

# ASX ANNOUNCEMENT

## FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)

26 August 2021

### FY21 APPENDIX 4E AND ANNUAL REPORT

Please find attached for release to the market, copies of Flight Centre Travel Group Limited's:

- Appendix 4E for the year ended 30 June 2021; and
- 2021 Annual Report (including the Directors' Report, the Financial Report, the Directors' Declaration and the Audit Report)

# APPENDIX 4E

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF	JUNE 2021 \$'000	JUNE 2020 \$'000 RESTATED <sup>1</sup>	CHANGE \$'000	CHANGE %
Total transaction value (TTV) <sup>2</sup>	3,945,184	15,303,051	(11,357,867)	(74.2%)
Revenue	395,907	1,897,272	(1,501,365)	(79.1%)
Statutory (loss) / profit before tax	(601,710)	(848,586)	246,876	(29.1%)
Statutory (loss) / profit after tax	(433,456)	(662,228)	228,772	(34.5%)
Statutory (loss) / profit attributable to company owners	(433,129)	(662,285)	229,156	(34.6%)
Underlying (loss) / profit before tax <sup>3</sup>	(507,132)	(509,196)	2,064	(0.4%)
Underlying (loss) / profit after tax <sup>3</sup>	(364,009)	(378,450)	14,441	(3.8%)

<sup>1</sup> FLT has restated 30 June 2020 balances as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Comparative information has been restated throughout the financial statements. The changes have resulted in a net decrease in retained earnings of \$33,103,000 at 1 July 2019. Refer to Note 1(b) for further information.

<sup>2</sup> TTV is non-IFRS financial information and is not subject to audit procedures, and does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations, both as agent for various airlines and other service providers and as principal, plus revenue and other income from other sources. TTV has been reduced by refunds. FLT's revenue is, therefore, derived from TTV.

<sup>3</sup> Underlying (loss) / profit is an audited, non-IFRS measure. Refer to table on page 3 for reconciliation of statutory to underlying results.

DIVIDENDS	AMOUNT PER SECURITY CENTS	100% FRANKED AMOUNT CENTS
<b>30 JUNE 2021</b>		
Interim dividend	-	-
Final dividend <sup>4</sup>	-	-
<b>30 JUNE 2020</b>		
Interim dividend <sup>5</sup>	-	-
Special dividend	-	-
Final dividend	-	-

<sup>4</sup> No dividend will be paid for the period ended 30 June 2021.

<sup>5</sup> On 27 February 2020, FLT determined to pay an interim dividend for the period ended 31 December 2019. On 25 March 2020, the interim dividend was cancelled due to the significant financial impact of COVID-19 on the Company and the need to preserve cash.

NET TANGIBLE ASSETS	JUNE 2021 \$	JUNE 2020 \$ RESTATED <sup>1</sup>
Net tangible asset backing per ordinary security <sup>6</sup>	(0.31)	0.18

<sup>6</sup> The current year and prior year net tangible asset backing per ordinary security includes the value of leased assets as recognised under AASB 16 Leases.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONTINUED)

### DETAILS OF JOINT VENTURES AND ASSOCIATES

INVESTMENTS IN JOINT VENTURES	2021	2020
Go Vacation Vietnam Company Limited	-	51.0%
Pedal Group Pty Ltd	46.6%	48.8%

- On 10 July 2020, FLT divested its investment in Go Vacation Vietnam Company Limited for \$169,000 bringing FLT's ownership to nil.

INVESTMENTS IN ASSOCIATES	2021	2020
Biblos America LLC	-	28.8%
The Upside Travel Company (Upside)	25.0%	25.0%
TPConnects Technologies LLC	21.7%	21.7%

- On 23 April 2021, FLT divested its investment in Biblos America LLC for nil consideration bringing FLT's ownership to nil.

### UNDERLYING ADJUSTMENTS

Reconciliation of statutory to underlying (loss)/profit before tax and after tax provided below:

