APPENDIX 4D
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)

ABN 25 003 377 188

CONTENTS

APPENDIX 4D: RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF

	December 2014 $'000	December 2013 $'000	Change $'000	Change %
Total transaction value (TTV)[1]	**8,138,350**	7,479,999	658,351	8.8%
Revenue	**1,102,839**	1,053,905	48,934	4.6%
Net profit before tax	**140,993**	155,013	(14,020)	(9.0%)
Net profit after tax	**100,314**	110,794	(10,480)	(9.5%)

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

DIVIDENDS

31 December 2014	Amount per Security Cents	100% Franked Amount Cents
Interim dividend[2]	**55.0**	**55.0**
30 June 2014		
Interim dividend	55.0	55.0
Final dividend[3]	97.0	97.0

[2] The record date for determining entitlements to the interim dividend of 55.0 cents per share is 27 March 2015. The payment date for the interim dividend is 16 April 2015.

[3] Final dividend of 97.0 cents per share for the year ended 30 June 2014 was declared 27 August 2014.

NET TANGIBLE ASSETS

	December 2014 $	December 2013 $
Net tangible asset backing per ordinary security	7.66	6.99

CONTROL GAINED OVER ENTITIES

On 27 August 2014, the group 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 £28,000,000 for 100% ownership.

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

The report should be read in conjunction with the annual report for the year ended 30 June 2014 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

24 February 2015

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 2014.

DIRECTORS

The following persons were directors of Flight Centre Travel Group Limited for the entire half 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.

REVIEW OF OPERATIONS AND RESULTS

Result overview

THE Flight Centre Travel Group (FLT) recorded a $141million profit before tax (PBT) for the first half of the 2014/15 fiscal year.

The result was boosted by a $3.4million contribution from the acquired Topdeck Tours business and was in line with the company's revised guidance for the period of an underlying PBT (excluding Top Deck) between $136million and $142million.

FLT recorded a $146.3million underlying PBT and a $155million statutory (actual) PBT during the previous corresponding period (PCP). The actual 2013/14 result included an $8.7million one-off gain related to the Flight Centre Global Product wholesale business.

Actual net profit after tax (NPAT) for the first half of 2014/15 reached $100.3million, compared to $110.8million during the first half of 2013/14.

Underlying first half NPAT (excluding Top Deck) was $97.6million (2013/14: $104.7million).

In local currency, sales increased in each of FLT's 10 operations.

Overall, total transaction value (TTV) increased 8.8% to a record $8.1billion, while revenue increased 4.6% to $1.1billion.

This slower than normal revenue growth, which was largely brought about by discounting to stimulate demand among cautious consumers, led to a contraction in first half income margin from 14.1% to 13.6%.

Shop and business numbers increased 4% to 2759 during the 12 months to December 31, 2014. Almost half - 47% - of the company's global network is now located outside of Australia.

In addition to expanding organically, FLT acquired UK-based tour operator Top Deck in August 2014. The company also launched its Buffalo Tours destination management business in Thailand, Cambodia and Laos during the first half, in conjunction with its joint venture partner, Vietnam's Thien Minh Group.

Cash, cash flow and dividends

At the end of the first half, FLT's global cash and investment portfolio topped $1billion, a slight increase on the record December 31, 2013 balance.

This included $429.4million in company cash (general funds), compared to $401.9million at December 31, 2013.

Debt was $31.9million, giving FLT a $397.5million positive net debt position at the end of the half, compared to a $357.3million positive net debt position one year ago.

Cash flow followed its traditional pattern, with the company recording a $68.1million operating cash outflow during the first half (2013/14: $124.5million outflow).

FLT typically records a moderate first half operating cash outflow, followed by a large second half inflow. This reflects customers' seasonal travel patterns, with client cash typically accumulating during the peak second half booking periods for payment to suppliers after peak travel periods during the following first half.

FLT's directors declared a fully franked $0.55 per share interim dividend to be paid on April 16, 2015 (Record date for shareholders: March 27, 2015).

This is in line with the 2013/14 interim dividend ($0.55 per share) and represents a 55.2% return of NPAT to shareholders.

Operational review

While the Australian business did not achieve its traditional profit growth trajectory during the first half, FLT's international businesses delivered solid earnings growth and record overall earnings before interest and tax (EBIT).

