APPENDIX 4D

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

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Contents

Results for announcement to the market

Results in brief

	Dec 2013 $m	Dec 2012 $m	Change $m	Change %
Total transaction value (TTV)[1]	**7,480.0**	**6,592.5**	887.5	13.5%
Revenue	**1,053.9**	**915.4**	138.5	15.1%
Net profit before tax	**155.0**	**129.5**	25.5	19.7%
Net profit after tax	**110.8**	**91.8**	19.0	20.7%

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

Dividends

	Amount per Security Cents	100% Franked Amount Cents
31 December 2013		
Interim dividend[2]	55.0	55.0
30 June 2013		
Interim dividend	46.0	46.0
Final dividend[3]	91.0	91.0

[2] The record date for determining entitlements to the interim dividend of 55.0 cents per share is 28 March 2014. The payment date for the interim dividend is 17 April 2014.

[3] Final dividend of 91.0 cents per share for the year ended 30 June 2013 was declared 27 August 2013.

Net tangible assets

	Dec 2013	Dec 2012
Net tangible asset backing per ordinary security	**6.99**	5.33

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

The report should be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by FLT in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and *ASX Listing Rules*.

Signed:

G.F. Turner
Director
26 February 2014

Directors' Report

Your directors present their report on the consolidated entity consisting of Flight Centre Travel Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

The following persons were directors of Flight Centre Travel Group Limited for the full half year and up to the date of this report.

G.F. Turner

P.R. Morahan

G.W. Smith

J.A. Eales

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

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

Review of operations and results

Result overview

The Flight Centre Travel Group (FLT) today announced record results for the first half of the 2013/14 fiscal year.

The company achieved a $155.0million profit before tax (PBT) for the six months to December 31 2013, a 19.7% increase on the record $129.5million PBT achieved during the first half of 2012/13.

FLT's first half PBT included an $8.7million one-off gain related to the Flight Centre Global Product (FCGP) wholesale business. Excluding this gain, the company's underlying PBT increased 13% to $146.3million.

The gain was brought about by systems improvements, which have allowed FLT to accurately calculate and capture an additional component of margin within the FCGP business at the time of sale, rather than after the customer has travelled. FLT generally recognises revenue at the point of sale, so the change brings FCGP in to line with FLT policy.

Actual net profit after tax (NPAT) reached $110.8million, up 20.7%, while underlying NPAT was $104.7million, 14.1% growth on the $91.8million NPAT achieved during the previous corresponding period (PCP).

Actual earnings per share reached 110.3 cents, up 20.3% on the PCP.

Key result drivers during the first half included:

- Network expansion – shop numbers increased 8.2% to 2643 during the 12 months to December 31 2013
- Global sales growth – sales increased in-store and online and in both leisure and corporate travel. First half TTV reached a record $7.5billion, up 13.5%, with revenue increasing 15.1% to $1.1billion.
- Enhanced in-store productivity – sales grew at a faster rate than shop and sales staff numbers; and
- Margin maintenance – income margin for the period was 14.1%, slightly above the PCP, while underlying net margin was steady year-on-year at 2%

Directors' Report (continued)

Review of operations and results (continued)

Cash, cash flow and dividends

At the end of the first half, FLT's global cash and investment portfolio topped $1billion, up from $828.5million 12 months ago.

The December 31 balance was a record for the period and included $401.9million in company cash (general funds), compared to $319.5million at December 31, 2012.

Debt was $44.6m, giving FLT a $357.3million positive net debt position at the end of the half, compared to a $272.9million positive net debt position one year ago.

Cash flow followed its traditional pattern, with the company recording a $124.5million operating cash outflow during the first half (2012/13: $110.8million) after paying suppliers for peak season travel that was booked during the second half of 2012/13.

A large second half inflow is expected and is already being experienced, as client cash again accumulates during the year's peak booking periods.

FLT's directors today declared a fully franked $0.55 per share interim dividend to be paid on April 17, 2014 (Record date for shareholders: March 28, 2014).

This is 19.6% higher than the 2012/13 interim dividend ($0.46 per share) and represents a 50% return of actual NPAT to shareholders (53% of underlying NPAT).

FLT expects to maintain healthy cash reserves to allow it to capitalise on opportunities that will create future shareholder value, including acquisitions, and buffer it from any future economic downturns.