	JUNE 2021 \$'000	JUNE 2020 \$'000 RESTATED <sup>1</sup>
<b>Statutory (loss) / profit before tax</b>	<b>(601,710)</b>	<b>(848,586)</b>
Global Touring impairment: non-cash write-down of assets	-	63,475
Supplier exposure: non-recurring loss for H1'20 supplier collapse and H2'20 voluntary administration of Virgin Australia	-	28,624
Fair value loss: non-cash loss on change in control for Ignite Travel Group	-	3,138
Upside investment share of losses	-	10,454
Upside impairment: non-cash write down of investment in associate	-	47,126
Hotel impairment: non-cash write-down of assets	-	29,778
Other impairment: non-cash write-down of intangible assets	-	18,211
Loss / (gain) on disposal of store assets: non-cash write down of tangible assets upon closure/exit of store network	-	29,199
COVID-19 one off: Costs incurred due to COVID-19 cost base reduction:		
Employee benefits - redundancies	71,982	24,212
Leases - right of use asset impairment and lease break /early exit costs <sup>2</sup>	34,272	70,288
Communications & IT - early exit costs	(2,370)	8,313
Impact of AASB 16 Leases accounting transition	-	6,572
Gain on sale of St Kilda building	(32,982)	-
Loss on disposal of head office and store assets	19,063	-
Employee retention plans	4,613	-
	<b>94,578</b>	<b>339,390</b>
<b>Underlying (loss) / profit before tax</b>	<b>(507,132)</b>	<b>(509,196)</b>
Statutory income tax credit / (expense)	168,254	186,358
<b>Underlying adjustments associated tax effect</b>	<b>(25,131)</b>	<b>(55,612)</b>
<b>Underlying (loss) / profit after tax<sup>3</sup></b>	<b>(364,009)</b>	<b>(378,450)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision - Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

<sup>2</sup> Includes right-of-use asset impairment, gain / loss on disposal of right-of-use assets and other occupancy costs.

<sup>3</sup> Underlying (loss) / profit is an unaudited, non-IFRS measure. Refer to table above for reconciliation of statutory to underlying results.

# APPENDIX 4E

## COMPLIANCE STATEMENT

The report is based on the consolidated financial report which has been audited. Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

Signed:

A handwritten signature in black ink, appearing to be 'G.F. Turner', written over a large, light grey watermark that reads 'For personal use only'.

G.F. Turner  
Director

26 August 2021





2021  
**ANNUAL  
REPORT**



# COMPANY VISION, PURPOSE AND PHILOSOPHIES

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

## OUR VISION

'To become the world's most exciting and profitable travel retailer, personally delivering amazing experiences to our people, our customers and our partners.'

## OUR VALUES

### 1 OUR PEOPLE

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

### 2 OUR CUSTOMER

We recognise that our customers always have a choice. We care about personally delivering amazing travel experiences. This is provided with honesty, integrity and a great attitude. It is the key to our company's success. The key measure of whether we really are personally providing our customers with an amazing experience, an amazing product and a very caring service is they will return again and again.

### 3 BRIGHTNESS OF FUTURE

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

### 4 TAKING RESPONSIBILITY

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

### 5 EGALITARIANISM AND UNITY

In our company, we believe that each individual should have equal privileges and rights. In all our countries and all our businesses there should be no 'them and us'.

## OUR PURPOSE

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

## OUR BUSINESS MODEL

### 1 OWNERSHIP

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

### 2 INCENTIVES

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

### 3 OUR STANDARD SYSTEMS – ONE BEST WAY

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

### 4 FAMILY, VILLAGE, TRIBE

Our structure is simple, lean, flat and transparent, with accessible leaders. Our business model is being one of the world's best and biggest small business operators. There is a maximum of 4 and sometimes 5 layers. The village is an unfunded, self-help support group that forms an integral part of our structure.

- Family (Teams – min 3, max 7 members)
- Villages (min 3, max 7 teams).
- Tribe (Areas – min 10, max 20 teams).
- Nations/Brands (min 8, max 15 areas).
- Regions/States/Countries.
- Board and senior leadership team.

### 5 PROFIT

A fair margin resulting in a business profit is the key measure of whether we really are providing our customers with an amazing experience, an amazing product and a very caring service – an experience they genuinely value and will pay us for.



## FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT) CORPORATE DIRECTORY

**Directors** G.F. Turner  
G.W. Smith  
J.A. Eales  
R.A. Baker  
C.M. Garnsey

**Secretary** D.C. Smith

### Principal registered office and place of business in Australia

275 Grey Street, South Brisbane QLD 4101  
+61 7 3083 0088

### Share register

Computershare Investor Services Pty Ltd  
200 Mary Street, Brisbane QLD 4000  
+61 7 3237 2100

### Auditor

Ernst & Young  
111 Eagle Street Brisbane QLD 4000

### Stock exchange

FLT shares are listed on the Australian  
Securities Exchange.