Together, FLT's international businesses generated $25.3million in EBIT, a 25% year-on-year increase.

Individually, four businesses achieved record first half profits:

- The United Kingdom, where first half EBIT has now increased from $AUD6.9million at December 2009 to $AUD19.8million in December 2014, a 23.5% compound annual growth rate
- South Africa (in local currency)
- Singapore; and
- Greater China

In addition, the United States business delivered its best first half result since the Liberty and GOGO businesses were acquired in 2008 and, based on its current momentum, should surpass its full year target of EBIT between $USD17million and $18million.

In New Zealand, Canada, India and Dubai, sales generally increased solidly, but bottom-line results were down compared to the prior year.

In Australia, sales increased modestly in both the leisure and corporate travel sectors in a flat trading environment.

Corporate profits were generally in line with the PCP, but leisure profits were lower than initially expected.

Contributing factors included:

- Slower than normal sales growth. TTV in the Australian leisure business increased 2.1% during the first half, compared to the 6.6% compound annual growth rate achieved during the past 5 years
- Increased investment in the business. This included the front-end wage increase that was flagged last year; and
- Margin contraction, predominantly brought about by lower than normal commission earnings, as consultants have elected to lower prices to stimulate demand.

Growth strategies

As announced previously, FLT has initiated a strategic plan geared towards helping the company evolve from a leisure and corporate travel agent into a best-in-world travel retailer.

This evolution, which the company refers to as its Killer Theme, is built around seven key themes that apply to all leisure, corporate and wholesale businesses globally:

1. Having world class brands that are special
2. Manufacturing exclusive FLT products, not just selling suppliers' product
3. Being experts, not agents
4. Working from branded business spaces, not offices
5. Offering blended access to customers to ensure they can touch, browse and buy FLT's products when and how they want – online, offline, shop, email, chat, phone or SMS
6. Information is power - profiles, patterns and predictions; and
7. Creating a sales and marketing machine

Key strategic developments, along with additional financial and operational information, have been outlined in greater detail in separate market announcements lodged on the Australian Securities Exchange today.

Outlook 2014/15

In terms of 2014/15 guidance, FLT continues to target an underlying PBT between $360million and $390million.

The top of this range represents 4% growth on the record $376.5million underlying result achieved during 2013/14, while the bottom represents a 4% decline.

While several countries, including the large United Kingdom and United States businesses, are on track to achieve record full year results during the year to June 30, 2015, trading conditions in Australia remain challenging following the leisure travel spending slowdown late in 2013/14.

FLT cannot predict a recovery timeframe, but is seeing some positive signs including:

- Good customer enquiry statistics within its key leisure brands heading into the second half, which is traditionally a stronger sales period
- Record account wins in corporate travel, although existing clients are also looking to reduce travel spend, thereby offsetting some of the benefits; and
- Airfare discounting, which typically stimulates demand in a low consumer confidence environment, particularly on key international routes. For example, FLT offered return Qantas, Virgin and Air New Zealand fares to Los Angeles for below $1000 at its travel expos in Australia this month

DIRECTORS' REPORT CONTINUED

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

After a strong start to the year, the second half of 2013/14 was a comparatively weaker trading period in Australia, as sales and profit growth slowed during the fourth quarter.

This could create opportunities for FLT to achieve accelerated growth later in the year.

To offset the cost increase associated with the front-end wage change in Australia, the company is also reviewing some of the back-end investments made in recent years.

In terms of expansion, FLT aims to grow its global sales network by 5-7% during 2014/15.

Growth will predominantly be organic, although FLT expects to pursue further strategic acquisition opportunities.

DIVIDENDS - FLIGHT CENTRE TRAVEL GROUP LIMITED

FLT's directors today declared a 55.0 cents per share fully franked dividend payable on 16 April 2015 to shareholders registered on 27 March 2015. This represents a 55.2% 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 2013 was 55.0 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 7.