The company's general goal is to maintain sufficient funds to cover three months' operating expenses.

If and when surplus cash is generated, FLT will consider returning excess funds to shareholders. While all options will be considered, the board's current intention is to create longer term shareholder value by increasing dividend yields, rather than one-off distributions.

Operational review

Four businesses delivered record first half earnings before interest and tax (EBIT):

- Australia
- The United Kingdom
- Singapore; and
- Greater China

New Zealand and South Africa recorded strong year-on-year growth, while India and Dubai both performed solidly.

The United States and Canada finished the first half below expectations.

FLT's three largest businesses – Australia, the UK and the USA – generated just under 80% of the company's first half TTV.

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

The leisure business, which includes the flagship Flight Centre brand and the emerging Escape Travel, Travel Associates, Student Flights, Cruiseabout and My Adventure Store businesses, recorded strongest growth, continuing the trend from the second half of last year.

The UK continued its profit growth trajectory.

First half EBIT has now increased from $6.9million in December 2009 to $16.3million in December 2013, a 24% compound annual growth rate.

This year, new hyperstores have opened in Victoria (London) in November and in Bristol. Hyperstores in Leeds, Aberdeen and Monument (London) are also due to open late in the second half or early in the first half of next fiscal year.

Directors' Report (continued)

Review of operations and results (continued)

As expected, the overall US business incurred a loss during the seasonally slower trading period for the leisure (Liberty Travel) and wholesale (GOGO) businesses.

While overall EBIT was down compared to the PCP, the US corporate travel business again performed strongly to consolidate its position as one of FLT's fastest growing businesses.

US corporate travel sales accounted for almost half of FLT's first half sales in the country, compared to 40% two years ago.

During the second half, the corporate business will expand into Miami and Atlanta, giving the company a corporate travel presence in 17 US cities.

FLT's US footprint will also expand with the opening of a new hyperstore in Boston this week. A Philadelphia hyperstore is expected to open early in the first half of 2014/15.

Severe weather conditions in the USA have affected overall results early in the second half. It is unclear at this early stage if the leisure, wholesale and corporate businesses will recover the lost revenue as the year progresses.

FLT continues to monitor the acquired Liberty and GOGO businesses' current and forecast performance to ensure goodwill balances are appropriate. The acquired India business's results will also be closely monitored.

Outside the travel sector, cycle joint venture Pedal Group generated 21% sales growth to $23.5million.

EBIT more than doubled to just under $1.5million.

During the first half, retailer 99 Bikes opened new stores in Macgregor (Queensland), Ipswich (Queensland) and Fitzroy (Victoria), while wholesaler Advance Traders Australia (ATA) expanded its Bicycle Centre licensing structure.

Twelve Bicycle Centres are now in place, with ATA providing these independently-owned centres with bikes and accessories, as well as branding, web and marketing structures.

Further expansion will take place during the second half, with new 99 Bikes stores set to open in Capalaba (Queensland), Brookvale and Bondi Junction (both New South Wales).

Growth strategies

During 2012/13, FLT initiated a new strategic plan geared towards helping the company evolve from a leisure and corporate travel agent into a best-in-world travel retailer in the short to medium term.

This evolution is built around seven key themes that apply to all leisure, corporate and wholesale businesses globally:

1. Brand and specialisation: Developing brands that truly specialise in specific areas of travel and have clear customer value propositions (CVPs)
2. Unique product: Making, combining and sourcing exclusive FLT products and services, rather than simply selling suppliers' products. FLT's brands will have targeted product ranges in line with their specialisations
3. Experts, not agents: Ensuring each brand's people are experts in understanding the brand's speciality and that they in turn are backed by "travel gurus", who are readily available if additional expertise is required
4. Redefining the shop: Ensuring corporate, wholesale and retail spaces reflect that FLT's people are retailers first and foremost, not office workers
5. Blended access: Ensuring FLT's brands are available to customers 24/7. They can touch, browse and buy FLT's products when and how they want – online, offline, shop, email, chat, phone or SMS
6. Information: Gaining a better understanding of customer habits and proactively using this information, thereby delivering and developing better products and increasing FLT's relevance to customers; and
7. A sales and marketing machine, focused on lead and enquiry generation: Ensuring each brand has the best and most BDMs, an advertising plan and deployment that delivers the opportunity to increase market share

Directors' Report (continued)

Review of operations and results (continued)

During the first half, FLT built on the progress that was made in each area last year.