### Web address

[www.fctgl.com](http://www.fctgl.com)

## KEY DATES 2021/22

August 26, 2021  
2020/21 full year results released

September 1, 2021  
Director nomination deadline

October 20, 2021  
Annual General Meeting

February 24\*, 2022  
2020/21 half year results released

\* Dates are subject to change and the payment of any dividend is subject to the Board's discretion.

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

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

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

The financial report was authorised for issue by the directors on 26 August 2021. The directors have the power to amend and reissue the financial report.

FLT endorses the ASX's Corporate Governance Principles and Recommendations and complies in all areas, apart from amalgamating the Remuneration and the Nomination Committee. Further information on FLT's compliance with the Corporate Governance Principles and Recommendations, including FLT's Corporate Governance Statement, can be found on the company's website, <http://www.fctgl.com/investors/governance/corporate-governance-statement-2/>

# CONTENTS

Corporate directory .....	1
Chairman's message .....	2
FY21 results & overview .....	4
Strategic update .....	7
Outlook .....	12
Auditor's independence declaration to the Directors of Flight Centre Travel Group Limited .....	41
Statement of profit or loss .....	42
Statement of other comprehensive income .....	43
Statement of cash flows .....	44
Balance sheet .....	45
Statement of changes in equity .....	46
Notes to the financial statements .....	48
Directors' declaration .....	138
Independent Auditor's Report to the Members of Flight Centre Travel Group Limited .....	139
Shareholder information .....	146
Tax Transparency Report (unaudited) .....	147

# CHAIRMAN'S MESSAGE

GARY SMITH



Welcome to our 2021 fiscal year (FY21) annual report.

The 12 months to June 30 2021 was, of course, another incredibly challenging period for people and businesses globally as governments ramped up their efforts to mitigate the health and economic impacts of COVID-19. This saw most of the international travel restrictions that were adopted late in FY20 extended throughout FY21, along with curbs on other everyday activities.

In Australia, we also encountered a year of domestic travel upheaval, as states responded to COVID outbreaks by frequently closing and re-opening their borders – thereby creating a constantly changing and highly uncertain travel environment.

While this domestic and international border upheaval continues, causing ongoing havoc for leisure and corporate travellers early in FY22, we are also encouraged by:

- Improved trading conditions in the Americas, UK and Europe, which are very important markets to us; and
- The vaccination programs' early successes globally, which potentially deliver a safe and sensible path to a near-term return to some degree of normality and to longer term recovery.

## EARLY PROGRESS ON THE PATH TO RECOVERY

Our recovery trajectory to date has been broadly in line with expectations, although we did not initially anticipate the rolling shutdowns and border closures that we have encountered in various parts of the world and particularly in Australia. Our FY21 underlying loss finished at just over \$500million and was in line with the market guidance that we provided in May 2021, before the latest round of extensive lockdowns across Australia.

Sales revenue increased month-on-month throughout FY21, with this revenue growth offsetting the JobKeeper subsidy reduction in Australia at the end of the second quarter (Q2) and the program's removal at the end of Q3. JobKeeper's removal was premature in our view given the heavy domestic travel restrictions that are still in place some five months later and the fact that there is not yet a definitive timeframe for international travel's return.

This ability to maintain a global revenue growth trajectory throughout FY21 – despite regular border disruptions in Australia and other parts of the world – again underlines our business's diversity, which we consider to be one of its great strengths. For example, our US businesses performed strongly late in Q4 and into July 2021 to offset the inevitable slowdown we experienced in Australia and New Zealand when border restrictions were again applied late in the year.

Our US leisure and wholesale businesses, Liberty and GOGO, were profitable late in FY21 and into July 2021. Our Mexico business was also profitable towards the end of FY21, while the Americas-based Discova destination management business has delivered record results recently.

This is in addition to businesses that have been consistently profitable throughout the year like AVMIN (our aircraft charter division) and our United Arab Emirates corporate business.

Outside of the travel industry, the Pedal Group cycle business, which FLT has a 46.6% ownership in, continues to deliver record profits. The business, which expanded into New Zealand during the year, achieved an underlying \$54million profit before tax for FY21, up from \$18million during FY20, with group sales increasing to \$333million (FY20: \$199million).

As you may recall, we started FY21 with an initial goal of lowering our monthly operating cash outflows to \$65million per month by July 2020 in a worst-case, zero-revenue environment. We successfully achieved this goal and made further improvements as the year progressed as covered in Adam Campbell's column.

## CONTINUED SIGNIFICANT INVESTMENT IN KEY GROWTH DRIVERS

At a time when many competitors have been forced to either hibernate or pare back their expenditure on business-critical functions, we have continued to invest in initiatives that will enhance our customer offerings and drive future growth in shareholder value.

