



2015 Annual Report



OUR JOURNEY FROM TRAVEL AGENT TO WORLD'S BEST
PERSON TO PERSON TRAVEL EXPERIENCE RETAILER

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. 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.

2. Family, Village, Tribe

Our structure is simple, lean, flat and transparent, with accessible leaders. There is a maximum of four and sometimes five 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

3. One Best Way

In our business there is always 'one best way'. This improved way becomes the 'one best way system'.

We value common sense over conventional wisdom.

4. Egalitarianism and Unity

In our company, we believe that each individual should have equal privileges and rights. In Leisure, Corporate and overseas, and in organically grown and acquired businesses, there should be no 'them and us'.

5. 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.

6. 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 successes.

7. 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.

8. Profit

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

9. Ownership

We believe that each individual has the opportunity to own part of their success. This happens through profit share or our Business Ownership Scheme (BOS), and ownership means we see the business that we own part of, and work in, as our business. In all ownership areas (particularly BOS) we have global consistency. We all have the opportunity to own a share of the company by acquiring shares and participating in Option Plans.

10. Incentives

We believe that "What gets rewarded gets done." Incentives are only based on quantitative outcomes, particularly profit, profit increase, turnover increase, staff retention, numbers of staff developed (leaders) and net income. They are never calculated on qualitative outcomes, nor on subjective performance appraisals. We recognise and celebrate our individual and collective success.

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT) CORPORATE DIRECTORY

Directors	G.F. Turner G.W. Smith J.A. Eales R.A. Baker C.L. Kelly
Secretary	D.C. Smith
Principal registered office in Australia	Level 2, 545 Queen St Brisbane QLD 4000 +61 7 3170 7979
Share register	Computershare Investor Services Pty Ltd 117 Victoria Street West End QLD 4101
Auditor	Ernst & Young 111 Eagle Street Brisbane QLD 4000
Stock Exchange listings	FLT shares are listed on the Australian Securities Exchange.
Website address	www.fctgl.com
ABN	25 003 377 188

KEY DATES 2015/16

August 27, 2015	2014/15 full year results released
September 18, 2015	2014/15 final dividend record date
October 16, 2015	2014/15 final dividend payment date
November 11, 2015	Annual General Meeting
February 23*, 2016	2015/16 half year results released
March 24*, 2016	2015/16 interim dividend record date
April 14*, 2016	2015/16 interim dividend payment date

*Dates are subject to change

This financial report covers the consolidated financial statements for the consolidated entity consisting of FLT and its subsidiaries. The financial report is presented in Australian currency.

FLT is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report.

The financial report was authorised for issue by the directors on 27 August 2015. The directors have the power to amend and reissue the financial report.

FLT endorses the ASX's Corporate Governance Principles and Recommendations and complies in all areas, apart from amalgamating the Remuneration and Nomination Committee. Further information on FLT's compliance with the Corporate Governance Principles and Recommendations can be found on the company's website, www.fctgl.com

CONTENTS

Chairman's message.....	2
Year in review	4
Outlook	16
Directors' report.....	18
Auditor's independence declaration	39
Statement of profit or loss and other comprehensive income	40
Statement of cash flows	41
Balance sheet	42
Statement of changes in equity	43
Notes to the financial statements	44
Significant matters in the current reporting period	44
A Financial overview	45
A1 Segment information.....	45
A2 Revenue.....	49
A3 Other income	50
A4 Expenses.....	50
A5 Business combinations	50
A6 Contingent consideration.....	52
B Cash management.....	53
B1 Cash and cash equivalents.....	53
B2 Available-for-sale (AFS) financial assets.....	54
B3 Cash & AFS - financial risk management.....	54
B4 Borrowings.....	55
B5 Ratios.....	56
B6 Dividends	57
B7 Capital expenditure	58
C Financial risk management	59
C1 Financial risk management.....	59
C2 Derivative financial instruments	62
C3 Other financial assets	63
D Reward and recognition	64
D1 Key management personnel.....	64
D2 Business ownership scheme (BOS)	65
D3 Share-based payments.....	66
D4 Contributed equity.....	68
E Related parties	69
E1 Investments accounted for using the equity method... ..	69
E2 Related party transactions.....	70
F Other information	72
F1 Other expenses.....	72
F2 Earnings per share	73
F3 Trade and other receivables	74
F4 Property, plant and equipment.....	76
F5 Intangible assets	77
F6 Trade and other payables	80
F7 Financial liabilities at fair value through P&L	81
F8 Provisions.....	81
F9 Reserves	82
F10 Tax	83
F11 Auditor's remuneration	85
G Group structure.....	86
G1 Subsidiaries.....	86
G2 Deed of cross guarantee.....	86
G3 Parent entity financial information.....	89
H Unrecognised items	91
H1 Commitments	91
H2 Contingencies	91
H3 Events occurring after the end of the reporting period	91
I Summary of accounting policies.....	93
Directors' declaration	101
Independent auditor's report	102
Shareholder information.....	104

CHAIRMAN'S MESSAGE

by Gary Smith



I am pleased to introduce the Flight Centre Travel Group's (FLT) annual report for the 2015 fiscal year.

The 12 months to June 30, 2015 marked FLT's 20th year as a publicly listed entity in Australia and was another significant period for your company.

Sales increased solidly throughout the world, our overseas businesses generated a greater share of our overall profit and we finished the year with record cash reserves, despite our ongoing investments in the business to strengthen its foundations for the future.

While bottom-line results were below initial expectations and disappointing by our standards, our underlying profit before tax (underlying PBT*) was the second best in our history and was only slightly below (3.4%) the record underlying result achieved during 2013/14.

This achievement, in a subdued consumer and corporate trading environment in Australia and after a run of strong results since the Global Financial Crisis, is a testimony to our global footprint, the diversity of our business offerings and our people's commitment.

Strategically, we amended our 'Killer Theme' to emphasise one of our great strengths – our people's ability to deliver amazing person-to-person experiences to their customers – while continuing to focus on the important 'Mini Themes' that will underpin this transition.

We also expanded geographically.

Our Ireland corporate travel business, an acquisition late in 2013/14, traded solidly during its first full year and has given us a footprint for leisure travel expansion in the country. We have also enhanced our corporate travel presence in the Americas by acquiring Mexico-based Koch Overseas (completed July 2015).

In addition to this international growth, we expanded into new cities and regions within our existing countries and exported brands to new geographies, as evidenced by the recent launch of Campus Travel in the United States and Stage & Screen in the United Kingdom.

In product terms, we again broadened our offerings by developing new and unique product lines across our various brands and by investing in the Top Deck touring business and Buffalo Tours joint ventures.

These acquisitions – coupled with the significant enhancements we have made elsewhere in our business in recent years – have made us a more diverse business and a company that does far more than simply on-sell suppliers' products.

Business evolution

As the 20th anniversary of FLT's public listing approaches, it is appropriate to reflect on the business and to highlight the strengths that are sometimes overlooked.

Our diversity is one of these strengths.

It is incorrect to assume that FLT is simply a bricks and mortar travel agent that sells a limited range of products via a single brand and via a single sales channel.

Today, FLT has vast offerings that:

- Span the leisure, corporate and wholesale travel sectors: In addition to being a leading travel retailer in its core markets, FLT is one of the world's largest corporate travel managers. Our corporate brands generated 33.6% of group turnover during 2014/15
- Extend well beyond Australia: FLT also has company-owned shops and businesses in the United Kingdom, Ireland, the United States, Canada, Mexico, New Zealand, South Africa, Mainland China, Hong Kong, India, Singapore and the United Arab Emirates. Almost 45% of total transaction value (TTV*) was generated outside Australia during 2014/15
- Provide customers with a choice of sales channels: FLT's customers can interact and transact with the company when and how they want – online, in-store, over the phone, via email or via SMS; and
- Deliver expert service and advice across niche markets, as well as to mass-market customers: FLT now has more than 30 brands, in addition to the flagship Flight Centre leisure brand

This diversity makes us a key partner for suppliers and we are working proactively with established businesses and new entrants, particularly in the aviation sector.

It is also incorrect to assume that FLT does not evolve its offerings to cater for changes in consumer behaviour and market dynamics.

Examples of this evolution include:

- The development and rapid expansion of new brands to tap into expanding travel sectors. We also created a global corporate travel management network, FCm Travel Solutions, in 2004 and have now taken it to 92 countries through our equity businesses and independent licensees
- Vertical integration – as evidenced by the creation of Flight Centre Global Product, our hotel contracting arm, and our moves into tour operations and destination management
- Enhanced online capability in both leisure and corporate travel. The online booking tools that we offer our corporate clients are among the best in the industry, while our leisure websites are now key tools for customers looking to transact and interact with our brands. flightcentre.com.au recently received a number one ranking in the 2014 Customer Experience Rankings in the Digital Sales Benchmark for International Bookings (Flights). This recognition reflects FLT's commitment to providing a customer journey that minimises customer effort and effectively supports their needs and expectations when they're seeking international flights; and
- The FLT sales model being successfully exported to other retail sectors – examples include the Pedal Group joint venture

Our diversity and our ability to innovate have served us well, as evidenced by our growth record since listing.

While TTV growth in the Australian leisure business during 2014/15 was not as strong as it has historically been, it largely reflected a cyclical downturn in trading conditions.

This slowdown saw Australian outbound departures grow by just 2.9% during the year, well below the 7% growth rate achieved during 2013/14 (Source: Australian Bureau of Statistics) and a growth rate broadly in line with the TTV growth achieved by FLT's Australian leisure business.

While the economic climate has not yet recovered in Australia, we have identified growth opportunities.

We are the first to acknowledge that there are opportunities to increase our presence in some market sectors. These sectors, which include online sales of some low cost carriers, have not historically offered suitable margins and have not, therefore, been priorities. In this space, we are keen to develop mutually beneficial relationships similar to our recent agreement with Air Asia. Similarly, we see opportunities to grow our share in some sectors that continue to perform well including complex airfares, holiday packages, ocean and river cruising, adventure travel and experiential travel in general.

Conclusion

In conclusion, I'd like to highlight a couple of other notable achievements and events that have taken place recently.

Firstly, we were successful in our appeal in the long-running competition law test case the ACCC initiated against us. In July 2015, the Full Court of the Federal Court found that the primary judge in the initial case erred in finding that "Flight Centre and the airlines competed in a market for distribution and booking services" and ruled in FLT's favour.

The ACCC was ordered to pay FLT's legal costs for both the initial Federal Court case and the appeal, in addition to refunding the \$11million fine that FLT was required

to pay during 2013/14. The \$11million has now been refunded to FLT and will be included in the company's statutory profit before tax (statutory PBT) for 2015/16. While the decision in FLT's favour was unanimous, the ACCC subsequently announced it would seek special leave of the High Court to appeal the decision. Hearings could potentially take place later this financial year.

Secondly, our board structure changed during 2014/15.

This change was brought about by Peter Morahan's retirement in late August 2014 and saw Cassandra Kelly join the board as a non-executive director. At that time, I became board chairman and John Eales became chairman of our remuneration and nomination committee.

Our five-person board consists of John, Cassandra, Rob Baker and myself as independent non-executive directors and our managing director, Graham Turner.

At an executive level, we recently announced a change of chief financial officer (CFO). This change followed Andrew Flannery's decision to take on the responsibility of running the Australian corporate travel business, which is the largest business of its kind in Australia and our second largest operation behind Australian leisure.

As chairman, I would like to thank Andrew for his outstanding contribution and congratulate our new CFO, Adam Campbell, on his promotion.

Finally, we again strengthened our balance sheet and at year-end had more than \$500million in company cash and minimal debt. This means we are well placed to continue to invest in the business and to capitalise on opportunities that arise in the future.

On behalf of our board, thank-you for your support.

FLT social KPIs 2014/15	
Job creation	FLT created 1200 new jobs globally, bringing its total to almost 7000 new jobs created during the past five years. The company now employs about 18,500 people.
Employee earnings	The company paid almost \$1.3billion to its people globally in Employee Benefits.
Employee health and financial well-being	Healthwise conducted more than 11,500 Bio-Age consults globally, while Moneywise completed more than 11,400 financial advice, home loan and tax consultations. The combined total represents an average of 1.2 consults for every staff member globally.
Gender diversity	About 70% of FLT's leaders in Australia are women. High profile examples include Australian MD Melanie Waters-Ryan and Peopleworks leader Carole Cooper.
Workplace flexibility	About 18% of FLT's people in Australia are employed on a casual or part-time basis.
Delivering amazing travel experiences to our customers	FLT issued almost 6.5million tickets in Australia. This translates to more than 17,800 tickets every day, 742 tickets every hour and 12.37 tickets every minute
Community assistance	Globally, FCTG donated about \$2million in cash and kind. In Australia, the Flight Centre Foundation donated about \$1.3million to its partner charities and causes. The foundation has now donated \$7.7million since its inception in 2008.
Staff contributions	On average, FLT's people in Australia spent more than 1000 hours each month helping charities as part of a paid volunteer leave program.
Supply chain	TTV topped \$17billion globally. This means that FLT generated more than \$330million in sales for its suppliers and partners every week.
Shareholder returns	For the fourth consecutive year, FLT will return more than \$100million to its shareholders in combined dividend payments. This means, that in dividends alone, the company has now returned about \$1.18billion to its shareholders since listing.