New developments included:

- Unique product: SmartSTAY (FCm and Corporate Traveller), Red Label Holidays (Flight Centre brand) and Pack & Relax Holidays (Escape Travel) were added to FLT's stable of unique product
- Experts, not agents: A new Welcome Aboard program that focuses on novice consultants' first 120 days was created
- Redefining the shop: Hyperstores, featuring new design features, opened in Australia, the USA and the UK. Key design features, including digital innovations and mobile consultants, have also been incorporated into other stores; and
- Blended access: A larger 24/7 sales force was deployed in Australia to cater for the growing volume of customer enquiry being generated outside normal work hours. Transactional websites were launched for Flight Centre brand in South Africa and for Liberty Travel in the USA. Live "Chat" was added to flightcentre.com.au to give online customers instant access to expert consultants

Outlook – 2013/14

In terms of 2013/14 guidance, FLT continues to target a PBT between $370million and $385million, assuming stable conditions and excluding possible goodwill adjustments or significant unforseen items that may arise.

If achieved, a result within this range will represent:

- 8-12% growth on the underlying 2012/13 result
- FLT's 15th record PBT in 19 years as a public company; and
- The 17th time PBT will have surpassed the prior year result in 19 years

FLT aims to grow its global sales network by 8-10% during 2013/14.

Growth will predominantly be organic, although FLT expects to pursue some strategic acquisition opportunities. Acquisitions are likely to be businesses that can be vertically integrated, without the company taking on significant capital assets.

Possible targets may include:

- Destination management companies; and
- Hotel management arrangements or joint ventures

As announced previously, the company has also moved to complement its organic growth by reintroducing a franchise model in Australia in the Escape Travel brand.

A five-agency chain owned by Newcastle's Pearson family became the first addition to FLT's franchise network on February 1, when the former Harvey World Travel agencies at Kotara, Glendale, Toronto, Mt Hutton and Charlestown officially switched to Escape Travel.

FLT still awaits the outcome of the penalty hearing that followed the ACCC's competition law test case against it.

The case was heard in October 2012 and judgment was delivered in the ACCC's favour in December 2013. A subsequent penalty hearing concluded in February 2014.

As penalties have not yet been determined, no provisions have been set aside in FLT's half year accounts.

FLT has previously indicated it expects to appeal the initial judgment.

Directors' Report (continued)

Dividends – Flight Centre Travel Group Limited

FLT's directors today declared a 55.0 cents per share fully franked dividend payable on 17 April 2014 to shareholders registered on 28 March 2014. This represents a 50% return of after-tax profit to shareholders, in line with FLT's current policy of returning 50-60% of after-tax profit, subject to the business's needs. The interim dividend paid for the half-year ended 31 December 2012 was 46.0 cents per share.

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

Matters subsequent to the end of the financial year

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

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 8.

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 and financial statements. Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

G.F. Turner

Director

26 February 2014

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

In relation to our review of the financial report of Flight Centre Travel Group Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
26 February 2014

Consolidated Balance Sheet

	Notes	As at 31 December 2013 $'000	As at 30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**996,328**	1,227,019
Available-for-sale financial assets		**32,182**	36,803
Trade and other receivables		**507,974**	502,235
Current tax receivables		**4,839**	4,527
Inventories		**1,183**	966
Derivative financial instruments		**4,003**	13,416
Other financial assets		**3,000**	-
Total current assets		**1,549,509**	1,784,966
Non-current assets			
Property, plant and equipment		**162,864**	158,683
Intangible assets		**370,141**	366,689
Investments accounted for using the equity method		**5,077**	4,105
Deferred tax assets		**50,851**	50,694
Other financial assets		**10,617**	7,407
Total non-current assets		**599,550**	587,578
Total assets		**2,149,059**	2,372,544
LIABILITIES			
Current liabilities			
Trade and other payables		**791,563**	1,178,571
Financial liabilities at fair value through profit and loss		**143,554**	-
Borrowings	8	**42,223**	43,550
Provisions		**18,151**	16,369
Current tax liabilities		**20,869**	49,011
Total current liabilities		**1,016,360**	1,287,501
Non-current liabilities			
Trade and other payables		**23,087**	22,132
Borrowings	8	**2,363**	2,636
Provisions		**33,046**	30,094
Deferred tax liabilities		**1,347**	3,987
Total non-current liabilities		**59,843**	58,849
Total liabilities		**1,076,203**	1,346,350
Net assets		**1,072,856**	1,026,194
EQUITY			
Contributed equity	9	**390,071**	388,069
Reserves		**(10,439)**	(35,781)
Retained profits		**693,224**	673,906
Total equity		**1,072,856**	1,026,194