Strengthening our technology platforms has been a priority during the pandemic and we have delivered game-changing new platforms for customers of our extremely successful FCM and Corporate Traveller brands, along with other initiatives that have been outlined in Chris Galanty's and Melanie Waters-Ryan's columns.

Within our in-destination area, the Cross Hotels & Resorts hotel management business has expanded into Japan through a master franchise agreement with Tokyo-based AB Accommo Company Limited. The agreement will eventually see seven properties – from Okinawa to Hokkaido – trading under Cross's Away and Cross Vibe brands, with the inaugural property, Away Okinawa Kouri Island Resort, opening last month (July).

We have also moved to enhance our ESG (environment, social and governance) focus. This area is very important to us, our people and other stakeholders and we are committed to building on our ESG credentials moving forward.

During FY21, we released our first sustainability report after an internal audit of the programs we offered globally across our various operations. Since then, we have formed an internal ESG group – with senior leadership representation – and it will soon report back to our global leadership team and ultimately to our board with recommendations as to how we can enhance our ESG focus from here in terms of clearly setting our goals, targets and accountability by way of reporting structure.

People are, of course, our most valuable asset and we continue to work hard in very challenging conditions to attract and retain a highly skilled team to guide us through to the recovery phase.

As covered in detail in the Remuneration Report, we have tailored two new programs – the Global Recovery Rights and Post COVID Recovery Plan – to assist us in trying to ensure that we achieve our strategic objective of retaining these key people, at a critical juncture in our recovery and through a period of heightened risk. Our people – in front-end sales roles, within our support ranks and at executive level – have skills that readily translate to other industries and sectors that are less affected or are recovering more rapidly.

These two programs are designed to try and improve our ability to retain our workforce in the face of aggressive targeting from other less impacted sectors. Another benefit flowing directly from these programs, which are built on share right grants, is that all of our people will potentially be shareholders in our company, in line with our philosophy of encouraging everyone to have genuine ownership of our company and creating an even stronger alignment between our people's and our investors' interests.

## ACHIEVING STRATEGIC OBJECTIVES IN LEISURE AND CORPORATE SECTORS

While the recovery trajectory within our businesses globally is fundamentally linked to the prevailing travel restrictions, we are generally achieving our corporate and leisure strategic objectives within a constrained trading environment.

In corporate travel, we are winning and implementing large volumes of new business, while continuing to retain almost 100% of our customers in the FCM business thanks to our very compelling client offerings which fuel our proven organic growth model. We have also taken steps to transform our Corporate Traveller business through the Melon platform launch.

In leisure, we are diversifying our offerings by investing in a broader range of channels to support our smaller – but still highly accessible – shop network and to give customers additional options to access our services. At this relatively early stage, the evidence suggests we are maintaining or increasing market-share across these channels in key locations like Australia and South Africa, despite the almost complete absence of our core leisure product in those markets – international travel.

There is strong pent-up demand for travel – particularly among leisure customers, who are subject to the heavier restrictions that typically apply to discretionary travel. We are also working hard to attract new customers through our multi-channel offerings and expect to see market share gains as a result of industry consolidation.

We believe we are ready and well-placed to capitalise on what shapes as a major rebound when international and domestic borders reopen fully.

From a financial perspective, we have maintained a lengthy liquidity runway, which should allow us to weather the current challenges and to capitalise on opportunities during the coming period of market recovery.

Our brand and geographic diversity will underpin our resilience during FY22 and beyond.

While Australia-New Zealand remains our largest region by sales, our profits are now significantly leveraged to larger overseas markets like the Americas and Europe, Middle East and Africa (EMEA) that are currently better placed to lead the global travel recovery. Within these regions, vaccinations are at relatively high levels and restrictions are being relaxed, particularly for those who are vaccinated.

## CONCLUSION

While FY22 will inevitably present its share of COVID-related challenges, we are focused on matters that are within our control and start the year with renewed optimism that we are:

- Making solid early progress on the path to recovery; and
- Building strong platforms for the future by investing in the assets, programs and initiatives that will fast-track our rebound and drive future growth in shareholder value

We are generally achieving our leisure and corporate strategic objectives in what remains a subdued trading climate and are ready to capitalise on what shapes as a major travel rebound when restrictions are lifted and as travellers are cleared to again take off.