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

24 February 2015

AUDITOR'S INDEPENDENCE DECLARATION

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

In relation to our review of the financial report of Flight Centre Travel Group Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Alison de Groot

Partner

24 February 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Half-year ended 31 December 2014 $'000	2013 $'000
Revenue			
Revenue from the sale of travel services	3	1,084,722	1,034,115
Other revenue	3	18,117	19,790
Total revenue		1,102,839	1,053,905
Other income	4	3,810	-
Expenses			
Employee benefits		(594,753)	(545,268)
Sales and marketing		(93,254)	(84,540)
Rental expense relating to operating leases		(68,482)	(63,879)
Amortisation and depreciation		(25,755)	(26,680)
Finance costs		(12,532)	(14,644)
Share of profit / (loss) of joint ventures and associates accounted for using the equity method		153	972
Other expenses	5	(171,033)	(164,853)
Profit before income tax expense		140,993	155,013
Income tax expense		(40,679)	(44,219)
Profit attributable to members of FLT		100,314	110,794
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets		721	593
Net exchange differences on translation of foreign operations		38,465	22,466
Income tax on items of other comprehensive income		487	(177)
Other comprehensive income		39,673	22,882
Total comprehensive income for the year attributable to FLT		139,987	133,676

Earnings per share for profit attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share	11	99.7	110.3
Diluted earnings per share	11	99.6	109.9

The group has elected to present the statement of profit or loss and statement of comprehensive income as one statement at 31 December 2014.

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

	Notes	Half-year ended 31 December 2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		1,131,929	1,047,984
Payments to suppliers and employees (including GST)		(1,142,509)	(1,099,665)
Royalties received		294	239
Interest received		15,745	15,746
Interest paid		(14,202)	(15,845)
Income taxes paid		(59,349)	(72,929)
Net cash (outflow) from operating activities		(68,092)	(124,470)
Cash flows from investing activities			
Acquisition of subsidiary and joint venture, net of cash acquired	2, 12	(527)	-
Payments for property, plant and equipment		(34,881)	(22,767)
Payments for intangibles		(4,607)	(5,475)
Payments for the purchase of investments in available-for-sale assets		(20,000)	-
Proceeds from sale of investments in available-for-sale assets		-	5,262
Dividends received from joint ventures		673	-
Loans advanced to related parties		-	(4,600)
Loans repaid by related parties		55	-
Net cash (outflow) from investing activities		(59,287)	(27,580)
Cash flows from financing activities			
Proceeds from borrowings		7,212	9,444
Repayment of borrowings		(23,993)	(12,701)
Proceeds from issue of shares		2,429	1,852
Dividends paid to company's shareholders	9	(97,670)	(91,476)
Net cash (outflow) from financing activities		(112,022)	(92,881)
Net increase / (decrease) in cash held		(239,401)	(244,931)
Cash and cash equivalents at the beginning of the half year		1,261,682	1,227,019
Effects of exchange rate changes on cash and cash equivalents		18,455	14,240
Cash and cash equivalents at end of the half year	6	1,040,736	996,328

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

BALANCE SHEET

ASSETS	Notes	As at 31 December 2014 $'000	As at 30 June 2014 $'000
Current assets			
Cash and cash equivalents	6	1,040,736	1,261,682
Available-for-sale financial assets		62,023	41,240
Trade and other receivables		572,125	576,472
Current tax receivables		14,315	4,286
Inventories		1,472	1,044
Derivative financial instruments		10,128	-
Other financial assets		-	2,825
Total current assets		1,700,799	1,887,549
Non-current assets			
Property, plant and equipment		179,527	160,916
Intangible assets	2	371,467	304,575
Investments accounted for using the equity method	12	14,371	5,451
Deferred tax assets		43,050	42,704
Other financial assets		4,760	9,192
Total non-current assets		613,175	522,838
Total assets		2,313,974	2,410,387
LIABILITIES			
Current liabilities			
Trade and other payables		740,956	961,694
Contingent consideration	2	10,212	-
Financial liabilities at fair value through profit and loss		300,737	211,306
Borrowings	7	30,115	42,923
Provisions		24,225	22,643
Current tax liabilities		2,995	13,223
Derivative financial instruments		-	9,432
Total current liabilities		1,109,240	1,261,221
Non-current liabilities			
Trade and other payables		20,086	18,870
Contingent consideration	2	6,949	-
Borrowings	7	1,800	1,955
Provisions		32,977	30,196
Deferred tax liabilities		35	347
Total non-current liabilities		61,847	51,368
Total liabilities		1,171,087	1,312,589
Net assets		1,142,887	1,097,798
EQUITY			
Contributed equity	10	393,584	390,976
Reserves		12,619	(27,218)
Retained profits		736,684	734,040
Total equity		1,142,887	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 half-year ended 31 December Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000
Balance at 1 July 2013		387,804	(35,516)	673,906	1,026,194
Profit for the half year		-	-	110,794	110,794
Other comprehensive income		-	22,882	-	22,882
Total comprehensive income for the half year		-	22,882	110,794	133,676
Transactions with owners in their capacity as owners:					
Employee share-based payments		1,866	2,596	-	4,462
Dividends provided for or paid	9	-	-	(91,476)	(91,476)
Balance at 31 December 2013		389,670	(10,038)	693,224	1,072,856
Balance at 1 July 2014		390,976	(27,218)	734,040	1,097,798
Profit for the half year		-	-	100,314	100,314
Other comprehensive income		-	39,673	-	39,673
Total comprehensive income for the half year		-	39,673	100,314	139,987
Transactions with owners in their capacity as owners:					
Employee share-based payments		2,608	164	-	2,772
Dividends provided for or paid	9	-	-	(97,670)	(97,670)
Balance at 31 December 2014		393,584	12,619	736,684	1,142,887