* Underlying PBT and TTV are non-IFRS measures and are unaudited. June 2015 underlying PBT excludes \$2,563,000 Top Deck PBT. June 2014 underlying PBT excludes non-cash adjustments of \$61,300,000 impairment, the positive \$19,600,000 FCGP revenue alignment and the \$11,000,000 ACCC fine.

YEAR IN REVIEW

Financial Overview by Andrew Flannery – chief financial officer



FLT achieved a \$366.3million statutory PBT for the year to June 30, 2015.

While this was a record result and a 13.1% increase on the \$323.8million statutory PBT achieved during 2013/14, it was below our expectations and also below the prior year on a normalised or underlying basis.

As announced previously, underlying PBT for 2013/14 was \$376.5million. Excluding the \$2.6million contribution from Top Deck, which was acquired in August 2014, underlying PBT for 2014/15 decreased 3.4% to \$363.7million.

FLT achieved a \$256.6million statutory net profit after tax (NPAT), 24% growth on the \$206.9million NPAT achieved during 2013/14. At an underlying level, NPAT decreased 3.3% to \$254.8million (FY14: \$263.6million).

Sales increased solidly.

TTV increased 9.7% to a record \$17.6billion, with all countries achieving new TTV milestones in local currency.

Record TTV was achieved every month as the company's overall result increased by \$1.55billion year-on-year.

Sales growth was generally stronger in corporate travel, with the global corporate business turning over \$5.7billion, a 16.3% year-on-year increase.

Revenue increased 6.8% to \$2.4billion, giving FLT a 13.6% income margin. This income margin was lower than the previous corresponding period (FY14: 14%) but above the long-term average of 13.5%.

The lower income margin reflected:

- Lower commission earnings in Australia, as leisure consultants elected to lower commissions to stimulate demand among cautious consumers in the first half. Gross margins have rebounded in Flight Centre brand, as outlined in Melanie Waters-Ryan's Australia column
- Recognition of an additional component of accommodation TTV for the first time. Previously, only revenue flowing from this TTV was recognised; and
- A slight change in product mix brought about by rapid corporate travel growth. Corporate, which has a lower income margin, generated 33.6% of group turnover during 2014/15, compared to 31.5% during 2013/14

Costs

In terms of costs, FLT's major expense items were again wages, advertising and rent.

Employee benefits expense increased, as expected given the company's sales network expansion and the changes in front-end pay structures in Australia, United Kingdom and New Zealand. Payments to Key Management Personnel (KMP) decreased, as a result of the company's lower than anticipated earnings during 2014/15.

In dollar terms, FLT's advertising and marketing spend increased and equated to 1% of TTV over the full year. This percentage was broadly in line with the company's normal spending habits but slightly lower than the prior year (1.1% of TTV).

Rent expenses increased as the company expanded its

network globally. In Australia, the company typically achieved modest decreases for both rent renewals and for new leases.

Capital expenditure

In terms of capital expenditure (cap-ex), FLT invested about \$80million in the business during 2014/15.

This was higher than the spend in recent years, largely as a result of the launch and roll-out of the company's next generation shop designs.

In 2015/16, cap-ex is expected to approach \$120million and will consist of:

- An investment of up to \$70million on shop refurbishments and new store fit-outs as the company continues to roll out its new shop design
- A \$20million spend on upcoming head office moves and fit-outs in Australia, the USA and Singapore; and
- A \$30million investment in IT software and hardware. The increased investment in this area relates to the roll-out of Microsoft Dynamics as the company's new mid and back-office finance platform

This new platform will allow us to retire up to 10 different systems and will remove various inefficiencies within the business, in addition to supporting the company's omni-channel vision and enhancing customer and consultant interactions.

Microsoft Dynamics will be gradually introduced from November 2015, starting with the USA corporate business and FCm in Canada. Deployment in Australia should take place during 2017/18.

Business growth

FLT expanded its global sales network, with shop numbers increasing 5.5% during the year to 2825. Almost half – 46.5% – were located outside Australia.

The company's businesses in Asia and the Middle East were FLT's fastest growing operations, with shop and business numbers increasing more than 30% in Greater China, Singapore and the United Arab Emirates.

Growth in the United States and United Kingdom, FLT's second and third largest markets, also outpaced the company's overall network growth rate.

Sales staff numbers increased 6.3% to 14,433.

FLT again complemented its organic growth with small and strategic acquisitions.

After securing Dublin-based corporate travel manager Travelplan Corporate Limited late in 2013/14, and investing in the Buffalo Tours destination management joint venture in Asia in 2014/15, FLT acquired touring specialist Top Deck in August 2014. Since year-end, the company has also formally completed the acquisition of its former FCm licensee in Mexico, Koch Overseas.

Further acquisitions are likely in the medium-term, as outlined in Graham Turner's column.

Balance sheet and cash flow

FLT finished the year with record cash reserves and minimal debt.

General or company cash totalled \$564.7million at June 30, 2015 (FY2014: \$476.0million) and has now increased more than 30% during the past two years.

Debt was just \$32.8million (FY2014: \$44.9million), which meant that FLT had a \$531.9million positive net debt position at year-end. Based on June 30, 2015 valuations, the company held about 15% of its market capitalisation in free cash.

The company's total cash and investment portfolio (including company and client cash) was \$1.45billion at year-end.

Cash and term deposits accounted for 95% of this global portfolio, with the balance held as fixed interest bonds. About 60% of the total portfolio was domiciled in Australia.

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 the company'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.

Operating cash flow followed its traditional pattern, with funds accumulating during peak second half booking periods for payment to suppliers after peak travel periods during the first half of 2015/16.

A \$362.5million inflow was recorded over the full year, compared to a \$227.1million inflow during 2013/14.

Swings in FLT's cash flow are largely brought about by timing factors, specifically the dates on which payments to airlines are due. This payment cycle, known as BSP, is overseen by the International Air Transport Association (IATA) and its timing can significantly affect the amount of client cash held at the end of each reporting period.

For example, a payment in late December or late June will mean FLT has less client cash built up at the end of a half or full year than it will have if it is required to make the payment earlier in December or June.

Dividends

In light of FLT's strong cash position, the directors elected to return a higher percentage of NPAT to shareholders during 2014/15.

Both the fully franked interim and final dividends of \$0.55 and \$0.97 per share respectively, were in line with prior year payments, despite the year-on-year dip in underlying NPAT.

The total return of just over \$153million represented a 60% return of underlying NPAT to shareholders, compared to a 58% return during 2013/14. FLT's current dividend policy is to return 50-60% of NPAT to shareholders, subject to the business's needs at the time.

Conclusion

As announced last month, I have taken on a new role as the leader of FLT's Australian corporate travel business and Adam Campbell has taken on the global CFO role.

It has been a privilege to serve as FLT's CFO for the past seven years and I congratulate Adam on his promotion.

Adam is an outstanding successor, with a strong pedigree both within FLT and externally.

He has a deep understanding of the business, having spent the past three years as CFO of the Australian business and having worked for FLT for almost nine years across a variety of senior finance roles and in two separate stints.

Prior to returning to FLT to become Australian CFO in 2012, he spent six years at Minter Ellison as the law firm's financial manager for Australia and South East Asia.

Five-year summary

	June 2015	June 2014	June 2013	June 2012	June 2011
TTV	\$17,598m	\$16,049m	\$14,259m	\$13,238m	\$12,200m
Income Margin	13.6%	14.0%	13.9%	13.8%	13.8%
EBITDA	\$417.0m	\$378.4m	\$395.2m	\$330.7m	\$256.9m
PBT (statutory)	\$366.3m	\$323.8m	\$349.2m	\$290.4m	\$213.1m
NPAT (statutory)	\$256.6m	\$206.9m	\$246.1m	\$200.1m	\$139.8m
Earnings per share	254.7c	205.8c	245.6c	200.1c	140.0c
Dividends per share	152.0c	152.0c	137.0c	112.0c	84.0c
ROE	20.2%	18.8%	24.0%	23.3%	18.9%

YEAR IN REVIEW continued

Operational Highlights by Graham Turner – chief executive officer



Record global sales and healthy profit growth from FLT's overseas businesses helped underpin the company's results for 2014/15.

FLT's 10 geographic regions all created new TTV milestones, as the company achieved its fifth consecutive year of record global TTV.

In its 20 years as a public company, FLT has now increased TTV year-on-year 19 times. The exception was 2010, when the India business was deconsolidated from FLT's results.

Four regions generated record earnings before interest and tax (EBIT¹) – the UK and Ireland, the USA, South Africa and Singapore – as FLT's overseas businesses made another record EBIT contribution.

Overall EBIT in Australia topped \$250million for just the third time but fell short of the record result achieved in superior trading conditions during 2013/14.

A number of businesses performed strongly in both the leisure and corporate travel sectors, including Travel Money, which has now been earmarked for expansion into India and the USA.

Together, the Australian corporate businesses made a record EBIT contribution and turnover¹ of about \$2.3billion, another record.

Fluctuations in the Australian dollar's value did not lead to shifts away from the USA, with outbound travel to the USA remaining one of the better performing international travel sectors. Australian Bureau of Statistics data for the year showed an overall 5% increase in short-term departures to the USA during 2014/15.

Capacity and competition between the international airlines that service Australia also remained healthy.

Federal Government figures show that more than 50 international airlines (excluding code-share agreements) now service Australia and that capacity continues to grow, albeit at a slower rate than during 2013/14.

Strategic investments

As is always the case, we invested significantly in programs and initiatives that have been designed to improve our operations and enhance future returns.

Strategically, we made solid progress in each of the five journeys that have been earmarked as keys in our evolution from travel agent to the world's best person-to-person travel experience retailer.

Specific details on our objectives and our key achievements to date have been included in Melanie Waters-Ryan's strategic update in this report.

Scale and diversification

While I don't intend to cover off on our strategies in this column, I will take this opportunity to highlight other significant achievements that are sometimes overlooked in a company of our size.

Firstly, our TTV increased by \$1.55billion during the past year, as mentioned in Andrew Flannery's column.

Secondly, ten of our brands in Australia generated more than \$100million in turnover during 2014/15, a statistic that highlights the diversity of our revenue streams.

Our dual position as Australia's largest travel retailer and Australia's largest corporate travel manager is well known, but we are also now the major player in several niche sectors that are growing rapidly globally.

For example, Student Flights (targeting students and backpackers), Travel Money (business to consumer foreign exchange) and Cruiseabout (ocean and river cruising) are all the largest businesses of their kind in Australia in terms of shop numbers.

Together, these three businesses turned over almost \$1.2billion in Australia.

In sales terms, Travel Money now rivals Escape Travel as FLT's fourth largest brand in Australia behind Flight Centre, Corporate Traveller and FCm.

GLOBAL RESULTS²



Australia

TTV: \$9.6b,
up 4% in AUD
EBIT: \$256.7m
Businesses: 1511



USA

TTV: \$2.5b,
up 18% in AUD
(up 6% in local currency)
EBIT: \$21.4m
Businesses: 314



UK

(includes Ireland)

TTV: \$1.9b,
up 24% in AUD
(up 17% in local currency)
EBIT: \$49.5m
Businesses: 279



Canada

TTV: \$1.2b,
up 10% in AUD
(up 9% in local currency)
EBIT: (\$3.9m)
Businesses: 245



New Zealand

TTV: \$883m,
up 7% in AUD
(up 5% in local currency)
EBIT: \$15.1m
Businesses: 179



South Africa

TTV: \$473m,
up 5% in AUD
(up 5% in local currency)
EBIT: \$11.3m
Businesses: 172



India

TTV: \$386m,
up 15% in AUD
(up 6% in local currency)
EBIT: \$3.5m
Businesses: 45



Greater China

TTV: \$232m,
up 18% in AUD
(up 9% in local currency)
EBIT: \$2.3m
Businesses: 40



Singapore

TTV: \$167m,
up 44% in AUD
(up 36% in local currency)
EBIT: \$2.8m
Businesses: 23



Dubai

TTV: \$85m,
up 23% in AUD
(up 11% in local currency)
EBIT: \$1.7m
Businesses: 14

¹ EBIT and turnover are non-IFRS measures and are unaudited. For reconciliation of EBIT, refer to note A1 Segment information in the financial statements.

² EBIT represents adjusted EBIT.

Thirdly, we are now an important partner for hotels and accommodation providers globally.

During 2014/15, our Australian business alone sold about 4.5million room nights through our preferred internal channels. This includes package holidays, accommodation booked for our corporate travel clients and last-minute style hotel stays.

To put this in context, this means that our customers from Australia alone occupied about 12,330 rooms globally every night of the year on average and it does not include room nights booked as part of tours or cruises or accommodation booked via non-preferred avenues.

Fourthly, we have successfully transplanted the FLT business model into other retail sectors.

The Pedal Group cycle joint venture recorded a 24.2% sales increase to \$56.8million and generated record EBIT of \$3.2million.

Retailer 99 Bikes opened five new shops – Burleigh (Gold Coast), Cannon Hill and North Lakes (Brisbane), Ascot Vale (Victoria) and Stanmore (New South Wales) – taking its network to 22, plus an online store.