Thank you once again for your ongoing support of our company and our people during what has been a very challenging period for all of us during the past 12-18 months. We look forward to updating you on our continued recovery as the year progresses and to once again fulfilling our company purpose of "opening up the world for those who want to see".

# FY21 RESULTS & OVERVIEW

**ADAM CAMPBELL**

CHIEF FINANCIAL OFFICER



THE Flight Centre Travel Group (FLT) recorded a \$507.1million underlying loss before tax during the 2021 fiscal year (FY21).

While this result was in line with our FY21 guidance, we were disappointed to report a loss of this magnitude given our long pre-pandemic record of profits and year-on-year total transaction value (TTV) growth. Indeed, just 18 months ago, we would have considered a loss-making year to be highly unlikely, given our record of trading profitably in the face of a wide variety of market challenges.

That was, of course, before the COVID-19 crisis arose and governments globally applied widespread restrictions that have, at best, severely hampered and, in some cases, completely removed our ability to sell our core products.

This short-term reversal in fortunes does not, however, mean that the work that was undertaken and the investments that were made prior to the pandemic have been wasted.

Rather, we are playing the long game by pushing ahead with our pre-COVID investments in business-critical functions and future growth drivers to ensure we emerge from this crisis with a leaner and more productive business that delivers scalable profit growth. We expect to generate a strong return on these COVID-period investments as market conditions improve.

Already, some very familiar themes from our recent past are re-emerging in the early stages of our recovery, specifically:

- Our corporate business is once again underlining its reputation as a world leader in the sector by growing to win during the pandemic and generating a larger share of our total sales, while also laying very strong foundations for further organic growth
- Our leisure business maintains its relevance to customers and market-share is increasing in key locations through a wider and stronger variety of channels operating alongside a smaller shop network; and
- Our diversity remains an enduring strength, with the Americas business underlining its potential as a near-term earnings powerhouse for the group by again delivering strong month-on-month growth

5 YEAR RESULTS SUMMARY	FY21	FY20 RESTATED <sup>1</sup>	FY19	FY18	FY17
TTV	\$3,945m	\$15,303m	\$23,728m	\$21,818m	\$20,109m
Revenue Margin	10.0%	12.4%	12.9%	13.4%	13.8%
EBITDA	\$(432.3m)	\$(594.3m)	\$427.3m	\$442.2m	\$402.1m
Profit/(loss) before income tax (statutory)	\$(601.7m)	\$(848.6m)	\$343.5m	\$364.3m	\$325.4m
Profit/(loss) before income tax (underlying) <sup>2,3</sup>	\$(507.1m)	\$(509.2m)	\$343.1m	\$384.7m	\$329.5m
Net profit/(loss) after income tax (statutory)	\$(433.5m)	\$(662.2m)	\$264.2m	\$264.8m	\$230.8m
Earnings/(loss) per share	(217.5c)	(552.2c)	224.2c	261.6c	228.5c
Dividends per share <sup>4</sup>	-	-	158.0c	167.0c	139.0c
Special dividends per share <sup>4</sup>	-	-	149.0c	-	-
ROE	(45.3%)	(48.7%)	18.1%	17.0%	16.2%

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision - Configuration and Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

<sup>2</sup> Refer to note A1 segment information for reconciliation of statutory to underlying loss before tax.

<sup>3</sup> Underlying PBT, TTV, Income margin, EBIT and EBITDA are non-IFRS measures and are unaudited.

<sup>4</sup> Dividends per share exclude the special dividend paid during the 2019 period.



## LOSS OF JOBKEEPER SUBSIDY MASKS SIGNIFICANT 2H TRADING IMPROVEMENT AND MOMENTUM

Underlying FY21 and FY20 losses were fairly similar, although some \$660million in underlying losses were, of course, incurred in rapidly deteriorating conditions during the last four months of FY20 after a \$150million underlying profit before tax for the eight months of the year.

Although underlying losses were reasonably consistent between the two halves of FY21, as we foreshadowed they would be in May, we saw tangible signs of recovery as the year progressed.

This recovery was built on consistent month-on-month sales growth, escalating during the 2H and culminating in a COVID-period record in June 2021, along with tight ongoing cost discipline.

Sales revenue for the six months to June 30 2021 increased 48% – or \$76.3million – compared to results for the six months to December 31 2020 and we typically recorded strong Q4 rebounds globally, despite constantly changing conditions and travel restrictions as countries entered and re-emerged from lockdown.

This solid 2H sales growth comfortably outweighed cost growth, with expenses increasing modestly – up 8% or \$42million – compared to the first half.