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 the half-year ended 31 December 2014:

- On 27 August 2014, the group 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 £28,000,000 for 100% ownership. Refer to note 2 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 in capital in exchange for a 49% interest in each of the JV entities. Refer to note 12.
- During the period, 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 note 12.
- On 7 November 2014, FLT injected equity via its Singapore business, to FCm India to retire $19,000,000 in external borrowings related to the India corporate travel business and lower overall interest expense. Refer to note 7.
- FLT appealed against the Federal Court's December 2013 decision to uphold the ACCC's competition law test case against it. The company lodged a notice of appeal covering both the court's judgment in the ACCC's favour and the $11,000,000 in penalties that were handed down after the subsequent penalties hearing, which concluded in February 2014. The appeal was heard in November 2014 and FLT now awaits judgment. Refer to note 14.
- In the prior half-year ended 31 December 2013, FLT's PBT included an $8,734,000 one-off gain 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 to line with FLT policy. Refer to note 3.

1 SEGMENT INFORMATION

(a) Basis of segmentation and measurement

The basis of segmentation and measurement of segment profit or loss has not changed since the 30 June 2014 annual financial statements.

(b) 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 half-years ended 31 December 2014 and 31 December 2013 is shown in the following tables:

31 December 2014	Australia $'000	United States $'000	United Kingdom $'000	Rest of World $'000	Other Segment[1] $'000	Total $'000
Segment information						
TTV[2]	4,562,675	1,011,697	856,265	1,592,134	115,579	8,138,350
Total segment revenue	646,400	118,670	129,135	182,060	89,680	1,165,945
Inter-segment revenue	(58,805)	555	(8,008)	3,152	-	(63,106)
Revenue from external customers	587,595	119,225	121,127	185,212	89,680	1,102,839
Statutory EBITDA	134,402	(1,483)	23,646	13,760	(6,347)	163,978
Depreciation and amortisation	(15,880)	(1,344)	(2,745)	(5,004)	(782)	(25,755)
Statutory EBIT	118,522	(2,827)	20,901	8,756	(7,129)	138,223
Interest income	1,023	148	758	2,957	10,416	15,302
BOS interest expense	(7,640)	78	(1,070)	(1,582)	(598)	(10,812)
Other interest expense	(432)	(210)	(153)	(1,841)	1,083	(1,553)
Other non-material items	(157)	-	(9)	(2)	1	(167)
Net profit before tax and royalty	111,316	(2,811)	20,427	8,288	3,773	140,993
Royalty	11,942	-	(9,364)	(2,578)	-	-
Net profit before tax and after royalty	123,258	(2,811)	11,063	5,710	3,773	140,993
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	118,522	(2,827)	20,901	8,756	(7,129)	138,223
Interest income[3]	620	-	-	1,091	6,103	7,814
BOS interest expense	(7,640)	78	(1,070)	(1,582)	(598)	(10,812)
Net foreign exchange (gains) / losses on intercompany loans	-	-	(25)	-	(848)	(873)
Other non-material items	(624)	(3)	-	(2)	567	(62)
Adjusted EBIT / Segment Result	110,878	(2,752)	19,806	8,263	(1,905)	134,290
Shop numbers [2]	1,465	303	277	711	3	2,759

[1] 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.