The above Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Income Statement

		Half-year ended	
		31 December	31 December
		2013	2012
	Notes	**$'000**	$'000
Revenue			
Revenue from the sale of travel services	2	**1,034,115**	893,763
Other revenue	2	**19,790**	21,589
Total revenue		**1,053,905**	915,352
Other income	3	**-**	3,321
Expenses			
Employee benefits		**(545,268)**	(483,112)
Sales and marketing		**(84,540)**	(71,135)
Rental expense relating to operating leases		**(63,879)**	(57,350)
Amortisation and depreciation		**(26,680)**	(24,107)
Finance costs		**(14,644)**	(14,029)
Share of profit / (loss) of joint ventures and associates accounted for using the equity method		**972**	(71)
Other expenses	4	**(164,853)**	(139,358)
Profit before income tax expense		**155,013**	129,511
Income tax expense		**(44,219)**	(37,668)
Profit attributable to members of Flight Centre Travel Group Limited		**110,794**	91,843

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

		Cents	Cents
Basic earnings per share	6	**110.3**	91.7
Diluted earnings per share	6	**109.9**	91.2

The above Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Half-year ended	
	31 December 2013 $'000	31 December 2012 $'000
Profit attributable to members of Flight Centre Travel Group Limited	**110,794**	91,843
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	**593**	1,251
Changes in the fair value of cash flow hedges	**-**	284
Net exchange differences on translation of foreign operations	**22,466**	110
Income tax on items of other comprehensive income	**(177)**	(499)
Other comprehensive income	**22,882**	1,146
Total comprehensive income for the year attributable to FLT members	**133,676**	92,989

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000
Balance at 1 July 2012	382,989	(70,979)	545,119	857,129
Profit for the year	-	-	91,843	91,843
Other comprehensive income	-	1,146	-	1,146
Total comprehensive income for the year	-	1,146	91,843	92,989
Transactions with owners in their capacity as owners:				
Employee share-based payments	1,470	1,251	-	2,721
Dividends provided for or paid	-	-	(71,103)	(71,103)
Balance at 31 December 2012	384,459	(68,582)	565,859	881,736
Balance at 1 July 2013	**388,069**	**(35,781)**	**673,906**	**1,026,194**
Profit for the year	-	-	110,794	**110,794**
Other comprehensive income	-	22,882	-	**22,882**
Total comprehensive income for the year	**-**	**22,882**	**110,794**	**133,676**
Transactions with owners in their capacity as owners:				
Employee share-based payments	2,002	2,460	-	**4,462**
Dividends provided for or paid	-	-	(91,476)	**(91,476)**
Balance at 31 December 2013	**390,071**	**(10,439)**	**693,224**	**1,072,856**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Notes	**Half-year ended 31 December 2013 $'000**	Half-year ended 31 December 2012 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**1,047,984**	929,414
Payments to suppliers and employees (including GST)		**(1,099,665)**	(979,777)
Dividends received		**-**	550
Royalties received		**239**	172
Interest received		**15,746**	21,817
Interest paid		**(15,845)**	(15,100)
Income taxes paid		**(72,929)**	(67,875)
Net cash (outflow) from operating activities		**(124,470)**	(110,799)
Cash flows from investing activities			
Payments for property, plant and equipment		**(22,767)**	(21,650)
Payments for intangibles		**(5,475)**	(6,799)
Proceeds from sale of investments		**5,262**	8,735
Loans advanced to related parties		**(4,600)**	(2,484)
Loans repaid by related parties		**-**	275
Net cash (outflow) from investing activities		**(27,580)**	(21,923)
Cash flows from financing activities			
Proceeds from borrowings		**9,444**	4,209
Repayment of borrowings		**(12,701)**	(61,351)
Proceeds from issue of shares		**1,852**	1,612
Dividends paid to company's shareholders	5	**(91,476)**	(71,103)
Net cash (outflow) from financing activities		**(92,881)**	(126,633)
Net decrease in cash held		**(244,931)**	(259,355)
Cash and cash equivalents at the beginning of the half year		**1,227,019**	1,027,617
Effects of exchange rate changes on cash and cash equivalents		**14,240**	1,669
Cash and cash equivalents at end of the half year	7	**996,328**	769,931