Wholesaler Advance Traders (ATA) sold 50,000 bikes during 2014/15 and continued to grow as a multi brand solution for retail bicycle shops.

Global brands now being distributed by ATA include Merida, Norco, Lapierre, DK BMX Bicycles and Premium BMX. An exclusive multi-year distribution agreement is also in place with premium Swiss brand BMC from September 1, 2015.

In addition, ATA has developed and expanded the Bicycle Centre licensing network with 23 independent bike retailers now trading as Bicycle Centre stores.

Fifthly, by integrating vertically we have become a significant player in the tour operating sector through Back-Roads, Top Deck and the Buffalo Tours destination management JV. Together, these businesses should generate in the order of \$AUD200million in TTV in 2015/16.

Continued evolution

Since 1995/96, our first year as a public company, FLT's statutory PBT has increased at a 16.9% compound annual growth rate (CAGR). Over the same period, our TTV has increased at 16.5% CAGR.

This indicates that we have been able to maintain and slightly improve margins, despite industry changes and ongoing shifts in consumer behaviour.

Reasons for this stability include:

- Our ability to change our business mix
- Vertical integration
- Strong cashflow to invest in brand and geographic expansion
- Our people's commitment
- Our ability to proactively identify opportunities and alter strategic course; and
- Strong supplier relationships that create mutual benefits.

During 2014/15, we again worked closely with airlines and other suppliers to promote their offerings to our vast leisure and corporate travel customer bases and to develop unique new products. We also extended our relationships with airlines that have in the past focussed on distributing their products directly.

For example, we now have commercial agreements with Air Asia – the first of its kind in Australia – and Scoot. We have also taken steps to work more closely with both Tiger and Jetstar. This is also happening overseas and we now have agreements with the likes of easyJet in the UK and JetBlue in the USA.



Online expansion

As you will read in the following pages, we have expanded our online presence.

This has seen:

- Transactional capabilities enhanced – customers who want to book flights and other products online can do so on most of our major sites
- Responsive websites and booking engines introduced
- New features added – including Chat

Mobile apps have also been implemented in some businesses, particularly those in corporate travel.

The web is a key part of our blended travel strategy and we will continue to expand our offerings and the range of product that is available via this channel, as outlined elsewhere in this report.

YEAR IN REVIEW continued

Australia by Melanie Waters-Ryan – chief operating officer



FLT'S Australian business delivered another year of record sales, with TTV increasing by \$445million to \$9.6billion and ten brands turning over more than \$100million.

While this record sales result didn't translate to a record profit, the business generated more than \$250million in EBIT for the third consecutive year and was again the company's main profit and sales generator.

As outlined in our full year result announcements, bottom-line results during 2014/15 were adversely affected by:

- The slowdown in outbound travel, which contributed to lower TTV growth than initially expected. As Gary Smith noted, short-term resident departures from Australia increased modestly during 2014/15, well below the 7% growth rate achieved during 2013/14
- A reversal of FLT's normal expansion profile, which saw most of our leisure travel growth take place late in the year. Typically, FLT expands more rapidly during the first half to ensure it capitalises during the seasonally stronger second half
- Lower leisure travel margins early in the year, resulting from consultants discounting to stimulate demand in a fairly subdued trading environment; and
- Significant ongoing investments in people, systems and our key strategies

Strategic Investments – PACE

Our investments included a new wage structure for front-end consultants and an overhaul of our marketing structures to create broader Product, Advertising and Customer Experience (PACE) areas.

The creation of a PACE structure is geared towards establishing stronger, personalised customer engagement. We already capture a large percentage of the travel market but we also want to make the company more relevant in the many different ways people book and progress through a travel-making decision.

This has seen:

- Marketing and advertising structures overhauled to create a renewed focus on the customer and sales effectiveness
- A new team of senior leaders formed to develop key areas such as customer loyalty, creative assets and content
- Media buying agency Ikon appointed to manage the leisure brands' advertising spend and strategy
- A new, resilient online sales platform called Flight Club created as part of a marketing initiative to boost traffic to the website when movement is at its slowest
- A new media planning strategy implemented to target key customer segments in both traditional and non-traditional channels; and
- Investments in new technologies around customer retention, information and user experience and a journey mapping project to map our database against Roy Morgan's Helix Personas

Our marketing in the past has been very much about "Brand to All" advertising.

During the past year, we have invested time and money in moving towards a "Brand to Person" style of advertising. That is, we now know more about our customers and are able to send them more relevant content and offers.

Leisure Travel

The flagship Flight Centre brand generated about 50% of FLT's turnover in Australia during 2014/15.

A strategic priority was to emphasise the brand's commitment to delivering amazing travel experiences and, at the same time, implement a series of changes to ensure this commitment remained at the forefront of every customer transaction.

This is geared towards ensuring that the amazing experience begins with the customers' first interactions with the brand and continues right through to when they return home. The customers tell their friends and they also come back to book with us again.

A number of initiatives were rolled out to enhance the customer experience including:

- Growth in flagship locations – Flight Centre is developing a strong network of hyperstores and megastores to complement its network of smaller boutique stores. We now have more than 100 teams working in multi-team sites across leisure and business travel. This equates to more than 600 consultants working in small teams within a collaborative environment
- Introduction of a next generation shop design. Our retail stores are now defined by stand-up toberone desks for a more inviting customer interaction, discovery zones for a multi-sensory experience and digital displays showcasing live product feeds and sales fares to ensure speed to market
- Expansion of the unique product range, with the launch of four new product ranges that are designed to showcase the best of travel retailing – Our Widest Choice of Airfares, Journeys, Escapes and Mix and Match; and
- Introduction of our International Airfares Packages (IAP) for international airfares. The IAPs clearly outline the brand's fee structures, so customers know exactly what they are getting for their money, and are available in three packages – Essentials, Value and Premium – each of which offers a suite of inclusions



The IAP inclusions range from 24/7 assistance to Price Drop Protection, which is available with the Value and Premium options. A \$150 land credit has also been included in the Premium package.

The IAPs were initially trialled in Queensland and were rolled out nationwide in April 2015.

Customers are now choosing to attach IAPs to about 40% of the international flights Flight Centre brand sells in Australia, which is contributing to the recovery in gross margins.

Flight Centre's blended offering was also enhanced, with chat functionality expanded, growth in the 24/7 workforce and teams created to contact online customers and correct the mistakes that are commonly made with online bookings. This reinforces that customers are never on their own when they book with Flight Centre.

During the year ahead, Flight Centre brand will continue to expand its product ranges. The Escapes range is currently being trialled and early results are promising.

The business will also implement a Customer Relationship Management (CRM) system. This Travel Connection Hub will become the single source of truth and will allow us to connect our customers and people to a world of travel possibilities.

FLT's niche leisure brands are growing solidly in Australia and, while they are considerably smaller than Flight Centre, they are now significant players within the travel landscape.

Student Flights, Cruiseabout and Travel Money Oz are, in fact, the largest businesses of their kind within their particular niches, as noted in Graham Turner's column.

In addition, the high-end Travel Associates business continued to perform strongly, while Escape Travel was again FLT's fourth largest business in Australia in sales terms, behind Flight Centre brand, Corporate Traveller and FCm.

The sixth brand, My Adventure Store, is relatively small but is developing a solid network of specialist adventure travel shops.

Operational highlights within the niche businesses included:

- Student Flights' expansion into the Northern Territory and continued development of its unique product range, which now includes Black Market Fares, a dedicated travel insurance product and a Festivals range
- Travel Associates joining the Virtuoso network, which will deliver extra value-added bonuses to customers when they stay at participating hotels globally
- The opening of Cruiseabout's 50th Australian store in July 2014; and
- Expansion of Escape Travel interest-free offer from six to twelve months and the launch of a new service that allows customers to send messages to their personal Escape Travel consultant and to book their holidays via text

Travel Money Oz has been a major success story in recent years and now has a nationwide network of 111 shops. This includes shops that are implanted into leisure travel stores, standalone booths and kiosks.

The Expo and Events program's continued success was another highlight. Almost 200,000 people attended FLT's events in Australia during 2014/15, spending more than \$300million in the process.

Corporate Travel

Together, the Australian corporate businesses – FCm Travel Solutions, Corporate Traveller, cievents, Stage & Screen, Campus Travel and 4th Dimension – made a record EBIT contribution and turnover of about \$2.3billion.

FCm, which celebrated its 10th birthday in October 2014, won a number of high profile accounts, and enhanced its suite of product and technological offerings.

These enhancements included the launch of RapidBook, the industry's fastest online booking tool. RapidBook, developed in conjunction with Serko, is exclusive to FCm and allows customers to book flights, accommodation and car hire on a single page, thereby speeding up the booking process.

FCm Secure has also been launched and has become an important tool for customers. FCm Secure supports organisations' duty of care obligations and is an unrivalled travel risk management program.

Corporate Traveller's unique Smart range of products again proved popular and helped the business win a large number of new accounts in the SME sector.

Campus Travel enhanced its reputation as Australia's leading academic travel specialist. This business now services about half of the universities in Australia, including the prestigious Group of Eight (Go8), and is being rolled out overseas.

Similarly, Stage & Screen has consolidated its position as the market leader in the entertainment sector and is rapidly building a reputation as the leader in sports-related travel. In recent times, the business has secured a number of high profile accounts including SANZAR, Cricket Australia and the Football Federation of Australia.

Conference and events specialist cievents won a number of multi-national accounts and ran 20% more events than it oversaw during 2013/14, while the 4th Dimension consultancy business enhanced its profile by releasing the Australian Aviation and Airfare Analysis, in conjunction with aviation industry expert CAPA.

In addition, the company's corporate brands claimed a number of awards.

FCm Travel Solutions built on its success in the World Travel Awards by being judged Best National Travel Management Company at the 2015 National Travel Industry Awards.

Campus Travel won the BTTB Award for Travel Partner of the Year, while cievents won Best Business Events Travel Agency at the 2014 National Travel Industry Awards and Best Corporate Event at the New South Wales MEA award.



United Kingdom

THE 2014/15 financial year was a landmark period for FLT in the United Kingdom as the business continued its growth trajectory.

Record profits and sales were achieved, with TTV surpassing the GBP1billion barrier for the first time. This helped consolidate the company's position as one of the country's largest and fastest growing travel businesses.

In corporate travel, FLT again performed strongly, with the business securing record account wins and achieving strong customer retention.

Account wins for FCM included the two largest accounts secured by the UK business to date. FCM's market leading management information tool, Clientbank Connect, was rolled out during 2015 and has given our customers easier access to important data.

Corporate Traveller was another strong performer and benefited from an increased focus on the customer and the overall travel experience. We proactively grew our network of customer relationship managers (CRMs), which contributed to strong retention rates, and launched a travel request app, CT Request, which has made it easier for customers to send travel requests to their personal travel managers.

FCM Ireland has been integrated into the group and had a great first year. The FLT area leader structure was introduced and the number of business development managers (BDMs) was doubled to help win new accounts.

Our corporate business is poised for further expansion in 2015/16, with the Stage & Screen brand launched in July 2015.

Significant enhancements were also made in leisure travel.

New and unique product ranges were developed and launched, including:

- Journeys – unique and superior tailor-made long haul holidays to Australia, New Zealand, South Africa, the United States, Asia, Latin America and India. Europe will be added in 2015/16; and
- Escapes – a range of mid to long haul beach holidays that was launched in June 2015

Both the Journeys and the Escapes ranges provide customers with access to dedicated Travel Butlers or Concierges, who are available to help customers before, during and after their holidays. This is a key point of difference and a key inclusion in both ranges.

The UK leisure business is performing well and growing solidly within its particular market niches. These niches include round-the-world fares, first and business class travel and small corporate accounts which are serviced via the Flight Centre Business Travel network.

We continue to enhance our leisure travel sales network, which includes a mix of boutique shops, megastores and larger hyperstores.

The Kensington hyperstore, our first, was refurbished during the year and has now re-opened with a number of new features.

New features include the Travel Clinic, an in-store medical service offered in conjunction with Medical Advisory Service for Travellers Abroad (MASTA). Consultations with travel health experts will cover tailored advice for travellers, including recommendations on vaccination requirements, anti-malarials and preventative measures.

In 2015/16, we will open new hyperstores in Chester during the first half and in Dublin during the second half. The Dublin store will house our first leisure businesses in Ireland.

South Africa

In South Africa, FLT also performed strongly, achieving record profit and sales results in local currency.

The business is now operating under a new leader with Andrew Stark succeeding Janine Salame as executive general manager during 2014/15. Janine has continued with the company and has taken on a senior role with Top Deck in the UK.

South Africa's retail business performed exceptionally well, growing in both sales and profits. This was driven by strong staff growth, market-share growth across all four retail brands - namely Flight Centre, Flight Centre Business Travel, Student Flights and Cruiseabout - and the development of unique, manufactured products to key destinations like Mauritius, Thailand and South Africa.

The corporate businesses, namely Corporate Traveller and FCM, also managed to grow in a volatile market. Corporate now accounts for 31% of the company's sales in South Africa and its growth in recent years has significantly enhanced FLT's diversity.

While relatively small, FCM will double in size during the next 12 months, thanks to a very strong pipeline of account wins and a strong position in the market.

