) Villages (minimum 3, maximum 7 teams)
2. Areas (tribe) (minimum 10, maximum 20 teams)
3. Nations (minimum 8, maximum 15 areas)
4. Regions/States/Countries (minimum 4, maximum 8 nations)
5. Global Executive Team/Board.

9. Taking responsibility

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

10. Egalitarianism and unity

In our company, we believe that each individual should have equal privileges and rights. In leisure and corporate, in Australia and overseas, and in organically grown and acquired business, there should be no "them and us".



CORPORATE GOVERNANCE PRINCIPLES

FLT endorses the ASX's Corporate Governance Principles and Recommendations and complies in all areas, apart from amalgamating the Remuneration and the Nomination Committee as outlined in section 2.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The board acknowledges that its primary role is to create and safeguard shareholder value.

The board's functions include:

- Charting the group's direction, strategies and financial objectives
- Overseeing and monitoring organisational performance
- Identifying risks and implementing appropriate control, monitoring and reporting mechanisms
- The chair's appointment
- Appointment, performance assessment and, where appropriate, removal of the chief executive officer (CEO), chief financial officer (CFO) and company secretary
- Ensuring board structure and composition is effective
- Approving and monitoring major capital expenditure, capital management, acquisitions and divestitures; and
- Approving the incorporation and deregistration of all FLT group entities

Under FLT's constitution, the board can delegate any of its powers to the managing director (MD). Those powers can be withdrawn, suspended or varied at any time.

The MD, CFO and the other senior executives are authorised to make day-to-day decisions required to fulfil their roles and to achieve the company's strategic and financial objectives. The company secretary is directly accountable to the board through the chairman on all matters to do with the board's proper functioning.

Senior executives report to the board each month to update it on initiatives and issues. These reports include key performance indicators (KPIs), which are the basis of executive performance evaluations.

The full board deals with all significant matters. To assist in its deliberations, the board has established various committees that act primarily in a review or advisory capacity.

Regional operational committees are in place in New Zealand, the United Kingdom and the United States. These committees may include board directors, who work with the senior executive and his or her key management personnel to develop their businesses and address issues that may arise.

Checks undertaken prior to appointment

Before appointing a director, or putting forward to security holders a candidate for election, appropriate checks are undertaken in relation to such persons, including checks as to a candidate's character, expertise, education, criminal record and bankruptcy history. All material information is provided to security holders with regard to the decision on whether or not to elect or re-elect a director.

Diversity Policy

FLT has expanded its longstanding Equal Employment Opportunity policy to create a Diversity Policy, which is in line with ASX requirements and available on the company's corporate website.

The company continues to follow a best practice recruitment process to ensure all selection is conducted on experience, merit and competency based on key selection criteria for each role. All policies, procedures and

advertising are reviewed to ensure no gender bias occurs and the most suitable person is selected. Compulsory online training modules have been developed to enhance the policies' effectiveness.

Targeted remuneration packages are based on the role being performed and are the same for all staff in that particular role. This ensures there is no gender bias. Similarly, incentive earnings are not gender biased, as they are based on the employee achieving measurable performance hurdles.

Where possible, FLT seeks to identify and develop leaders from within its ranks. Currently, about 72% of staff members are women and 46% of FLT's senior leaders (defined as area leaders and above) are women.

The board has also established a directorship policy for its subsidiaries that has exposed more staff of both sexes to director roles and responsibilities. Under this policy, the relevant executive general manager (EGM) is appointed a director and receives valuable training and experience.

FLT's measurable objectives include development of strategies, implementation of those strategies into programs and specific gender diversity targets. The strategies involved developing a diversity policy, incorporating it into the FLT corporate governance framework and assigning responsibility for its implementation and continual review and enhancement.

To implement those strategies, programs were established at board and executive levels. These strategies included reviewing the selection and evaluation criteria for board and executive management appointments. They also included implementing a development program across the FLT group to provide career progression paths for all employees.

Under FLT's diversity measurable objectives, the company seeks to ensure that at least one woman is shortlisted as a candidate for all board and executive management level roles.