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 Summary of significant accounting policies

(a) Corporate information

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

(b) Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Flight Centre Travel Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and *ASX Listing Rules*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(c) Changes in accounting policy

New standards that are applicable to Flight Centre Travel Group Limited for the first time for the 31 December 2013 interim half-year report are revised AASB 119 *Employee Benefits* and AASB 13 *Fair Value Measurement.*

AASB 119 *Employee Benefits*

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

AASB 13 *Fair Value Measurement*

This standard has introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

Notes to the financial statements (continued)

2 Revenue

	Half-year ended	
	31 December 2013 $'000	31 December 2012 $'000
Revenue from the sale of travel services		
Commission and fees from the provision of travel	**781,337**	676,289
Revenue from the provision of travel	**217,181**	182,338
Other revenue from travel services	**35,597**	35,136
	1,034,115	893,763
Other revenue		
Rents and sub-lease rentals	**2,568**	2,720
Interest	**17,010**	18,721
Royalties	**212**	148
	19,790	21,589

Presentation of revenue from travel services

Revenue from the sale of travel services is recorded when travel documents are issued, consistent with an agency relationship. Previously, part of FLT's United Kingdom revenue was reported on a gross and an availed basis under a principal relationship. For the year ended 30 June 2013, management conducted a comprehensive review of the local UK travel agency rules and determined that it is appropriate in the group's consolidated financial statements to record FLT's UK revenue when travel documents are issued, consistent with an agency relationship and in line with the rest of the group on a net basis, and going forward. The change in accounting method only relates to disclosures and has no material impact on revenue, net income or consolidated earnings per share. The change has been applied retrospectively.

3 Other income

Net foreign exchange gains	**-**	994
Gain on financial assets at fair value	**-**	2,327
	-	3,321

4 Other expenses

Other occupancy costs	**31,000**	27,020
Consulting fees	**19,289**	21,326
Communication and IT	**28,865**	24,189
Other expenses	**74,022**	66,823
Net foreign exchange losses	**11,677**	-
	164,853	139,358

Notes to the financial statements (continued)

5 Dividends

	Half-year ended	
	31 December 2013 $'000	31 December 2012 $'000
Ordinary shares		
Final fully franked ordinary dividend for the year ended 30 June 2013 of 91.0 cents (2012: 71.0) per fully paid share.	**91,476**	71,103
	91,476	71,103

Dividends not recognised at the end of the half year

In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 55.0 cents (2012: 46.0 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 April 2014 out of retained profits at 31 December 2013, but not recognised as a liability at the end of the half year is $55,296,000 (2012: $46,192,000).

6 Earnings per share

	Cents	Cents
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	**110.3**	91.7
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	**109.9**	91.2
Reconciliations of earnings used in calculating earnings per share	**$'000**	$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**110,794**	91,843
Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**100,492,962**	100,112,310
Adjustments for calculation of diluted earnings per share:		
Options and Rights	**321,582**	633,489
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**100,814,544**	100,745,799

Notes to the financial statements (continued)

7 Cash and cash equivalents

	As at 31 December 2013 $'000	As at 30 June 2013 $'000
Cash at bank and on hand	**401,888**	433,799
Client account	**594,440**	793,220
	996,328	1,227,019

8 Borrowings

(a) Current

Secured		
Bank loan	**451**	456
Unsecured		
Bank loan	**23,620**	27,464
Net unsecured notes principal	**18,152**	15,630
Total current borrowings	**42,223**	43,550

(b) Non-current

Secured		
Bank loan	**2,363**	2,636
Total non-current borrowings	**2,363**	2,636

Notes to the financial statements (continued)

9 Contributed equity

Share capital	**31 December 2013 Shares**	30 June 2013 Shares	**31 December 2013 $'000**	30 June 2013 $'000
Authorised shares				
Fully paid ordinary shares	**100,537,929**	100,426,726	**390,071**	388,069

10 Segment information

Alternative profit measures

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

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

The segment result is adjusted EBIT. FLT's chief decision makers also use an 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 table on the following pages.