In 2015/16, the company also expects to launch a range of product offerings to suit the market and will continue to enhance its vast shop network by rolling out a new design featuring our next generation look and feel.



Gwyneth Paltrow (centre) with FLT consultant Andy Frost (left) at the Global Gathering.



FLT's businesses in New Zealand, Asia and the Middle East generally performed solidly during 2014/15, with a new profit milestone achieved in Singapore and both the New Zealand and Greater China businesses narrowly missing record EBIT results.

Together, these businesses generated about \$AUD1.75 billion in TTV – 10% of FLT's global TTV – making them a valuable contributor to the company's overall results and a solid future growth opportunity.

New Zealand

The New Zealand business generated record TTV and cemented its position as the country's leading travel retailer.

A key focus was on developing a blended leisure offering. This saw the business launch a locally-based 24/7 service, along with responsive websites and an online booking engine for flights to Australia and the South Pacific. The New Zealand business has also started allocating consultants to online bookings.

The company continued to invest in its shop network, with a significant refurbishment program taking place and the first shops of the future opening on Queen Street and St Lukes in Auckland.

Other significant developments included:

- The introduction of a new consultant wage model
- Specialist expansion in leisure travel, with new Travel Associates and Cruiseabout shops opening; and
- The launch of a new-look Red Label Holidays range

In corporate travel, the Corporate Traveller and cievnts brands both generated solid earnings growth.

India

FLT continued to expand in India, with the corporate business opening in Noida and Vadodara and high street leisure hyperstores opening in New Delhi and Mumbai.

This leisure expansion, within the Flight Shops brand, marked a change in strategy as FLT moved away from the mall and shopping centre sites that had been trialled previously. While these hyperstores are in their infancy, results have been promising with the new stores trading profitably after their first and third months respectively.

The company has also introduced a foreign exchange (FX) offering across its Flight Shops network and plans to introduce a standalone FX business in 2015/16.

Other plans for 2015/16 include:

- Corporate expansion into two new cities
- Retail expansion to cover Ahmedabad, Vadodara and Chandigarh and a new hyperstore in Bangalore; and
- The launch of a transactional corporate mobile app

Greater China

The year to June 30, 2015 was a significant period for FLT's businesses in Greater China.

The business became the first global Travel Management Company to secure a wholly-owned domestic ticketing license for Mainland China. By having the ability to issue

its own domestic tickets to corporate customers, FLT has become less reliant on its joint venture partner and is no longer forced to buy from third party consolidators.

Flight Centre Business Travel was launched in Hong Kong, Beijing and Shanghai, to operate alongside FCm, which has now been positioned locally as a mid to large market corporate travel brand.

In leisure travel, the first shop of the future opened in Wanchai and a flagship megastore opened on Lyndhurst Terrace in Hong Kong's central business district.

In addition to expanding its brands, the company enhanced its offerings across the region.

This saw an Online Booking Tool, featuring a mobile app, travel approval process and air and hotel booking capabilities, launched in China for corporate clients.

A staff well-being program was also launched and the company won a string of awards including:

- 2015 China Corporate Travel Management Service of the Year – by M&C China; and
- 2014 China Leading Travel Management Company of the Year – by China BT MICE

In 2015/16, a new Discovery Bay store will open, giving FLT its fourth retail outlet in Hong Kong. In Hong Kong, the ability to book international airfares and hotels will be added to the Flight Centre website.

Singapore

In sales terms, Singapore was FLT's fastest growing country during 2014/15 with TTV in both leisure and corporate travel growing strongly.

FCm's growth in the corporate sector was underpinned by strong client wins across the market and in the Marine and Energy and MICE (meetings, incentives, conference and events) sectors. A dedicated MICE team came on board to enhance our corporate offering and we opened a Westgate (Jurong) office for Marine and Energy and a Paya Lebar office for Flight Centre Business Travel.

The leisure travel offering was also enhanced by the addition of an online booking engine on the Flight Centre Singapore website. In 2015/16, FLT will open its first Singapore hyperstore, and will officially launch new City Breaks, Escapes and Journeys product ranges.

United Arab Emirates

FLT's business in the UAE delivered its sixth consecutive full year profit during 2014/15 and has continued to develop its footprint in both leisure and corporate travel. Two new leisure travel locations opened during the year – Yas Mall in Abu Dhabi in February 2015 and Arabian Ranches in Dubai in April 2015.

During the year ahead, we will seek to expand the leisure business by launching our unique range of Flight Centre Breaks and Flight Centre Escapes.

We also expect stronger corporate results, following strong account wins late in the 2014/15 financial year.

FCm Travel Solutions has developed a strong presence in both Dubai and Abu Dhabi and was judged the Middle East's Leading Travel Management company for the fourth consecutive year during 2014/15.

YEAR IN REVIEW continued

The Americas by Dean Smith – executive general manager USA



The Americas business is FLT's largest operation outside Australia and consists of more than 550 shops and businesses across the leisure, corporate and wholesale travel sectors.

The Americas business was formed during 2014/15 when closer ties were created between our USA and Canada operations. Since year-end, we have boosted our presence in the region by expanding into Mexico, another key market, via a strategic acquisition.

The USA

The USA business built on its recent successes during 2014/15, generating another record profit and contributing more than \$USD2billion in TTV. These strong results were again underpinned by our corporate travel businesses. Together, these businesses generated more than \$USD1billion in TTV, as we continued to gain market share in the world's largest corporate travel market.

During 2014/15, the corporate business expanded into Austin and Silicon Valley, giving it a 17-city presence. Further expansion is planned for 2015/16, with the US corporate business to launch in Raleigh and Minneapolis and Campus Travel launched on July 1, 2015.

The Liberty leisure and GOGO wholesale businesses together contributed about half of the company's sales.

New Liberty hyperstores opened in both Los Angeles and Philadelphia and a responsive website for Liberty was launched in May 2015.

In 2015/16, a hyperstore will open in Chicago and a smaller megastore, housing Liberty, Stage & Screen and Flight Center teams, plus the USA's first Travel Money business, will open in Manhattan's Union Square.

The Liberty business, which introduced the Complete Vacation Package as a travel concept in the 1950s, is again evolving and is working to provide its customers with innovative and compelling concepts in travel.

Specifically, we aim to become a market leader in vacation travel to Europe, in the way we are recognised for our expertise in Caribbean holidays.

During the past year, we have segmented our customer base and identified key customer types that we are proactively focused on growing.

Unique product lines have been launched to help the company target these customers. For example, the EURObreaks and Escapes ranges were launched in June 2015 and the Journeys range was added in August 2015.

Escapes focus on core beach destinations in the Caribbean, Mexico and Hawaii and come with an exclusive Liberty Experience. Effectively, these are must-try outings that locals would suggest and recommend.

EURObreaks explore iconic cities and include face-to-face meetings with City Insiders, local experts who recommend experiences that are trendy, tried and true or a combination of the two.

Journeys to Europe and bucket-list destinations further afield were created for travellers who have a near-insatiable appetite for exploration. A key feature is that travellers have access to a dedicated Travel Butler who ensures that every detail is taken care of before departure – from reservations to excursions, sightseeing to restaurants.

Wholesaler GOGO Vacations launched a Travel Agents First campaign to deliver greater value to its external travel agency partners. A new feature, GOGO Care, has just been launched to give travel agents who work with GOGO another competitive advantage.



Liberty's new LA hyperstore.

Canada

The Canada business had a challenging year during 2014/15, posting a loss after five years of consecutive profits.

In terms of bottom-line results, the leisure business has under-performed in recent years. Challenges have included low productivity in-store, an under investment in the network, a lack of focus on major brands – partly brought about by the investment in secondary brands – and relatively high staff turnover.

While the corporate business has generated consistent profits, it has experienced margin compression, which has also affected bottom-line results.

During the second half of 2014/15, changes were made to our leadership structure in Canada.

This saw:

- John Beauvais return to Vancouver to run the business after a highly successful period as FLT's corporate travel leader in the USA
- A new leisure travel leader installed; and
- Greg Dixon, our long-serving leader in Canada, take on a new role overseeing our corporate travel expansion throughout the Americas

Strategies have been implemented to improve performance in retail, corporate and wholesale travel.

For example, the leisure business will:

- Execute a comprehensive Product, Advertising and Customer Experience (PACE) plan built around key product lines and customer demographics
- Refresh the brand – this will encompass uniforms, shops and travel centres
- Improve employee morale and retention; and
- Focus on Flight Centre brand as the primary brand, with a view to enhancing productivity or average commissions

Mexico

Koch Overseas de Mexico formally joined the FLT family in July 2015.

Koch has operated in Mexico since 1950 and became an independent FCM licensee in 2006. The business has offices in Mexico City, Monterrey, Puebla and Cancun and employs about 100 people.

TTV during the year to December 31, 2015 is likely to be in the order of \$USD45million.

We see Koch as a key addition to our Americas structure.

In addition to providing a platform for further growth in Mexico and into Latin America, it will also enhance the company's ability to compete for and win corporate accounts in the USA, Canada and throughout the Americas.

Worldwide Top Performers



Hall of Fame:
Carolyn Dickins
Hong Kong



Top BDM:
Charlene Leiss
USA



Top Wholesale Consultant:
Matthew Burnes
Australia



Top Retail Specialist Consultant:
Claudio Martinoli
UK



Directors' Award:
Dean Smith
The Americas



Directors' Award:
Steve Norris
UK



Hall of Fame:
Leonard Donaldson
The Americas



Hall of Fame:
Greg Ashmore
Australia



Top Retail Leisure Consultant:
Trudy Lagerman
USA



Top Corporate Travel Manager:
Tyler Kosik
USA



In recent years, FLT has embarked on a journey to become the world's best person-to-person travel experience retailer.

This strategic evolution, dubbed the company's "Killer Theme", has become the blueprint for FLT's future and has seen FLT focus on seven key mini-themes:

1. Having world class and specialised brands
2. Our product not just someone else's
3. Being experts, not agents
4. Working from branded business spaces, not offices
5. Offering customers blended access
6. Using information as power; and
7. Creating a sales and marketing machine

In terms of brand and specialisation, FLT is working to ensure its brands are thought leaders in their specialised segments. Each brand has clear Customer Value Propositions (CVPs) and is innovative and different, which leads to increased brand awareness.

In the product space (mini-theme two), FLT is creating unique product and travel experience ranges that are FLT's – not always someone else's – and aiming to become famous for those products and experiences.

As a result, FLT now has manufactured offerings across three levels of unique products:

1. Travel products/experiences – examples include the Journeys and Escapes ranges
2. Service products/experiences – for example, Flight Centre brand's International Airfare Packages; and
3. Technological products/experiences – including the products that are now available to our corporate customers

Enhancing consultant expertise, mini-theme three, was geared towards ensuring FLT's sales people were experts in their specialised areas. To achieve this aim, comprehensive brand accredited training programs were introduced.

FLT continues to expand and refine its training programs, which are available to all of our people and overseen globally by our Peopleworks area. Our people and external students are also gaining recognised qualifications via our First Class Education Group, which includes the Travel Academy, the Global Academy of Fitness and Evolution Business College.

The shift from a traditional office environment to a branded business space (mini-theme four) has led to significant enhancements in-store, including the development of dedicated customer, travel experience and sales spaces.

New Shop of the Future designs have been introduced for Flight Centre, while corporate offices have been transformed into business travel hubs that showcase deals and products. Customers can visit to experience the tangible and obvious benefits of FLT's physical model.

We are also capitalising on our stores' high profile

locations and proactively using them as billboards. For example, we are now using our in-store digital display features to highlight the latest airfare specials to customers almost immediately.

Blended travel (mini-theme five) has led to enhancements across all sales channels to ensure customers can transact and interact with FLT's businesses when and how they want and are never on their own when they book with FLT.

This has seen:

- Shop hours extended and new features incorporated into in-store designs
- New features added to FLT's websites, including online booking engines
- Significant growth in 24/7 sales and assistance teams to cater for the large volume of enquiry that is generated after hours
- Responsive websites and booking engines launched
- Expansion in the use of chat and other interactive features; and
- The launch of various apps, particularly in the corporate travel business

Various business, including Australia, New Zealand and Singapore, are also either allocating consultants to online bookings or proactively phoning customers who have booked online.

Information is power (mini-theme six) has focussed on delivering valuable, real-time information so the business has a clear picture instantly of what's being looked at, enquired about, booked and discarded. This ensures "in-demand" product is always in the market place.

A Customer Intelligence and Analysis area was created in Australia, along with a new Reporter tool to deliver this information to the business.

Sales and marketing (mini-theme seven) enhancements included the investment in Product, Advertising and Customer Experience (PACE) areas. As outlined in the Australia section of this report, PACE teams are using the information that is now more readily available to be more targeted in their campaigns, which will allow the company to cost-effectively generate enquiry and sales.

FLT's Journeys

While these mini-themes remain key areas of focus, they have now been condensed into five important sub-journeys:

1. Our product journey
2. Our shop or physical journey
3. Our business journey
4. Our sales journey; and
5. Our people journey

These journeys are evolving and will be integral to FLT's success in the future.

While I won't go into the specifics of each journey in this forum, I will briefly outline some of the steps we're taking on our people journey.