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

[3] Land wholesale interest only

1 SEGMENT INFORMATION (CONTINUED)

31 December 2013	Australia $'000	United States $'000	United Kingdom $'000	Rest of World $'000	Other Segment[1] $'000	Total $'000
Segment information						
TTV[2]	4,348,914	894,957	694,457	1,431,513	110,158	7,479,999
Total segment revenue	627,402	105,348	106,183	175,659	103,334	1,117,926
Inter-segment revenue	(57,320)	1,292	(6,432)	(1,561)	-	(64,021)
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)
FCGP revenue alignment	-	-	-	-	(8,734)	(8,734)
Net foreign exchange (gains) / losses on intercompany loans	-	-	-	-	1,147	1,147
Other non-material items	(7)	(11)	-	(40)	-	(58)
Adjusted EBIT / Segment Result	123,647	(7,295)	16,331	11,162	(6,058)	137,787
Shop numbers [2]	1,396	301	248	698	-	2,643

2 BUSINESS COMBINATIONS

Top Deck Tours Limited

Summary of acquisition

On 27 August 2014 Flight Centre Travel Group acquired a 90% holding of Top Deck Tours Limited (TDT), an unlisted company based in the United Kingdom and specialising in tour operations. The acquisition allows FLT to expand its move from travel agent to world class travel retailer and allows for greater control of its product offering.

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

	As at acquisition date $'000
Cash paid	34,571
Consideration for working capital	3,027
Contingent consideration - Earn out	6,649
Contingent consideration - Symmetrical put and call options	6,501
Total purchase consideration	50,748

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

	Fair value as at acquisition date $'000
Cash	35,628
Trade receivables	521
Plant and equipment	937
Intangible assets: brand names	10,251
Other current assets	1,189
Trade and other payables	(22,593)
Provision for employee benefits	(1,146)
Deferred income	(8,791)
Other current liabilities	(1,347)
Net identifiable assets acquired	14,649
Add: Goodwill	36,099
Net Assets acquired	50,748

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

Contingent consideration – Earn out

Contingent consideration up to a maximum of £3,744,000 may be payable in cash to the selling shareholders. The potential undiscounted amount payable under the agreement is between £nil and £3,744,000 and is based on a multiple of final full year October 2014 audited consolidated EBITDA results of TDT. The financial liability is recorded in current contingent consideration. The fair value estimate of the contingent consideration of $6,649,000 was calculated based on expected future cash flows. The estimates are based on an assumed probability-adjusted EBITDA of TDT of between £4,800,000 and £5,000,000 for the year ended 31 October 2014. As the cash flows are expected to occur within six months of the half-year reporting date, no discount factor was applied against these cash flows. This balance has been provisionally recorded as FLT awaits final audited results for TDT's full year ended 31 October 2014.

Contingent consideration - Symmetrical put and call options

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 BUSINESS COMBINATIONS (CONTINUED)

TDT has been 100% consolidated into the results of FLT, with a financial liability recorded in non-current contingent consideration for the remaining 10% interest. The fair value of this liability has been estimated by calculating the present value of the future expected cash flows for the settlement of the put and call options. The estimates are based on a discount rate of 2.6% and assumed probability adjusted EBITDA of TDT of between £7,000,000 and £9,500,000 at the probability adjusted expected date of exercise. Any changes in the fair value of this liability will be recorded through the profit or loss.

Revenue and profit contribution

TDT reported revenue of $24,041,000 and net profit before tax of $3,851,000 for the period 27 August 2014 to 31 December 2014.

If the acquisition had occurred on 1 July 2014, revenue and profit for the half year ended 31 December 2014 would have been $64,091,000 and $10,637,000 respectively. These amounts have been calculated using the subsidiary's unaudited results.

Purchase consideration - cash flows	31 December 2014 $'000
Cash consideration	(34,571)
Add: balances acquired	
Cash	35,628
Inflow of cash - investing activities	1,057

Acquisition-related costs

Acquisition-related costs of $754,000 are included in other expenses in the statement of profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

Flight Centre Travel Group (Ireland) Limited

Summary of acquisition

On 2 May 2014, FLT purchased 100% of Flight Centre Travel Group (Ireland) Limited (formerly Travelplan Corporate Limited), a Dublin-based travel management business, for $2,070,000. This acquisition was effective 1 April 2014, with all transactions subsequent to 1 April 2014 belonging to FLT. Prior to the acquisition, Flight Centre Travel Group (Ireland) Limited was part of the global FCm Travel Solutions travel management network that FLT created in 2004. The acquired business will continue to operate as FCm Ireland and will complement FLT's corporate travel businesses in the United Kingdom. FCm Ireland results are included in the UK segment.