Segment assets and liabilities

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

Other segment

The other segment disclosed in the tables on the following pages includes Brisbane-based support businesses which conduct business on a global basis in their own right and are not associated to a particular country.

Total transaction value (TTV)

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

Notes to the financial statements (continued)

10 Segment information (continued)

31 December 2013

Segment information	Australia $'000	United States $'000	United Kingdom $'000	Rest of World $'000	Other Segment[1 5] $'000	Total $'000
TTV[2]	**4,348,914**	**894,957**	**694,457**	**1,431,513**	**110,158**	**7,479,999**
Revenue from external customers	**570,082**	**106,640**	**99,751**	**174,098**	**103,334**	**1,053,905**
Statutory EBITDA	**148,291**	**(3,365)**	**19,441**	**17,386**	**(2,426)**	**179,327**
Depreciation and amortisation	(15,046)	(3,897)	(2,240)	(4,940)	(557)	(26,680)
Statutory EBIT	**133,245**	**(7,262)**	**17,201**	**12,446**	**(2,983)**	**152,647**
Interest income	323	221	610	2,102	13,754	17,010
BOS interest expense	(9,888)	(22)	(870)	(1,949)	(795)	(13,524)
Other interest expense	(389)	(63)	(88)	(1,295)	400	(1,435)
Other non-material items	324	-	(8)	(1)	-	315
Net profit before tax and royalty	**123,615**	**(7,126)**	**16,845**	**11,303**	**10,376**	**155,013**
Royalty	7,603	-	(4,228)	(3,375)	-	-
Net profit before tax and after royalty	**131,218**	**(7,126)**	**12,617**	**7,928**	**10,376**	**155,013**
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	**133,245**	**(7,262)**	**17,201**	**12,446**	**(2,983)**	**152,647**
Interest income[3]	297	-	-	705	5,307	6,309
BOS interest expense	(9,888)	(22)	(870)	(1,949)	(795)	(13,524)
Other interest expense[4]	-	(11)	-	(1)	-	(12)
Net foreign exchange (gains) / losses on intercompany loans	-	-	-	-	1,147	1,147
Other non-material items	(7)	-	-	(39)	-	(46)
Adjusted EBIT / Segment Result	**123,647**	**(7,295)**	**16,331**	**11,162**	**2,676**	**146,521**

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

[2] TTV is an un-audited, non-IFRS measure.

[3] Land wholesale interest only

[4] Other interest expense includes finance lease charges only.

[5] PBT included an $8.7million one-off gain related to the Flight Centre Global Product (FCGP) wholesale business. Excluding this gain, other segment underlying PBT was $1.6million and total group underlying PBT was $146.3million.

Notes to the financial statements (continued)

10 Segment information (continued)

31 December 2012

Segment information	**Australia $'000**	**United States $'000**	**United Kingdom $'000**	**Rest of World $'000**	**Other Segment[1] $'000**	**Total $'000**
TTV[2]	4,016,768	715,018	557,753	1,227,328	75,668	6,592,535
Revenue from external customers	520,178	88,424	79,157	152,382	75,211	915,352
Statutory EBITDA	126,462	(1,726)	14,702	14,844	(5,356)	148,926
Depreciation and amortisation	(13,251)	(3,754)	(1,811)	(4,749)	(542)	(24,107)
Statutory EBIT	113,211	(5,480)	12,891	10,095	(5,898)	124,819
Interest income	362	156	707	232	17,264	18,721
BOS interest expense	(10,798)	(214)	(609)	(1,980)	2,073	(11,528)
Other interest expense	(476)	(1,199)	(171)	(197)	(458)	(2,501)
Other non-material items	6	-	(5)	(1)	-	-
Net profit before tax and royalty	102,305	(6,737)	12,813	8,149	12,981	129,511
Royalty	2,145	-	-	(2,145)	-	-
Net profit before tax and after royalty	104,450	(6,737)	12,813	6,004	12,981	129,511
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	113,211	(5,480)	12,891	10,095	(5,898)	124,819
Interest income[3]	359	-	-	688	5,286	6,333
BOS interest expense	(10,798)	(214)	(609)	(1,980)	2,073	(11,528)
Other interest expense[4]	-	(19)	-	-	-	(19)
Net foreign exchange (gains) / losses on intercompany loans	-	-	-	1	655	656
Other non-material items	1	-	-	1	266	268
Adjusted EBIT / Segment Result	102,773	(5,713)	12,282	8,805	2,382	120,529

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

[2] TTV is an un-audited, non-IFRS measure.