In simple terms, the people journey is about recruitment,

learning, leadership and engagement to help us achieve our goals of growing consultant numbers, decreasing turnover and improving retention.

Our people have always been our greatest asset and we have historically been very good at identifying and recruiting talent and developing leaders who can progress through the ranks. Four of the five representatives on our global Task Force began their careers with us as retail travel agents.

We have also sought to create a fun workplace environment and to be an employer of choice.

In 2014/15, we have introduced new strategies to measure and enhance engagement among our people with a view to enhancing staff retention.

A “We the People” campaign has been initiated and will be built around an annual engagement survey and

a separate survey geared towards determining which aspects of the company people love.

The My Benefits program has been launched to highlight the positive aspects of working for FLT.

We’re also working to enhance retention and career opportunities by offering our people access to Global Mobility and mentoring programs.

The strategies we are implementing are geared towards readying our business for the future and overcoming the challenges and risks that we see. These risks and challenges have been summarised in the accompanying table.

Our model will continue to evolve and we will continue to utilise our greatest assets – our people, our property and our culture.

Risk management

Risks	Strategies and mitigation
Slower overall market growth in challenging economic cycles (macro-economic factors)	Brand and geographic diversity: Decreasing reliance on any one brand or business Balance sheet strength: Ability to strengthen network, invest in key areas and capitalise on opportunities during “down” cycles
Global pandemics or unrest that can temporarily alter travel patterns	Brand and geographic diversity: No reliance on any individual market or supplier
Emergence of alternative/new distribution channels	Multi-channel growth: Enhancements across all channels to allow customers to transact and interact 24/7 in the ways that are most convenient for them Blended access for customers: Key strategy in overall journey from travel agent to world’s best person-to-person travel experience retailer Proactively using the web as part of “Killer Theme” Sales Journey Adding value online: Ability to personalise online transactions Unique product ranges: Differentiating FLT’s brands
Reliance on Australian business to drive overall results	Geographic diversity: Growing presence across 10 countries and regions Expansion: Sales network growing more rapidly overseas Earnings growth: Combined overseas EBIT topped \$100million for first time during 2014/15
Cost control	Productivity: Ongoing enhancement to offset inevitable wage, rent and advertising increases Developing lower cost distribution models Lean support structures: 80% of workforce in front-end sales roles
Leadership, staff development and recruitment/retention to meet FLT’s growth needs	People Journey a key part of “Killer Theme” Comprehensive training programs in place to identify talent, develop leaders and enhance expertise. Graduate program Mentoring Focus on retention and staff engagement
Customer experience	Entrenched commitment to delivering amazing travel experiences Consultants as “connectors” Proactive interaction with customers throughout the travel cycle Focus on person-to-person retailing 24/7 assistance At-destination assistance built into new product ranges - Journeys, Travel Concierges

OUTLOOK

2015/16 by Graham Turner – chief executive officer



FLT sees solid growth prospects globally and will target an underlying PBT between \$380million and \$395million for the year to June 30, 2016. If achieved, this will represent 4%–8% growth on the \$366.3million statutory PBT achieved during 2014/15.

This preliminary guidance for 2015/16 excludes:

- Impairment or significant unforeseen items that can arise in any given year; and
- The \$11million that has been returned to FLT following its win in the ACCC competition law test case

Overall, the company has started the year reasonably and, based on year-to-date trading results, is tracking broadly in line with its annual PBT growth target.

Market Conditions – Australia

In Australia, consumer confidence remains subdued but we are seeing positive momentum in leisure travel, with customer enquiry tracking above target and sales in key sectors continuing to grow. Gross margins in Flight Centre brand have also rebounded and we have started to see some improvement in the niche leisure brands.

In addition, we don't anticipate any step changes in costs. This is in contrast to last year, when the front-end wage structure change increased the leisure business's cost base.

The Australian corporate business is also well placed to build on its success with TTV increasing in a soft trading climate, solid productivity gains being achieved and new account wins at record levels.

Our corporate businesses globally have started the year with strong momentum following record wins during 2014/15. We have been particularly successful in securing multi-national accounts and these type of accounts now represent about 30% of FCM's sales globally.

FLT has generally maintained strong market-share within the key leisure travel sectors that it has focussed on in Australia. The company has also recently taken steps to increase sales in sectors that have previously offered low or no margin and have not, therefore, been priorities.

Online Growth Opportunities

FLT plans to close gaps in its online product range by:

- Adding Air Asia and Tiger fares to the flightcentre.com.au website, along with additional Jetstar inventory and ancillary products; and
- Introducing an accommodation aggregation tool that will draw from a range of databases to give FLT's customers access to some 400,000 properties globally, including hotels and apartments

We see growth opportunities online as part of our blended offering and by targeting customers who prefer to transact online. As a result, the web will be incorporated into the person-to-person sales journey and online brands will be developed or acquired, if viable, to target sectors that have shifted online.

One of FLT's strengths is that it can offer customers the best of both the on and offline worlds via brands like Flight Centre.

Machine-powered websites have their place, but human search engines can offer travellers additional benefits including:

- A person-to-person experience
- Access to a broader range of products, including unique offerings, given that websites can only draw from specific databases
- Complex and constructed fares – including Round-The-World, Interline and Open Jaw offers – that are not available online
- Peace of mind by validating options or recommending alternatives; and
- Better pricing. A website can obviously only sell at the price that has been loaded into the system, while a person can proactively beat a competitor's price

Growth drivers

Other key growth drivers for 2015/16 will include:

- Greater profit and sales contributions from off-shore
- Market growth as the Golden Era of Travel continues. IATA has projected 4.1% compounding annual growth in passenger numbers globally through to 2034, while Airbus recently predicted that international traffic serving the Australia South Pacific region would grow annually at 4.5% to 2033
- A full year contribution from Top Deck and Koch; and
- Ongoing network expansion. FLT aims to expand its global sales network by 6%–8%, which will see the company create more than 1000 new jobs

A flagship store will open in Sydney, next to the Hilton Hotel on George Street, during the second half and will become FLT's largest shop globally.

FLT will again target strategic acquisitions and will consider businesses that:

- Operate in sectors and geographies that it is not currently in
- Enhance FLT's scale by adding sales volume; and
- Offer low cost business models

The Golden Era of Travel

We believe we are at the beginning of a Golden Era of Travel and are building the foundations that will allow us to seize this opportunity.

This Golden Era will be characterised by:

- Cheap airfares – flights are becoming more affordable
- More choice – innovative new product ranges are being developed and launched
- Greater luxury and comfort – this is particularly evident in the air; and
- Less flying time – flights are now faster, more direct and more reliable

Travellers will be the winners, but FLT is also well placed to capitalise given its global presence, omni-channel capabilities and brand diversity. The company also has an extremely strong balance sheet and a clear strategic blueprint that will help it evolve and overcome the challenges that will inevitably arise.

The following is an edited extract taken from a speech by Graham Turner to the company's people at FLT's Global Gathering in July 2015.

For me, the theme of today is what makes this organisation great and what do we need to do to grow and to be successful over the next 20 years?

So what makes us great? I believe there are about half a dozen things.

Firstly, our philosophies.

We have 10 philosophies and, while they haven't changed, they've just been reorganised into two sections.

The first section covers our values and the second relates to our business model. Together, these two things make a huge contribution to our success.

Secondly, we have millions of great customers. It is how we retain these great customers that's going to be the challenge to us.

Thirdly, our diversity.

We have more than 30 brands and businesses and they represent a fantastic opportunity for us. These range from Flight Centre brand, which is comfortably our largest and most successful business, to Pedal Group, our retail and wholesale bikes business, which is at the start of its journey.

Fourthly, our people. We have about 18,000 people throughout the world.

Fifthly, our resources. We have about \$1.4 billion in cash (company and client funds) and virtually no borrowings. With these resources, including our real estate and all the other human and physical resources, we are in a great position.

And finally, our global network. We are now in 12-13 countries and we will probably be in a few more over the next five years.

Together, these strengths give us a great platform for the future.

And how do we stay great for the next 20 years?

In some ways, the internet has changed the way things work. We now have online travel agents and we have suppliers who are trying to attract people to book directly on their sites.

We have to deliver value to ensure people continue to book with us.

One of the consequences of this is that we have to have a blended model. We have to give customers the right to book with us and deal with us in the way that is most convenient to them. Often the same customers will want to deal with us online, just as they want to book with us in store, via the phone, via email or via SMS.

Our future also relies on our product offerings – having our own products that customers just can't get anywhere else.

This will be:

- Products that we own
- Products that we manufacture in a different way
- Products secured through businesses like Back Roads, Top Deck or Buffalo; and

- Products that we work with suppliers to develop. We've been doing this for forever and a day, helping suppliers in partnership to develop products that we can market and sell

We want products that our people can be proud of and, obviously, that the customers love and really want.

This is a Golden Era of Travel.

Why? I think it is pretty obvious.

There is so much choice – of experiences, in adventure travel and in flights – and there's never been better value.

Airfares have never been cheaper.

When the first flights to London took off in the 1950s, it cost the equivalent of \$130,000 in earnings terms to make the trip. Today, it costs about \$2,000.

Obviously, there are also the experiences, something that we now talk and hear a lot about.

When people travel today, they typically want more than just a beach holiday or a hotel stay. They also want an experience – they want to learn and be educated about the destination.

These are the sort of things that we've never had access to before.

One of the other things that we must do in our leisure and corporate businesses – and we already do it well in some – is be closer to the customers.

We have to be absolutely entwined with our customers so we can retain them. So the same consultant – the same person – deals with the same customer and that customer comes back to his or her consultant person-to-person, year after year.

It has to be more than a brand to customer communication in the way we market to customers. It has to be person-to-person.

I know a lot of people in this room will have had the same customers for 10 years. That is one of the reasons why you are successful and why you are here.

It will absolutely be a key, I believe, over the next 5-10 years to retain our customers and ensure they come back to their individual consultants time after time, year after year.

This is not just for the elite. It is for all of our consultants who give a great service to customers but they don't really have a systemised approach to make sure the customer comes back to them.

Being at one with our leisure and corporate customers, mainly by using things like our smart phones and using the customer's smart phone of course, is going to be one of our key person-to-person strategies over the next few years.

In 2035 I hope a lot of you are still with us. I hope I am and I hope there are 10,000 people in this room.

Good luck, have a great 2016 and congratulations on making it to global.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of FLT and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

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

G.F. Turner

G.W. Smith

J.A. Eales

R.A. Baker

P.R. Morahan was a director from the beginning of the financial year until his resignation on 1 September 2014.

C.L. Kelly was appointed a director on 1 September 2014 and continues in office at the date of this report.

Principal activities

The group's principal continuing activities consisted of travel retailing in both the leisure and corporate travel sectors, plus wholesaling.

There were no significant changes in the nature of the group's activities during the year.

Significant changes in state of affairs

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

Dividends – Flight Centre Travel Group Limited

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

	2015 \$'000	2014 \$'000
Final ordinary dividend for the year ended 30 June 2014 of 97.0 cents (2013: 91.0 cents) per fully paid share, paid on 17 October 2014	97,670	91,476
Interim ordinary dividend for the year ended 30 June 2015 of 55.0 cents (2014: 55.0 cents) per fully paid share, paid on 16 April 2015	55,438	55,308
	153,108	146,784

Review of operations - overcoming operational risks

A review of operations, operational risks and details of FLT's outlook for 2015/16 are included on pages 4 to 17 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

Koch Overseas De Mexico, S.A de C.V (Koch Overseas)

On 17 July 2015, FLT completed the acquisition of the corporate travel business Koch Overseas based in Mexico City for consideration of USD\$1,400,000 (\$1,877,000) for 100% ownership. The business is closely aligned to FLT and was formally part of the global FCm Travel Solutions licensee network. Refer to note H3 for further details.

ACCC competition test law case

On 31 July 2015, FLT won its appeal in the long running competition law test case initiated against it by the ACCC in relation to alleged breaches of the Trade Practices Act 1974. The Full Court of the Federal Court of Australia overturned the judgment that was handed down against FLT in December 2013 and the ACCC was ordered to pay FLT's legal costs for both the initial case and for the subsequent appeal. The judgment in FLT's favour means the \$11,000,000 in penalties were repaid to the company (interest yet to be repaid), and will be included in its financial results for 2015/16. Refer to note H3.

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

Matters subsequent to the end of the financial year (continued)

Dividends

On 27 August 2015, FLT's directors declared a fully franked 97.0 cents per share final dividend on ordinary shares for the 2015 financial year. The total amount of the dividend is \$97.8 million. The combined interim and final dividend payments represent a \$153.2 million return to shareholders, 60% of FLT's statutory NPAT.

No other material matters have arisen since 30 June 2015.

Likely developments and expected results of operations

Information on likely developments in the group's operations and the expected results of operations has been included in the Strategic Update column on pages 14 and 15 and Outlook column on pages 16 and 17 of this report.