There have been no changes to the provisional business combination accounting as disclosed in the 30 June 2014 annual financial statements.

3 REVENUE

Revenue from the sale of travel services	Half-year ended 31 December 2014 $'000	Half-year ended 31 December 2013 $'000
Commission and fees from the provision of travel	791,865	779,665
Revenue from the provision of travel	249,238	217,181
Revenue from tour operations	7,715	1,672
Other revenue from travel services	35,904	35,597
	1,084,722	1,034,115
Other revenue		
Rents and sub-lease rentals	2,583	2,568
Interest	15,302	17,010
Royalties	232	212
	18,117	19,790

Significant matter

In the prior half-year ended 31 December 2013, commission and fees from the provision of travel includes a one-off gain of $11,576,000 related to the Flight Centre Global Product (FCGP) wholesale business. An additional one-off loss of $2,842,000 (note 5) is included in net foreign exchange losses. The net gains were brought about by system improvements, which 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 had travelled. The change brings FCGP in to line with FLT policy (as detailed below).

Accounting policy

The group recognises revenue when:

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

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

Revenue from the sale of travel services

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

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

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

4 OTHER INCOME

	Half-year ended 31 December 2014 $'000	Half-year ended 31 December 2013 $'000
Net foreign exchange gains	3,810	-

5 OTHER EXPENSES

	Half-year ended 31 December 2014 $'000	Half-year ended 31 December 2013 $'000
Other occupancy costs	28,187	28,887
Consulting fees	24,513	19,289
Communication and IT	34,287	30,978
Net foreign exchange losses	-	11,677
Other expenses	84,046	74,022
	171,033	164,853

6 CASH AND CASH EQUIVALENTS

	As at 31 December 2014 $'000	As at 30 June 2014 $'000
General cash at bank and on hand	429,409	476,042
Client cash	611,327	785,640
	1,040,736	1,261,682

7 BORROWINGS

Current	As at 31 December 2014 $'000	As at 30 June 2014 $'000
Bank loans	12,506	23,722
Net unsecured notes principal	17,609	19,201
Total current borrowings	30,115	42,923
Non-current		
Bank loans	1,800	1,955
Total non-current borrowings	1,800	1,955

Significant matter

On 7 November 2014, FCm India retired $19,000,000 in external borrowings related to the India corporate travel business to lower overall interest expense.

8 NET DEBT

Net debt	Notes	As at 31 December 2014 $'000	As at 30 June 2014 $'000
General cash at bank and on hand	6	429,409	476,042
Less:			
Borrowings - current	7	30,115	42,923
Borrowings - non-current	7	1,800	1,955
		31,915	44,878
Positive net debt [1]		397,494	431,164

FLT is currently in a positive net debt position.

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

9 DIVIDENDS

Overview

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

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

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

The interim dividend payment represents a $55,399,000 return to shareholders, 55.2% of FLT's statutory NPAT. It represents 56.8% of FLT's underlying NPAT[2].

	Half-year ended	
Ordinary shares	31 December 2014 $'000	31 December 2013 $'000
Final fully franked ordinary dividend for the year ended 30 June 2014 of 97.0 cents (2013: 91.0) per fully paid share.	97,670	91,476
Dividends not recognised at the end of the half year		
Since half-year end, the directors have recommended an interim dividend of 55.0 cents (2013: 55.0 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 16 April 2015 out of retained profits at 31 December 2014, but not recognised as a liability at the end of the half year is:	55,399	55,308

[2] December 2014 underlying NPAT excludes $3,384,000 Top Deck PBT and associated foreign exchange. December 2013 underlying NPAT excludes the non-cash adjustment of $8,734,000 FCGP revenue alignment.