For further details, refer to the Diversity Policy & Measurable Objectives at www.flightcentrelimited.com

Board evaluation

The company follows an established process for periodically evaluating the performance of the board, its committees and individual directors. Board members and other senior executives evaluate the board on its overall performance and individual directors' performance. The board as a unit is assessed on board process and dynamics, while the individual directors and chairman are assessed on leadership, interaction with other directors and senior executives, imparting of knowledge, attendance and involvement in decision making. The board may also engage an external facilitator to help conduct periodic performance reviews. During the 2013/2014 financial year, FLT did not engage an external facilitator.

The board is evaluated annually based on its performance during the financial year. A survey and interview process will be undertaken to assess the board's 2013/2014 performance.

Senior executive evaluation

FLT's senior executives are subject to informal performance evaluation by the managing director and the task force. This evaluation process was undertaken during the 2013/2014 financial year.

2. STRUCTURE THE BOARD TO ADD VALUE

The board has a complementary mix of skills that provides the desired depth and experience. During the 2013/2014 financial year, the board consisted of four independent non-executive directors (including the chairman) and one executive director, who is the MD. Peter Barrow, one of FLT's non-executive directors, retired as a director in September 2013 and Mr Robert Baker was appointed in his place.

The board generally meets monthly and on an ad hoc basis to consider time critical matters.

Directors may seek legal advice, at the company's expense, on any matter relating to the group, subject to prior notification to the chairman. FLT provides additional updates and training to board members on matters relating to their roles. Examples may include corporate governance updates and the impacts of recent court rulings involving such topics as directors' duties, disclosures and transactions.

Board composition

The directors' names and biographical details are provided in the annual report's Information on Directors section.

Remuneration and nomination committee functions

FLT's remuneration and nomination committee includes FLT's four non-executive directors. Due to the board's small size, FLT has a combined Remuneration and Nomination Committee. Consequently, the Remuneration and Nomination Committee considers (per the charter) board composition to ensure it includes the appropriate blend of skills and competencies to oversee the company.

At all times, the board is to have a complementary mix of financial, industry and listed entity knowledge and experience. The board believes the current members have the necessary knowledge and experience to direct the company in its current operations. The Remuneration and Nomination Committee establishes whether to nominate a further director if a board position becomes available or where additional skills may be required at board level. For example, if the company chose to access a new region or sector, the committee may consider appointing an additional director with appropriate experience.

Where the Remuneration and Nomination Committee recommends the nomination of a further director, the board may engage a professional recruitment firm to identify candidates that fit the criteria being sought to complement the board and its existing skills set. Other factors to be considered when appointing a new director will include references, ability to devote time to the role, cultural fit, strong financial acumen, technology knowledge and residential location.

Once a short list is created, the Remuneration and Nomination Committee will interview candidates.

Ultimately, a candidate will be presented to the full board for appointment (to be ratified at the next AGM by shareholders). Should shareholders nominate a candidate for election at an upcoming general meeting, the board will state whether or not it supports the nomination in the explanatory memorandum accompanying the notice of meeting.

Directors' attendance records, as well as the number of times the Remuneration and Nomination Committee met throughout the 2013/2014 financial year, are reported in the annual report's Meetings of Directors section.

Independence and materiality

Four out of FLT's five directors are independent directors, including the chairman. An independent director is independent of management and free of any business or other relationship that could materially interfere with the exercise of the director's unfettered and independent judgment. Materiality is assessed on a case-by-case basis from the perspective of both the company and the director concerned.

The board believes the current non-executive directors, Peter Morahan, Gary Smith, John Eales and Robert Baker, are independent having regard to the indicia in Box 2.3 of the ASX Corporate Governance Principles and Recommendations. While businesses which certain directors have an interest in supply product or services to FLT, they are not of a material quantum to those businesses, nor to FLT, to affect the non-executive directors' independence.

The roles of chairman and managing director are exercised by different individuals, being Peter Morahan and Graham Turner respectively.

Further details regarding the directors' length of service and their relevant interests, positions, associations and relationships, is included in the annual report's Information on Directors section.