Environmental regulations

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

DIRECTORS' REPORT continued

Information on Directors

			Directors' interests in shares of FLT as at date of this report
Director	Experience and directorships	Special responsibilities	Ordinary Shares
P.R. Morahan MAICD	FLT director since 2007, until his resignation on 1 September 2014.	Resigned as independent non-executive chairman, remuneration & nomination committee member, and audit committee member on 1 September 2014	10,231*
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.	Appointed independent non-executive chairman on 1 September 2014 Remuneration & nomination committee member Audit committee member	15,000
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 Remuneration & nomination committee chairman Audit committee member	3,000
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. Chairman of John Goodman & Co Ltd since October 2014, chairman of International Justice Fund Limited since April 2015, chairman of Employment Office Australia Pty Ltd since June 2015, advisory board member and Audit and Risk Committee member for the Catholic Development Fund, Archdiocese of Sydney since 2011, and chairman of the Audit and Risk Committee of the Australian Catholic University Limited since May 2015.	Independent non-executive director Remuneration & nomination committee member Audit committee chairman	2,000
C.L. Kelly BEc(Hons)	FLT director since 1 September 2014. Co-founder and chair of corporate advisory firm Pottinger, deputy chairwoman of Treasury Corporation of Victoria, chairwoman of Allpress International and director of UNSW Foundation Limited. Extensive experience in executive management and advisory roles for major corporations and governments in both Australia and overseas. Areas of expertise include strategic growth, mergers and acquisitions, leadership, finance, risk and compliance; and governance and stakeholder management.	Independent non-executive director Remuneration & nomination committee member Audit committee member	400
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

*P.R. Morahan's ordinary shares are stated as at the date of his resignation, 1 September 2014.

No directors held interests in options or performance rights during the year (2014: 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 13 years.

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 2015 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	2	2	1	1	-	-
G.W. Smith	12	12	4	4	2	2
J.A. Eales	12	12	3	4	2	2
R.A. Baker	11	12	4	4	1	2
C.L. Kelly	10	10	3	3	2	2
G.F. Turner	10	12	*	*	*	*

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

Overview by John Eales, Remuneration and nomination committee chairman

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

In the following pages, you will find comprehensive details on our remuneration structures, policies and governance, along with earnings information for key executives and directors.

As you will read, the average FLT senior executive earned less during 2015, when bottom-line results did not meet initial expectations, than during 2014, when the company recorded solid profit growth. This reflects the strong correlation between pay and performance within the company's senior ranks, a feature that is often highlighted by external commentators.

In fact, our very own Graham Turner (Skroo), has in the past been judged Australia's best value CEO (Source: Egan & Associates and The Australian Financial Review). Skroo's salary again made headlines during 2014/15, when he was identified as the second lowest paid CEO in an ASX S&P 100 company for the 2014 fiscal year – hopefully he didn't see it!

This column is a new Remuneration Report addition and summarises our remuneration philosophy, in addition to highlighting the differences between our model and others to help shareholders and other interested stakeholders understand our thinking.

Remuneration philosophy

FLT does not believe in a one-size-fits-all approach. Accordingly, it has a unique remuneration framework that is purpose-built to suit the company and its objectives. This framework is aligned with the company's philosophies and ties pay to performance, thereby ensuring that FLT's people are rewarded financially when shareholder value is created.

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

- It can attract and retain key people in a competitive market - the five executives (excluding directors) who are classed as KMP in this report have an average tenure with FLT of more than 20 years and an average age of just 47
- Its people are recognised and rewarded appropriately for their achievements in growing the business, helping the company achieve its longer term strategic objectives and creating shareholder value; and
- Its incentive structures are simple and transparent. FLT believes that incentives must be based on measureable and reliable outcome-based key performance indicators (KPIs) and that if the right outcomes are rewarded, FLT, its people, and ultimately its shareholders will benefit

Remuneration report (continued)

Acceptability to shareholders

Another important consideration is, of course, to ensure that our remuneration structures and policies are acceptable to shareholders.

In this regard, we proactively engage with industry bodies, special interest groups and other key stakeholders, listen to their feedback and, from time to time, amend our structures.

Recent examples include:

- A shift in executive remuneration structures during 2013/14 to ensure a higher proportion of executive pay was "fixed". This followed liaison with the Australian Shareholders' Association; and
- The likely introduction of a longer performance period (three years) in FLT's next generation long-term incentive (LTI) program, which is currently being finalised. The Senior Executive Option Plan (SEOP) and the Senior Executive Performance Rights Plan (SEPRP), both of which have now expired, had a one-year performance period

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

During the past 10 years, the largest vote against our Remuneration Report represented just 5% of our issued capital (2007) and the average over the past two years has been in the order of 0.5%.

Understanding the differences

While external feedback is generally positive, it is appropriate to highlight the fact that FLT's system differs from conventional programs in various ways.

These deviations typically relate to:

- The relatively short performance period (one year) that applied to the expired SEOP and SEPRP long-term incentive programs
- The level of "at risk" remuneration for executives – another area that has recently been addressed
- The use of a single measure, profit before tax, as a metric for our short-term incentive programs; and
- Uncapped executive incentives. Incentives for FLT's sales staff are also uncapped

While executive earnings are theoretically uncapped, structures and natural curbs are in place to prevent salaries from sky-rocketing to unacceptable levels.

Firstly, mechanisms and governance processes have been implemented to ensure earnings reflect the results achieved and that the outcomes are aligned to shareholder interests.

Secondly, executives earn a relatively small percentage of FLT's global profit result, the results of its core business units or a combination of both. This percentage decreases when FLT or the business unit hits a stretch target, which means the executives' earning potential slows when earnings significantly exceed targets and expectations.

A step change in company earnings will not, therefore, translate to uncontrolled earnings growth for FLT's executives, as illustrated in the example below.

Had FLT managed to double underlying PBT during 2014/15 to \$750million, under the remuneration structures that were in place last year Skroo would have earned in the order of \$2.4million – still considerably less than his counterparts at other ASX S&P 100 companies.

While PBT growth of this nature is obviously extremely unlikely for a company of our size, this example gives shareholders an insight into the effects an extreme event will have on executive earnings and highlights the balances and safeguards that are built into the FLT remuneration system.

2015/16

FLT believes its current remuneration structures encourage executives to build businesses that will thrive in the long-term, but is also working on a new initiative that will strengthen this long-term focus.

The new LTI, will replace the SEOP and SEPRP and will increase staff ownership, encourage key people to remain with the business for the long-term and reward key people for creating shareholder value. Further details will be provided in due course.

Once again, thank-you for your support of our company.

Remuneration report – audited

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

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration, including service agreements
3. LTIs: Business Ownership Scheme (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 value creation
- iii Director remuneration
- iv Executive (KMP) remuneration
- v Executive LTIs; and
- vi Remuneration governance

1i) Remuneration philosophies and structures

What is FLT's remuneration philosophy?

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

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

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

All employees (excluding non-executive directors) have the security of fixed income, plus the opportunity to earn additional variable income when FLT or its various business units achieve or exceed predetermined profit targets and shareholder value is created.

FLT strongly believes in the value of incentives, a belief that is underlined in its core philosophies, and uses measurable and reliable outcome-based KPIs as the basis of its incentive and overall remuneration systems globally.

If the right outcomes are rewarded, the company, its people and its shareholders will benefit.

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

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

The company's overall remuneration system is unique and consistently rates highly in pay-for-performance scales and surveys. CEO Graham Turner's total salary during 2013/14 – \$657,073 – was less than a quarter of the \$2.875million annual package paid to the average ASX S&P Top 300 CEO.

Remuneration report – audited (continued)

What are the key components of FLT's reward framework?

Executive remuneration includes a combination of:

- Fixed pay – typically a retainer, plus long service leave provisions and superannuation
- STIs that are paid monthly and based on measurable KPIs (variable)
- BOS returns, which are variable and based on the performance of the participating executive's individual business; and
- LTIs, which may include share-based compensation and, in some cases, BOS return multipliers (variable)

Additional detail on each of these components is included below:

Components of executive remuneration

Base pay

Base pay is the largest component of fixed pay and is typically referred to within the company as a retainer.

The retainer component will represent a fraction of an executive's overall earnings because of the company's use of STIs and other structures. For example, the CEO's salary for 2014/15 – \$518,238, included base pay of \$282,225.

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

STIs

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

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

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

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

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

Business Ownership Scheme returns

In line with its belief in the importance of leaders taking ownership of the businesses they run to improve performance and to encourage long-term strategic thinking, the company invites eligible executives to participate in its BOS. BOS participants invest in unsecured notes in their individual businesses as an incentive to improve performance in both the short and long-term and receive a variable return that is tied to the individual business's performance. In basic terms, a BOS participant who has invested in a 10% interest in his or her business is entitled to 10% of the business's profit as a return on his or her investment.

The executive is exposed to the risks of his or her business, as neither FLT nor any of its group companies guarantees returns above face value.

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

Provisions for these payments are taken up each year and the amounts are shown in the salary tables in section 2.

Remuneration report – audited (continued)

Share-based compensation

Share-based compensation may be available to staff through FLT's Employee Share Plan (ESP), SEOP and SEPRP.

The ESP was available to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK during 2014/15.

In prior years, specific executives were 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 2014/15 and both the SEOP and SEPRP have now expired.

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 has created a simple overall reward system that ties executive earnings to outcomes that drive financial results and, ultimately, shareholder value creation. Pay-for-performance is integral to this system.

All employees are incentivised to improve results year-on-year and are rewarded according to their achievements against KPIs that are both measurable and outcome-based. For KMP, KPIs include year-on-year growth in either FLT's overall profit or within its key business units, as outlined elsewhere in this report.

If the company or the key business units' results exceed expectations, KMP incentive earnings - and overall salaries - will typically exceed targeted earnings. Conversely, if the company or the key business units' results are below expectations, KMP incentive earnings - and overall salaries - will typically fall below targeted earnings for the year.

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

- Broadly in line with targeted earnings in years where results are in line with expectations, as was the case during 2013/14
- Above targeted earnings in years where results are above expectations and shareholders benefit from higher than expected dividends and EPS, as experienced during 2010/11, 2011/12 and 2012/13; and
- Below targeted earnings when results and ultimately shareholder returns are below expectations, as experienced during 2014/15

Generally, executives earned higher salaries during 2013/14, when FLT's underlying PBT and EPS increased by 9.7% and 9.5% respectively, than during 2014/15, when underlying PBT and EPS decreased by 3.4% and 3.5% respectively.

The following table illustrates changes in shareholder wealth and other key measures over the past five years:

	2014/15	2013/14	2012/13	2011/12	2010/11
Profit before income tax	\$366.3m	\$323.8m	\$349.2m	\$290.4m	\$213.1m
Underlying profit before income tax ¹	\$363.7m	\$376.5m	\$343.1m	\$290.4m	\$245.2m
Profit after tax	\$256.6m	\$206.9m	\$246.1m	\$200.1m	\$139.8m
Interim dividend	55.0c	55.0c	46.0c	41.0c	36.0c
Final dividend	97.0c	97.0c	91.0c	71.0c	48.0c
Earnings per share (basic)	254.7c	205.8c	245.6c	200.1c	140.0c
Share price at 30 June	\$34.11	\$44.45	\$39.33	\$18.93	\$21.62

¹ Underlying profit before income tax is a non-IFRS measure as defined on page 3.

Remuneration report – audited (continued)

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 or its key business units achieving specific PBT targets.

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

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 must deliver reasonable year-on-year growth to maintain consistent earnings
- A focus on sustained growth in shareholder wealth, consisting of dividends and share price growth and delivering constant returns on assets; and
- The ability to attract and retain high calibre executives

1iii) Director remuneration

How are non-executive directors (NEDs) remunerated?

To preserve their independence, NEDs receive fixed fees that reflect the positions' demands and responsibilities. FLT's remuneration and nomination committee reviews and benchmarks these fees annually.

Fees are determined within an aggregate directors' fee pool, which is periodically recommended for shareholder approval. The pool currently stands at \$850,000 per annum, as approved by shareholders on 31 October 2013.

During 2014/15, FLT paid 77% of this pool to its NEDs. This excludes the remuneration paid to Graham Turner, who is an executive director.

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

How are chairman's fees determined?

The chairman's fees of \$201,218 (2014: \$200,759) 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?

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 2014/15 were based on the following:

- The CEO (Graham Turner) and CFO (Andrew Flannery) were incentivised on growing FLT's profit before tax (PBT) for the year
- The COO (Melanie Waters-Ryan) was incentivised on a combination of FLT's PBT (85% of targeted STI) and financial KPIs within the Australian business (15%)
- The executive general managers of FLT's UK and The Americas businesses (Chris Galanty and Dean Smith) were incentivised on their businesses' EBIT results; and
- The leader of FLT's global corporate and Asian businesses (Rob Flint) was incentivised on a combination of global corporate EBIT (70%) and earnings generated by the countries he was ultimately responsible for (30%) during the period

No executives were remunerated on external factors.

Remuneration report – audited (continued)

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 the variable STIs that are paid monthly.

Changes introduced during 2013/14 mean that the fixed retainer and superannuation component will typically represent 50% of the targeted package for KMP.

For example, Graham Turner’s targeted package of \$600,000 for 2014/15 was built upon:

- Fixed pay of \$300,000 (base pay and superannuation); and
- \$300,000 in STIs, based on the company achieving a pre-determined profit growth target. The target for 2014/15 was a PBT of \$400million

Because FLT did not achieve its initial profit target, Mr Turner did not earn his targeted remuneration package and a higher portion of his total salary was, therefore, fixed. Conversely, had FLT exceeded its targets, Mr Turner would have earned more STIs and a smaller portion of his salary would have been fixed.