[3] Land wholesale interest only

[4] Other interest expense includes finance lease charges only.

Notes to the financial statements (continued)

11 Fair value measurement of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level under the following measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) Quoted prices in non-active markets for identical assets or liabilities or inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the group's assets and liabilities measured and recognised at fair value:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2013				
Assets				
Available-for-sale financial assets	-	32,182	-	32,182
Derivative financial instruments	-	4,003	-	4,003
Total assets	**-**	**36,185**	**-**	**36,185**
Liabilities				
Financial liabilities at fair value through profit and loss	-	143,554	-	143,554
Contingent consideration	-	-	-	-
Total liabilities	**-**	**143,554**	**-**	**143,554**
30 June 2013				
Assets				
Available-for-sale financial assets	-	36,803	-	36,803
Derivative financial instruments	-	13,416	-	13,416
Total assets	-	50,219	-	50,219
Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Contingent consideration	-	-	129	129
Total liabilities	-	-	129	129

Valuation techniques

Available-for-sale financial assets

The group has investments in unlisted debt securities. Fair values of these debt securities are determined by reference to price quotations in a non-active market.

Derivative financial instruments - forward foreign exchange contracts

Forward foreign exchange contracts are measured based on observable forward exchange rates, the yield curves of the respective currencies as well the currency basis spreads between the respective currencies.

Notes to the financial statements (continued)

11 Fair value measurement of financial instruments (continued)

(a) Fair value hierarchy (continued)

Financial liabilities at fair value through profit and loss – client creditors

On 1 July 2013, the group elected to designate certain client creditor liabilities as financial liabilities at fair value through profit and loss as allowed under AASB 139 *Financial Instruments: Recognition and Measurement* to significantly reduce a measurement inconsistency. This measurement inconsistency previously arose due to the timing of foreign exchange measurement on client creditor balances that will be settled in a foreign currency. As the designation was elected on 1 July 2013, there is no restatement of the prior year comparative.

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

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2013:

	Contingent consideration $'000
Opening balance 1 July 2012	**443**
Other increases / (decreases)	(339)
Gains / (losses) recognised in the income statement	25
Closing balance 30 June 2013	**129**
Other increases / (decreases)	(129)
Gains / (losses) recognised in the income statement	-
Closing balance 31 December 2013	**-**

(b) Fair values of other financial instruments

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. These had the following fair values as at 31 December 2013:

	Carrying amount $'000	Fair value $'000
Non-current receivables		
Other financial assets	10,617	10,617
	10,617	**10,617**
Non-current liabilities		
Bank loans	2,363	2,363
	2,363	**2,363**

The carrying amounts of non-current receivables and liabilities equal their fair value due to the commercial rates of interest earned and paid respectively.

Due to their short term nature, the carrying amount of the current receivables, current payables and current borrowings is assumed to approximate their fair value.

Notes to the financial statements (continued)

12 Contingencies

FLT still awaits the outcome of the penalty hearing that followed the ACCC's competition law test case against it. The case was heard in October 2012 and judgment was delivered in the ACCC's favour in December 2013. A subsequent penalty hearing concluded in February 2014. As penalties have not yet been determined, no provisions have been set aside in FLT's half year accounts. FLT has previously indicated it expects to appeal the initial judgment.

The group had no other material contingent assets or liabilities.

13 Events occurring after the end of the reporting period

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

Directors' declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 9 to 23 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that Flight Centre Travel Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

G.F. Turner
Director
26 February 2014

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Report on the Half-Year Financial Report

To the members of Flight Centre Travel Group Limited

We have reviewed the accompanying half-year financial report of Flight Centre Travel Group Limited (the company), which comprises the consolidated balance sheet as at 31 December 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Flight Centre Travel Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Flight Centre Travel Group Limited is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
26 February 2014