Board and senior executive induction

Newly appointed board members and senior executives are given a practical induction into the group's operations, strategies, culture and values, meeting arrangements and financial position through access to appropriate documentation and face-to-face discussions with current board members and senior executives.

Appropriate professional development opportunities for directors are also provided in order to allow directors to develop and maintain the skills and knowledge required for them to perform their roles as directors effectively. The company secretary, in conjunction with the board, may from time to time identify professional development courses relevant to the board members.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

FLT actively promotes a set of values designed to assist employees in their dealings with each other, competitors, customers and the community. These values set out standards expected of all employees. Values endorsed include: honesty, integrity, fairness and respect. These values are incorporated into the company core philosophies, which are included in the annual report, and Code of Conduct. The Code of Conduct also outlines the company's position on lawful and ethical behaviour, conflicts of interest, use of inside information, confidentiality, bribes and facilitation payments, public comments, privacy and harassment, bullying and discrimination.

The board endorses FLT's Code of Conduct and it applies to all directors, officers, employees, consultants and contractors. For further details, refer to the Code of Conduct available at www.flightcentrelimited.com.

In addition, FLT has implemented a Whistleblowing policy and an Anti-Bribery & Corruption policy across its global operations.

The company recognises its corporate social responsibility (CSR) and contributes to several charitable initiatives. The Flight Centre Foundation is a key element in the company's CSR platform.

Political contributions

FLT maintains a position of impartiality with respect to party politics and, accordingly, does not contribute any funds in this regard.

Trading policy

The board has established guidelines governing trading in FLT shares

CORPORATE GOVERNANCE PRINCIPLES CONTINUED

by directors, employees and contractors who may be aware of price sensitive information. Dealings in FLT's shares are only permitted for 30 days following the public release of the company's price sensitive announcement. If new price sensitive information emerges during this

period, directors, employees and contractors are not permitted to trade in FLT's shares until the information has been publicly released.

For further details, refer to the trading policy at www.flightcentrelimited.com

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Audit and Risk Committee

Audit and Risk Committee functions include:

- Reviewing and making recommendations on the adequacy of FLT's corporate reporting processes
- Reviewing FLT's financial statements and making recommendations as to whether they reflect the understanding of the committee members of, and otherwise provide a true and fair view of, FLT's financial position and performance
- Assessing the appropriateness of any significant accounting estimates, judgments or choices in FLT's financial statements
- Recommending the external auditor's appointment/removal, reviewing the auditor's performance and the audit's scope and adequacy
- Advising on procedures in relation to the audit engagement partner's rotation
- Helping the board oversee the risk management framework, including determining the internal audit's scope, ratifying the head of the internal audit and risk team's appointment/removal, making recommendations on the internal audit's objectivity and performance and contributing to the head of the internal audit and risk team's performance assessment
- Reviewing the company's published financial results
- Reporting to the board on matters relevant to the committee's role and responsibilities; and
- Ensuring timely adoption of, and adherence to, all relevant accounting policy changes

Committee composition

During the 2013/2014 financial year, the Audit and Risk committee consisted of FLT's four independent non-executive directors: Peter Barrow (committee chairman, retired September 2013), Robert Baker (appointed chairman September 2013), Gary Smith, John Eales and Peter Morahan, who have extensive experience and expertise in accountancy, financial management, risk management, legal compliance and corporate finance. Details of the directors' qualifications are set out in the annual report's Information on Directors section.

Mr Baker, the current committee chairman, is a fellow of the Institute of Chartered Accountants, graduate of the Australian Institute of Company Directors and Advisory Board member and Audit & Risk Committee member for the Catholic Development Fund, Archdiocese of Sydney.

His predecessor, Mr Barrow, is a fellow of the Australian Institute of

Chartered Accountants, a member of the Institute of Company Directors, the Taxation Institute of Australia, a registered company auditor, FAICD and FAICA.

The board has reviewed the committee's composition and is satisfied that, given the size of FLT's board, the committee has appropriate financial representation. The Audit and Risk Committee chairman is not the board's chairman.