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

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

- Senior executive STIs are tied to the results that FLT or its key business units achieve. These results cannot be accurately measured or predicted at the start of the year, when targeted packages are set
- Some KMP earn additional BOS interest that is not factored into targeted STI packages. These interest 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 STI earnings. STI earnings are tied to the results achieved during the course of the year and can, therefore, exceed or fall short of the anticipated targets.

As outlined above, additional items, including LTIs, BOS returns and long service leave provisions, are also included in the KMP earnings that are disclosed in this financial report.

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

The KPIs that are linked to KMP incentive earnings are generally profit or sales related. While no KMP are currently rewarded on non-financial KPIs, exceptions may arise if the desired outcome is considered integral to the business’s success.

How does FLT limit executive STIs?

For KMP, profit-related STIs are theoretically uncapped because they are tied to audited global profit results or results generated by FLT’s core business units.

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

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

Remuneration report – audited (continued)

While profit-related incentives for KMP are theoretically uncapped, various factors will limit earnings:

- Firstly, STIs are tied to results achieved and are, therefore, limited by the relevant business's earning potential
- Secondly, the percentage of profit the executive earns under his or her KPIs is relatively small. In a year of normal profit growth, executive STIs will not significantly increase; and
- Thirdly, decelerator mechanisms are in place to curb earnings growth in years of exceptionally strong profit growth. The effect of these mechanisms is that the executive STI earnings slow if the company achieves a pre-determined stretch profit target. During 2014/15, the decelerator would have applied had FLT achieved an underlying PBT in excess of \$418million.

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

1v) Executive LTIs

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

In recent years, LTIs for executives have predominantly related to the company's SEOP and SEPRP.

Under these plans, which have now expired, participating executives became entitled to:

- A low tier of 10,000 options (under the SEOP) or 1,500 performance rights (SEPRP) if the company hit its predetermined low tier PBT target
- A mid tier of 25,000 options (SEOP) or 3,500 performance rights (SEPRP) if the company hit its predetermined mid tier PBT target; and
- A top tier of 40,000 options (SEOP) or 5,500 performance rights (SEPRP) if the company hit its predetermined top tier PBT target

No options or performance rights vested if FLT did not achieve its targets. Additional details are included in section 4 of this report.

FLT is currently finalising a new LTI for KMP and other key people with a view to:

- Enhancing the level of ownership among its people.
- Encouraging key people to remain with the business for the long-term; and
- Rewarding key people for creating long-term shareholder value

The program that is currently being considered includes a longer performance period (three years) than the SEOP and SEPRP.

Why is PBT used as the performance condition for LTIs and STIs?

FLT believes profit is a fundamental indicator of business performance – a key measure of whether it is providing customers with a product and service they value – and is a logical foundation for long and short-term incentive plans. Key executives (which includes KMP and the executive director) 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).

Are other LTIs in place?

FLT recognises that its senior executives are integral to its success and are likely to be targeted by competitors globally, 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 have been included in this BOS Multiplier program initially, as outlined in section 3.

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

Remuneration report – audited (continued)

1vi) Remuneration governance

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

FLT's NEDs form the company's remuneration and nomination committee. This committee proactively oversees and formally 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 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 STI and LTI earnings.

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 PBT results, they are subject to rigorous internal and external checks and reviews.

Options and performance rights were tied to PBT results and vested each August, when FLT's auditors formally signed-off on the company's accounts for the relevant period.

STI payments are made monthly and are adjusted during future periods if required.

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.

Remuneration report – audited (continued)

2 Details of remuneration

After recording solid year-on-year profit growth during 2013/14, FLT's results for 2014/15 were below expectations. Accordingly, overall remuneration provided to KMP decreased during the year.

As expected, STIs for KMP whose earnings were tied to Australian or global results fell short of targeted earnings. While not part of an executive's take-home salary, provisions under the BOS Multiplier program also decreased significantly in some instances.

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 2015. 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 (resigned 1 September 2014)

G.W. Smith – chairman

J.A. Eales

R.A. Baker

C.L. Kelly (appointed 1 September 2014)

Executive Director

G.F. Turner

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 – The Americas

* On 4 August 2015, FLT announced that A. Flannery the chief financial officer (CFO), will transition out of the CFO role into a new role within FLT's corporate business. A transition plan for the CFO role is in place with the appointment of a new CFO, A. Campbell.

Parent entity

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

Service agreements

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

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

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

Remuneration report – audited (continued)

KMP

The following table shows the remuneration actually paid and payable to KMP in respect of performance for the year ended 30 June 2015. Remuneration amounts are determined in accordance with the requirements of the *Corporations Act 2001* are set out in the table below and in conjunction with the table on page 32 of this report.

Name	Paid and payable remuneration				Total paid and payable remuneration \$
	Short-term employee benefits			Post employment benefits ¹	
	Cash salary and fees \$	Short term incentive \$	BOS interest ² \$	Superannuation \$	
Non-executive directors					
P.R. Morahan (resigned 1 September 2014)					
2015	31,323	-	-	2,976	34,299
2014	183,761	-	-	16,998	200,759
G.W. Smith					
2015	176,094	-	-	16,729	192,823
2014	137,761	-	-	12,743	150,504
P.F. Barrow (resigned 19 September 2013)					
2015	-	-	-	-	-
2014	34,440	-	-	3,186	37,626
J.A. Eales					
2015	137,761	-	-	13,087	150,848
2014	137,761	-	-	12,743	150,504
R.A. Baker (appointed 20 September 2013)					
2015	137,446	-	-	13,057	150,503
2014	106,902	-	-	9,888	116,790
C.L. Kelly (appointed 1 September 2014)					
2015	114,801	-	-	10,906	125,707
2014	-	-	-	-	-
Executive directors					
G.F. Turner					
2015	282,225	240,000	-	18,783	541,008
2014	282,225	313,500	-	17,775	613,500
Other group KMP					
R. Flint					
2015	207,225	181,885	172,175	18,783	580,068
2014	207,225	212,929	357,290	17,775	795,219
M. Waters-Ryan					
2015	231,217	200,002	536,125	18,783	986,127
2014	232,225	267,883	564,564	17,775	1,082,447
A. Flannery					
2015	282,225	240,000	-	18,783	541,008
2014	282,225	313,500	-	17,775	613,500
C. Galanty					
2015	282,752	399,503	694,256	-	1,376,511
2014	265,440	353,623	554,350	-	1,173,413
D.W. Smith					
2015	297,825	408,591	255,709	-	962,125
2014	244,148	312,776	187,923	-	744,847
Total KMP compensation					
2015	2,180,894	1,669,981	1,658,265	131,887	5,641,027
2014	2,114,113	1,774,211	1,664,127	126,658	5,679,109

¹ No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2014: nil).

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

DIRECTORS' REPORT continued

Remuneration report – audited (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. There are no components of their remuneration that are at risk.

Name	Total paid and payable remuneration \$	Long-term employee benefits		Share- based payments	Total remuneration \$	Percentage performance related ⁴ %
		Long service leave ¹ \$	BOS Multiplier provision ² \$	Equity settled plans ³ \$		
Executive directors						
G.F. Turner						
2015	541,008	(22,770)	-	-	518,238	46
2014	613,500	43,573	-	-	657,073	48
Other group KMP						
R. Flint						
2015	580,068	(5,466)	-	-	574,602	62
2014	795,219	17,016	-	6,088	818,323	71
M. Waters-Ryan						
2015	986,127	(9,676)	(650,036)	-	326,415	26
2014	1,082,447	26,553	380,000	4,342	1,493,342	82
A. Flannery						
2015	541,008	(72)	-	-	540,936	44
2014	613,500	28,605	-	4,342	646,447	49
C. Galanty						
2015	1,376,511	-	614,488	-	1,990,999	86
2014	1,173,413	-	675,000	-	1,848,413	86
D.W. Smith						
2015	962,125	-	200,616	2,117	1,164,858	74
2014	744,847	-	175,000	1,937	921,784	73
Total executive director and KMP compensation						
2015	4,986,847	(37,984)	165,068	2,117	5,116,048	
2014	5,022,926	115,747	1,230,000	16,709	6,385,382	

¹ Long service leave (LSL) includes amounts accrued during the year. LSL provisions are linked to overall executive remuneration (which consists of the short-term benefits noted above) and, therefore, vary from year to year. Movements are based on total salary which is dependent on performance during the year. Negative amounts are sometimes recognised, as provisions naturally adjust after periods of stronger than anticipated growth.

² BOS Multiplier program provisions are linked to profit and, therefore, vary from year to year. Information on the BOS program is included in section 3.

³ Share-based payments represent amounts expensed in relation to options/rights granted under the SEOP/SEPRP, and D.W.Smith's are matched shares under the ESP (refer to section 4).

⁴ Performance related percentage calculated as the sum of the short-term incentive and BOS interest (as disclosed in the table on page 31), and BOS Multiplier divided by total remuneration.

Remuneration consisting of share options and performance rights for the year	2015 %	2014 %
R. Flint	0	1
M. Waters-Ryan	0	0
A. Flannery	0	1

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.

Remuneration report – audited (continued)

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.

Other group KMP	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 \$
R. Flint	81%	19%	2011	100%	0%	2012-2015	nil	nil
M. Waters-Ryan	80%	20%	2009	100%	0%	2011-2015	nil	nil
A. Flannery	80%	20%	2009	100%	0%	2011-2015	nil	nil
C. Galanty	100%	0%	-	-	-	-	-	-
D.W. Smith	100%	0%	-	-	-	-	-	-

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 business in the Americas

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 certain BOS holders, including 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.

DIRECTORS' REPORT continued

Remuneration report – audited (continued)

Other group KMP	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*
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.

4 Share-based compensation

Options and performance rights have previously been granted to executives, including KMP, at the board's discretion under the SEOP and SEPRP respectively. Both plans have now expired and were not offered during 2014/15. Options that were available under the SEOP to four senior executives were granted on 29 June 2009. Performance rights, under the SEPRP established in April 2010, were offered to two senior executives. One executive subsequently forfeited rights in the year ending 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 year 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.

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	nil
12 August 2011	30 June 2015	\$0.00	nil

Remuneration report – audited (continued)

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-Jun-15	\$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-Jun-15	\$0.00	\$16.24- \$18.43

Performance targets

No targets were set for 2014/15, as 2013/14 was the final year for both the SEOP and SEPRP.

Option and performance rights vested

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

Other group KMP	Number vested during year	
	2015	2014
Options		
M. Waters-Ryan	10,000	40,000
A. Flannery	10,000	40,000
Performance Rights		
R. Flint	1,500	5,500

The relevant portion of the expense relating to these options and performance rights has been recognised during the year ended 30 June 2015, 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 ended 30 June 2014.

DIRECTORS' REPORT continued

Remuneration report – audited (continued)

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	Balance at the start of the year	Exercised	Expired or forfeited	Balance at the end of the year	Vested and exercisable	Unvested
Options						
M. Waters-Ryan	80,000	(50,000)	(30,000)	-	-	-
A. Flannery	125,000	(95,000)	(30,000)	-	-	-
Performance Rights						
R. Flint	5,500	(1,500)	(4,000)	-	-	-

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

Shareholdings

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

2015	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
FLT directors				
P.R. Morahan	17,915	-	(7,684)	10,231
G.W. Smith	15,000	-	-	15,000
J.A. Eales	2,000	-	1,000	3,000
R.A. Baker	-	-	2,000	2,000
C.L. Kelly	-	-	400	400
G.F. Turner	15,244,487	-	-	15,244,487
Other group KMP				
R. Flint ¹	-	1,500	(1,500)	-
M. Waters-Ryan ³	70,725	50,000	(25,000)	95,725
A. Flannery ³	256	95,000	(66,229)	29,027
C. Galanty	2,002	-	-	2,002
D.W. Smith ²	1,050	-	361	1,411

¹ R. Flint participated in the SEPRP. Upon exercise of the performance rights, \$0.00 per share was paid and the value at exercise date was \$70,530, determined as the rights' intrinsic value at that date.

² D.W. Smith participated in the ESP and was issued with 361 ordinary shares. These were issued under the same terms and conditions as all other ESP participants.

³ M. Waters-Ryan and A. Flannery participated in the SEOP. M. Waters-Ryan exercised 50,000 options and A. Flannery exercised 95,000 options 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*
M. Waters-Ryan	19 March 2015	50,000	\$10.00	\$1,542,000
A. Flannery	18 September 2014	95,000	\$10.00	\$3,339,250
R. Flint	27 August 2014	1,500	-	\$70,530

* 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.

Remuneration report – audited (continued)

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 Graham Turner's son Matthew Turner (19%). The remaining 6% is held by employees who are not considered related parties.

Loan to Pedal Group	Notes	2015 \$'000
Beginning of the year		10,693
Loans advanced		-
Loans repaid		(2,305)
Debt to equity conversion ¹		(7,500)
Interest charged		162
End-of-year	C3	1,050

¹During the year, FLT converted related party loans of \$7,500,000 with Pedal Group Pty Ltd to equity under a debt to equity conversion arrangement. A total of \$15,000,000 additional equity was issued by Pedal Group Pty Ltd with our joint venture partners also converting \$7,500,000. FLT's relative ownership interest remained the same.