10 CONTRIBUTED EQUITY

Overview

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

Reconciliation of ordinary share capital:

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

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

Details	Number of authorised shares	Weighted average issue price	$'000
Opening Balance - 1 July 2013	100,426,726		387,804
Employee Share Plan	22,866	$46.64	1,066
Employee Share Plan Matched Shares	2,837	$0.00	-
Senior Executive Option Plan	80,000	$10.00	800
Senior Executive Performance Rights Plan	5,500	$0.00	-
Closing Balance - 31 December 2013	100,537,929		389,670
Opening Balance - 1 July 2014	100,571,642		390,976
Employee Share Plan	35,133	$41.49	1,458
Employee Share Plan Matched Shares	2,436	$0.00	-
Senior Executive Option Plan	115,000	$10.00	1,150
Senior Executive Performance Rights Plan	1,500	$0.00	-
Closing Balance - 31 December 2014	100,725,711		393,584

11 EARNINGS PER SHARE

Overview

Statutory earnings per share (EPS) reached 99.7 cents, down 9.6% on the prior comparative period. At an underlying level[1], EPS decreased 6.9% to 97.0 cents.

	Half-year ended	
Basic earnings per share	31 December 2014 Cents	31 December 2013 Cents
Profit attributable to the ordinary equity holders of the company	99.7	110.3
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	99.6	109.9

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	100,314	110,794

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	100,652,651	100,492,962
Adjustments for calculation of diluted earnings per share:		
Options and rights	100,908	321,582
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	100,753,559	100,814,544

[1] Underlying EPS is an un-audited, non-IFRS measure. Refer to note 9 for breakdown of underlying NPAT used in the calculation of underlying EPS.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Overview

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. This resulted in FLT contributing USD$1,470,000 for a 49% investment in Buffalo Tours (Singapore) Pte Ltd and a 49% investment in Buffalo Tours (Hongkong) Limited. FLT and TMG will have three representatives each on the JVs operating boards. The joint ventures are structured through separate vehicles and FLT has a residual interest in the vehicles' net assets. Accordingly, FLT has recorded its investment in Buffalo Tours (Singapore) Pte Ltd and Buffalo Tours (Hongkong) Limited as joint ventures.

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

In addition to entering a joint venture arrangement with Buffalo, 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.

	As at 31 December 2014 $'000	As at 30 June 2014 $'000
Interest in joint ventures	14,371	5,451

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

AFS financial assets, derivative financial instruments and financial liabilities at fair value through profit or loss balances as stated in the consolidated balance sheet are classified as Level 2 (2013: Level 2) under the fair value measurement hierarchy. Contingent consideration as set out in note 2 is classified as Level 3 (2013: nil). The valuation techniques are described below:

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 for identical assets.

Derivative financial instruments - forward foreign exchange contracts

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

Financial liabilities at fair value through profit or loss - client creditors

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

Contingent consideration

The valuation technique and fair value of the contingent consideration is outlined in note 2.

Reconciliation of Level 3 contingent consideration is set out below:

	Contingent consideration $'000
Opening balance 1 July 2014	-
Other increases / (decreases)	16,177
(Gains) / losses recognised in the income statement	984
Closing balance 31 December 2014	17,161

(b) Fair values of other financial instruments

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

The carrying amount of the group's non-current receivables, and current and non-current borrowings (refer to note 8), approximates their fair values, as commercial rates of interest are earned and paid respectively and the impact of discounting is not significant.

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

14 CONTINGENCIES

Contingent assets and liabilities

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

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

The group had no other material contingent assets or liabilities.

15 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On 24 February 2015, FLT's directors declared a dividend for the year ended 31 December 2014. Refer to note 9 for details.

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

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

(a) Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 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.

(b) New accounting standards and interpretations

New or amended standards that became applicable to FLT for the first time for the 31 December 2014 interim half-year report did not result in a change to the group's accounting policies or require any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 reporting period. FLT has assessed the impact of these new standards and interpretations and has outlined their expected impacts below:

AASB 9 *Financial Instruments*

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

The effective date of this standard has been revised from 1 January 2015 to 1 January 2018, however it is available for early adoption. The group has identified the areas of change that may be relevant but are yet to assess if there is any material impact. The group has not yet decided when to adopt the standard.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 was issued by the AASB in December 2014 and replaces virtually all revenue recognition requirements, including those as set out in AASB 118 *Revenue*. The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (eg. leases). The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets.

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

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Act 2001*; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

24 February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

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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 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the consolidated statement of changes in equity 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 2014 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 2014 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
24 February 2015

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