Refer to www.flightcentrelimited.com for Audit and Risk Committee charter.

Committee meetings

Directors' attendance records, as well as the number of times the Audit and Risk Committee met throughout the 2013/2014 financial year, are reported in the annual report's Meetings of Directors section.

Auditor appointment

The company and Audit and Risk Committee policy is to appoint an external auditor that clearly demonstrates quality and independence. The external auditor's performance is reviewed annually. Ernst & Young (EY), the current auditor, is obliged to rotate audit engagement partners at least every five years. EY was appointed FLT's auditor at the 2013 AGM, after a competitive tender and evaluation process where competency, experience, price, business understanding and global network were key factors considered.

An analysis of fees paid to the external auditor, including fees for non-audit services, is provided in the annual report. The external auditor's policy is to provide the Audit and Risk Committee with an annual declaration of independence.

Certification of financial reports

A decision by the board to approve FLT's financial statements for a financial period is subject to receipt, from the MD and CFO, of a declaration in accordance with section 295A of the *Corporations Act 2001* (Cth) and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations.

Auditor communication

The external auditor attended the 2013 annual general meeting held on 31 October 2013 to answer shareholder questions concerning the conduct, preparation and content of the audit report.

Refer to www.flightcentrelimited.com for the Communications and Disclosure Policy.

5. MAKE TIMELY AND BALANCED DISCLOSURE

FLT has written policies and procedures governing continuous disclosure and shareholder communication.

In accordance with ASX Listing Rules, the company will immediately disclose publicly any information that a reasonable person will expect to have a material effect on the value of its shares.

All information communicated to the Australian Securities Exchange (ASX) is posted on the company website.

The annual report is available on the company's website and, on request, can be emailed or posted to shareholders.

Refer to www.flightcentrelimited.com for the Communications and Disclosure Policy

6. RESPECT RIGHTS OF SHAREHOLDERS

Shareholder communications

The board aims to inform shareholders of all major developments affecting the group's activities and its state of affairs through distribution of the annual report, ASX announcements and media releases.

All such communications (including historical announcements for at least the previous three years) are placed on the company website, www.flightcentrelimited.com.

To facilitate and encourage participation at meetings of security holders, shareholders are encouraged to supply, prior to the annual general meeting,

any questions of the board so that these can be addressed at the meeting. To further encourage participation, FLT's investor relations manager is available at other times to address shareholder, analyst and media queries. Security holders are able to receive communications from the company and the share registry electronically.

The investor relations manager maintains a register of analyst and investor briefings and supplies teleconference facility details at the end of the results announcements (if held) for shareholders to be fully informed. Where possible, recordings are made available on the company's website.

7. RECOGNISE AND MANAGE RISK

Risk management is good management and is all employees' responsibility.

While FLT does not have a separate risk committee, the board, through the combined Audit and Risk Committee, is responsible for overseeing the company's integrated risk and compliance management framework. This provides the board and management with an ongoing program to identify, evaluate, monitor and manage significant risks to enhance, over time, the value of the shareholders' investments and to safeguard assets.

The framework is based around the following risk initiatives, as set out in the risk management policy:

- Risk identification – identifying significant, foreseeable risks associated with the business
- Risk evaluation – evaluating risks in terms of impact and likelihood
- Risk treatment/mitigation – developing appropriate mitigation to keep the risk within an acceptable level; and
- Risk monitoring and reporting – ongoing reporting, usually on an exception basis on the status of the risk

Risks are identified and evaluated against achievement of strategic objectives, as well as more operational activities. The risk management policy is reviewed annually.

The MD and senior management are responsible for identifying, evaluating and monitoring risk. Senior management personnel are responsible for ensuring clear communication of their position on risk throughout the company. A self-assessment on significant business risks is conducted in all geographies and reported to the Audit and Risk Committee. Risks considered include strategic, operational, regulatory and compliance matters.

The internal audit and risk team plays an integral role in deploying and monitoring this self assessment, in addition to using the results from this assessment in designing its internal audit and risk plan and testing key control areas. The internal audit and risk team reports independently on the status of these key controls to the Audit and Risk Committee and works closely with the legal and company secretariat teams.