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

The loan was made on normal commercial terms and conditions and at a market rate, except that the repayment terms are 10 years. The interest rate on the loan during the year ranged from 3.89% - 4.45%.

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 F11.

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 39.

DIRECTORS' REPORT continued

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.

A handwritten signature in black ink, appearing to be 'G.F. Turner', written in a cursive style.

G.F. Turner

Director

BRISBANE

27 August 2015

AUDITOR'S INDEPENDENCE DECLARATION



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

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

Auditor's independence declaration to the directors of Flight Centre Travel Group Limited

In relation to our audit of the financial report of Flight Centre Travel Group Limited for the financial year ended 30 June 2015, 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

A handwritten signature in black ink, appearing to read 'Alison de Groot', written over a horizontal line.

Alison de Groot

Partner

27 August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 30 June	
	Notes	2015 \$'000	2014 \$'000
Revenue			
Revenue from the sale of travel services	A2	2,363,090	2,207,450
Other revenue	A2	33,899	37,119
Total revenue		2,396,989	2,244,569
Other income	A3	6,278	5,127
Expenses			
Employee benefits	F1	(1,283,661)	(1,151,874)
Sales and marketing		(180,236)	(168,950)
Rental expense relating to operating leases	F1	(143,237)	(128,846)
Amortisation and depreciation	B7	(54,103)	(53,777)
Finance costs	A4	(26,115)	(32,987)
Share of profit / (loss) of joint ventures accounted for using the equity method	E1	235	1,346
Impairment charge	F4/F5	-	(61,300)
Other expenses	A4	(349,853)	(329,528)
Profit before income tax expense		366,297	323,780
Income tax expense	F10	(109,744)	(116,862)
Profit attributable to members of FLT		256,553	206,918
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	F9	786	579
Net exchange differences on translation of foreign operations	F9	62,079	5,568
Income tax on items of other comprehensive income	F10	797	127
Other comprehensive income		63,662	6,274
Total comprehensive income for the year attributable to members of FLT		320,215	213,192
Earnings per share for profit attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic earnings per share	F2	254.7	205.8
Diluted earnings per share	F2	254.3	205.5

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

STATEMENT OF CASH FLOWS

		For the year ended 30 June	
	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers (including GST)		2,337,380	2,154,899
Payments to suppliers and employees (including GST)		(1,868,032)	(1,782,486)
Royalties received		509	509
Interest received		29,449	32,345
Interest paid		(26,716)	(33,667)
Income taxes paid		(110,061)	(144,507)
Net cash inflow / (outflow) from operating activities	B1	362,529	227,093
Cash flows from investing activities			
Acquisition of subsidiary and joint venture, net of cash acquired	A5/E1	(527)	(2,033)
Payments for property, plant and equipment	B7/F4	(72,496)	(46,213)
Payments for intangibles	B7/F5	(10,354)	(9,214)
Payments for the purchase of investments in available-for-sale assets		(39,000)	(18,000)
Proceeds from sale of investments in available-for-sale assets		5,460	20,138
Dividends received from joint ventures		673	-
Loans advanced / repaid to related parties	E2	(342)	(4,600)
Loans repaid by related parties	E2	2,305	1,775
Net cash inflow / (outflow) from investing activities		(114,281)	(58,147)
Cash flows from financing activities			
Proceeds from borrowings		23,825	6,402
Repayment of borrowings		(41,251)	(7,886)
Proceeds from issue of shares	D4	4,697	3,126
Dividends paid to company's shareholders	B6	(153,108)	(146,784)
Net cash inflow / (outflow) from financing activities		(165,837)	(145,142)
Net increase / (decrease) in cash held			
		82,411	23,804
Cash and cash equivalents at the beginning of the financial year		1,261,682	1,227,019
Effects of exchange rate changes on cash and cash equivalents		33,892	10,859
Cash and cash equivalents at end of the financial year	B1	1,377,985	1,261,682

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

BALANCE SHEET

		As at 30 June	
	Notes	2015 \$'000	2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	B1	1,377,985	1,261,682
Available-for-sale financial assets	B2	75,661	41,240
Trade and other receivables	F3	683,040	576,472
Current tax receivables		9,895	4,286
Inventories		1,789	1,044
Derivative financial instruments	C2	4,330	-
Other financial assets	C3	-	2,825
Total current assets		2,152,700	1,887,549
Non-current assets			
Property, plant and equipment	F4	196,300	160,916
Intangible assets	F5	386,249	304,575
Investments accounted for using the equity method	E1	13,905	5,451
Deferred tax assets	F10	36,135	42,704
Other financial assets	C3	2,677	9,192
Total non-current assets		635,266	522,838
Total assets		2,787,966	2,410,387
Liabilities			
Current liabilities			
Trade and other payables	F6	990,500	961,694
Contingent consideration	A6	12,304	-
Financial liabilities at fair value through profit or loss	F7	384,039	211,306
Borrowings	B4	32,806	42,923
Provisions	F8	26,667	22,643
Current tax liabilities		6,184	13,223
Derivative financial instruments	C2	-	9,432
Total current liabilities		1,452,500	1,261,221
Non-current liabilities			
Trade and other payables	F6	22,668	18,870
Contingent consideration	A6	6,420	-
Borrowings	B4	-	1,955
Provisions	F8	36,122	30,196
Deferred tax liabilities	F10	135	347
Total non-current liabilities		65,345	51,368
Total liabilities		1,517,845	1,312,589
Net assets		1,270,121	1,097,798
Equity			
Contributed equity	D4	395,677	390,929
Reserves	F9	36,959	(27,171)
Retained profits		837,485	734,040
Total equity		1,270,121	1,097,798

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 2013	387,757	(35,469)	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

Transactions with owners in their capacity as owners:

Employee share-based payments	D4/F9	3,172	2,024	-	5,196
Dividends provided for or paid	B6	-	-	(146,784)	(146,784)
Balance at 30 June 2014		390,929	(27,171)	734,040	1,097,798

Profit for the year	-	-	256,553	256,553
Other comprehensive income	-	63,662	-	63,662
Total comprehensive income for the year	-	63,662	256,553	320,215

Transactions with owners in their capacity as owners:

Employee share-based payments	D4/F9	4,748	468	-	5,216
Dividends provided for or paid	B6	-	-	(153,108)	(153,108)
Balance at 30 June 2015		395,677	36,959	837,485	1,270,121

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

NOTES TO THE FINANCIAL STATEMENTS

Significant matters in the current reporting period

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

Acquisitions

- On 27 August 2014, FLT acquired 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 specialising in tour operations, for potential consideration of up to £28,663,000 (\$51,983,000) for 100% ownership. Refer to note A5 for further details.
- On 10 September 2014, FLT completed an agreement with Thien Minh Group (TMG) to work together in joint ventures (JV) to expand TMG's Buffalo Tours destination management business throughout Asia. FLT contributed USD\$1,470,000 (\$1,584,000) in capital in exchange for a 49% interest in each of the JV entities. Refer to note E1.
- Subsequent to year-end, on 17 July 2015, FLT completed the acquisition of the corporate travel business Koch Overseas based in Mexico City for consideration of USD\$1,400,000 (\$1,877,000) for 100% ownership. The business is closely aligned to FLT and was formerly part of the global FCM Travel Solutions network. Refer to note H3 for further details.

Debt retirement

- On 7 November 2014, FLT injected equity into FLT's India business to retire \$19,000,000 in external borrowings related to the India corporate travel business and to lower overall interest expense. Refer to note B4.
- During the year, FLT converted related party loans of \$7,500,000 with Pedal Group Pty Ltd to equity under a debt to equity conversion arrangement. A total of \$15,000,000 additional equity was issued by Pedal Group Pty Ltd with our joint venture partners also converting \$7,500,000. FLT's relative joint venture ownership interest remained the same. Refer to notes C3, E1 and E2.
- On 6 March 2015, FLT's South Africa business settled its external loan of \$2,200,000 for the head office building.

Other matters

- On 31 July 2015, FLT won its appeal in the long running competition law test case initiated against it by the ACCC in relation to alleged breaches of the Trade Practices Act 1974. The Full Court of the Federal Court of Australia overturned the judgment that was handed down against FLT in December 2013 and the ACCC was ordered to pay FLT's legal costs for both the initial case and for the subsequent appeal. The judgment in FLT's favour means the \$11,000,000 in penalties were repaid to the company (interest yet to be repaid), and will be included in its financial results for 2015/16. Refer to notes H2 and H3.

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

- In the prior year ended 30 June 2014, FLT's PBT included a one-off gain of \$19,600,000 related to the Flight Centre Global Product (FCGP) wholesale business. The gain was brought about by system improvements, which allowed FLT to accurately capture an additional component of margin within the FCGP business at the time of sale, rather than after the customer had travelled. FLT generally recognises revenue at the point of sale, so the change brought FCGP in line with FLT policy. Refer to note A2.

A Financial overview

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

- A1 Segment information
- A2 Revenue
- A3 Other income
- A4 Expenses
- A5 Business combinations
- A6 Contingent consideration

A1 Segment information

(a) Identification and description of segments

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

- Managing director
- Chief financial officer
- Chief operating officer
- Executive general manager – UK
- Executive general manager – The Americas; 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 executive team consider, organise and manage the business from a geographic perspective, being the country of origin where the service was provided. Discrete financial information about each of these operating businesses is reported monthly to the board and executive team, via a group Financial Report.

Rest of world

Rest of world segment includes the aggregation of a number of geographic businesses where the revenues are individually less than 10% of combined group revenue, and consolidation eliminations. These businesses have similar economic characteristics, including gross margins and business models.

Other segment

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

Top Deck is included in the Other Segment as it reports to Travel Services, a global team based in the Brisbane head office.

(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.

NOTES TO THE FINANCIAL STATEMENTS continued

A1 Segment information (continued)

Alternative profit measures

In addition to using profit as a measure of the group and its segments' financial performance, FLT uses statutory EBIT and statutory EBITDA. These measures are not defined under IFRS and are, therefore, termed "Non-IFRS" measures.

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

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

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

Segment assets and liabilities

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

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

Total transaction value (TTV)

TTV is unaudited, 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 executive team

The segment information provided to the board and executive team for the reportable segments for the years ended 30 June 2015 and 30 June 2014 is shown in the tables on the following pages.

A1 Segment information (continued)

30 June 2015	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other Segment ³ \$'000	Total \$'000
Segment information						
TTV ¹	9,560,951	2,454,417	1,893,059	3,413,083	276,420	17,597,930
Total segment revenue	1,357,560	291,645	285,879	417,461	200,987	2,553,532
Inter-segment revenue	(122,977)	(4,666)	(17,724)	(11,176)	-	(156,543)
Revenue from external customers	1,234,583	286,979	268,155	406,285	200,987	2,396,989
Statutory EBITDA	304,600	25,209	58,154	43,592	(14,588)	416,967
Depreciation and amortisation	(32,906)	(3,078)	(5,767)	(10,261)	(2,091)	(54,103)
Statutory EBIT	271,694	22,131	52,387	33,331	(16,679)	362,864
Interest income	1,259	428	1,603	6,818	19,440	29,548
BOS interest expense	(16,462)	(331)	(2,568)	(3,603)	(1,293)	(24,257)
Other interest expense	(914)	(460)	(267)	(3,047)	2,443	(2,245)
Other non-material items	403	-	(18)	2	-	387
Net profit before tax and royalty	255,980	21,768	51,137	33,501	3,911	366,297
Royalty	31,235	-	(23,259)	(7,976)	-	-
Net profit before tax and after royalty	287,215	21,768	27,878	25,525	3,911	366,297
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	271,694	22,131	52,387	33,331	(16,679)	362,864
Interest income ²	1,251	-	-	2,311	11,717	15,279
BOS interest expense	(16,462)	(331)	(2,568)	(3,603)	(1,293)	(24,257)
Net foreign exchange (gains) / losses on intercompany loans	260	-	(24)	-	(1,460)	(1,224)
Other non-material items	-	(394)	(248)	620	(1,343)	(1,365)
Adjusted EBIT / Segment Result	256,743	21,406	49,547	32,659	(9,058)	351,297
Shop numbers ¹	1,511	314	279	718	3	2,825

¹ TTV and shop numbers are unaudited, non-IFRS measures.

² Land wholesale interest only

³ Top Deck is included in the Other Segment as it reports to Travel Services, a global team based in the Brisbane head office.

NOTES TO THE FINANCIAL STATEMENTS continued

A1 Segment information (continued)

30 June 2014	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other Segment ⁴ \$'000	Total \$'000
Segment information						
TTV ¹	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
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	310,283	(5,309)	42,104	22,010	(44,488)	324,600
Interest income ²	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 ³	-	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 ¹	1,421	295	262	700	-	2,678

¹ TTV and shop numbers are unaudited, non-IFRS measures.

² Land wholesale interest only

³ Included in the impairment charge are brand names which are managed by the global teams, hence included in other segment.

⁴ Top Deck is included in the Other Segment as it reports to Travel Services, a global team based in the Brisbane head office.