A broader risk assessment also takes place over significant capital injections, joint venture or business initiatives.

FLT and its board continually assess emerging trends and associated risks and their possible affects on future profits.

The MD and CFO have provided the board with a formal sign-off on the group's financial statements, in accordance with section 295A of the Corporations Act and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, that sign-off is founded upon a sound system of risk management and internal control which is operating effectively in all material aspects in relation to financial reporting risks.

Refer to www.flightcentrelimited.com for the audit committee and Internal Audit Charter.

Risk Profile

Risks to which FLT is subject to include:

- The general state of the Australian and international economies
- Adverse currency and interest rate movements
- The outlook of the tourism sector generally
- Low barriers to entry and modest start-up costs
- Adoption of the internet as a distribution channel
- Adverse changes in margin arrangements or rates payable to the group
- The occurrence of significant international armed conflict
- A dramatic change in customer travel/leisure patterns and tastes
- Loss of key staff and staff turnover; and
- Adverse changes in government regulation

FLT and its board continually assess emerging trends and associated risks and their possible affects on future profits.

The company has a proven retail formula based on standardised systems, a replicable business model and ongoing business growth. This business model has been, and continues to be, successfully adapted in response to world events and industry changes. In compliance with recommendation 7.4 of the ASX Corporate Governance Principles and Recommendations, FLT discloses details of its exposure to economic, environmental and social sustainability risks and the strategies it has implemented in relation to these risks in the Directors' Report.

8. REMUNERATE FAIRLY AND RESPONSIBLY

Full details of FLT's remuneration policies and structures, including director and key management personnel information, are outlined in the remuneration report in the annual report and on www.flightcentrelimited.com.

A summary of the Remuneration and Nomination Committee's responsibilities is included above at item 2 and additional information can

be found in the Remuneration and Nomination Committee Charter.

All relevant governance charters and policies are available on www.flightcentrelimited.com.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 21 July 2014.

(a) Distribution of equity securities

<i>Number of shares</i>	Number of shareholders
1-1,000	12,606
1,001-5,000	2,031
5,001-10,000	179
10,001-100,000	130
100,001 and over	23

There were 291 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	14,817,910	14.7%
James Management Services Pty Ltd	12,989,750	12.9%
Bennelong Australian Equity Partners	5,232,529	5.2%
Airlie Funds Management	3,177,354	3.2%
Friday Investments Pty Ltd	3,028,394	3.0%
AMP Capital Investors	2,293,181	2.3%
Alphinity Investment Management	1,872,117	1.9%
Norges Bank Investment Management	1,087,194	1.1%
Vinva Investment Management	1,075,692	1.1%
Colonial First State - Core Australian Equities	1,039,328	1.0%
Universities Superannuation Scheme	923,377	0.9%
State Street Global Advisors	827,624	0.8%
BlackRock Investment Management	780,514	0.8%
Trinity Holdings Pty Ltd	750,000	0.7%
Bennelong Long Short Equity Management	708,543	0.7%
Lazard Asset Management Pacific Co	656,657	0.7%
Fidelity Mangement and Research	638,346	0.6%
Merton Capital Partners	637,700	0.6%
Macquarie Funds Group	612,369	0.6%
	68,348,579	67.9%

(c) Substantial holders

Substantial holders (including associate holdings) in the company are set out below:

<i>Ordinary shares</i>	Number held	Percentage
Gainsdale Pty Ltd	15,200,000	15.1%
Gehar Pty Ltd	14,817,910	14.7%
James Management Services Pty Ltd	12,989,750	12.9%

Friday Investments Pty Ltd and Trinity Holdings Pty Ltd are potentially substantial shareholders, as they are party to a pre-emptive agreement dated 5 October 1995 that also includes Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Friday Investments Pty Ltd and Trinity Holdings Pty Ltd held 3,028,394 shares and 750,000 shares respectively at 21 July 2014.

Ordinary shares voting rights

On a show of hands, every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote. Options and performance rights have no voting rights.