Unfortunately, a \$41million reduction in retained employee government subsidies – mainly related to the JobKeeper program in Australia – during the 2H masked the healthy rebound in trading we experienced as the year progressed. While other government support packages globally extended throughout the year and beyond, the JobKeeper subsidies decreased during the Q3 and the program wound up ahead of the Q4.

Statutory (actual) losses before tax improved from \$848.6million during FY20 to \$601.7million during FY21, with the differences between underlying and statutory losses again highlighted in the accompanying table. After tax, the company recorded underlying and statutory losses of \$364.0million and \$433.5million respectively (FY20: \$378.5million and \$662.2million).

Total transaction value (TTV) for FY21 finished at \$3.9b (FY20: \$15.3b), with revenue reaching \$395.9million (FY20: \$1.9billion).

The global corporate businesses contributed 55% of the company's FY21 TTV and have generally led the recovery in most countries to date.

The global leisure businesses were tracking at 14% of historic TTV levels by the end of FY21 and have generally been impacted more severely by cancellations and tighter discretionary travel restrictions, given their much heavier international travel weightings and the leisure division's overall weighting towards the Southern Hemisphere (Australia and New Zealand in particular).

In a promising sign for the future, Liberty and GOGO, the US leisure and wholesale businesses respectively, have started to lead the leisure recovery and were profitable at times during the 2H, thanks partly to limited travel restrictions in these brands' core Mexico and Caribbean markets.

In both leisure and corporate travel, the US experienced a strong recovery late in FY21.

US TTV during the 2H increased month-on-month at a 22.6% compounding rate.

Group-wide, revenue margin was 10.0%, in line with our expectations but lower than our traditional levels as a result of:

- Heavier than normal domestic travel weightings; and
- A relatively high proportion of low margin government business

As travel patterns normalise and international travel returns, we expect revenue margin to recover to pre-COVID levels.

The consistent sales revenue growth achieved during FY21, coupled with the significant US 2H rebound, have again highlighted our diversity, as we were able to maintain our recovery trajectory while other countries that would normally make material contributions to group results, particularly the United Kingdom and Australia, went in and out of lockdown.

Our earnings leverage towards the Americas and EMEA, which is highlighted in other columns, also potentially provides a faster path to recovery, given that travel is now re-opening in these regions.

## ONGOING COST DISCIPLINE WHILE INVESTING IN KEY GROWTH DRIVERS

As outlined in Gary Smith's column and in previous market announcements, we achieved our initial target of lowering monthly operating cash outflows to less than \$65million by the end of July 2020 and held recurring monthly costs at \$70million to \$75million for the remainder of the year.

At these levels, we have been able to appropriately balance our short-term need to reduce costs to sustainable levels in a low revenue environment against our ongoing objective of preserving and enhancing our building blocks for future growth.

We started FY21 with a keen cost and liquidity focus – which were priorities during our initial response to the pandemic – before shifting our attention to preparing for growth as the year progressed by investing in platforms, products and people.

There are tangible signs across all areas of the businesses that this growth focus is already paying dividends with:

- The corporate business winning large and high-profile new accounts that will trade this year and fuel future growth, particularly in the Northern Hemisphere, in addition to rolling out game changing new technology for customers
- The leisure business deploying a new growth strategy, built around new and emerging channels that are starting to deliver a higher proportion of overall sales - thereby decreasing our traditional reliance on the shop network to drive growth; and
- In-destination business Discova securing new revenue streams and trading at record levels in the Americas, while competitors have been forced to either hibernate or significantly scale back their operations. Our hotel management company, Cross Hotels & Resorts, also announced a major expansion into Japan, as mentioned in Gary's column.

Part of our fixed cost growth as the year progressed can be attributed to our decision to welcome back "stood-down" staff in Australia after JobKeeper ended late in the Q3.

As expected and as mentioned previously, variable costs also increased during the year, largely as a result of increased incentive payments to sales staff as revenue started to increase. These costs are currently tracking at circa 15% of revenue and are expected to increase to circa 25% of revenue as our recovery gains momentum.

One-off cash costs related directly to the company's COVID-19 response were \$200million during FY21, with an additional \$12million, largely related to lease exits, expected to be incurred during FY22.

Cash burn during the 2H was between \$30million and \$40million per month and, by year-end, was mainly being incurred in Australia and in FLT's Global area, with the Americas business approaching a neutral cash position after its strong sales uplift late in the year. Prior to the lockdowns in Australia late in FY21, the company was on track to lower cash burn to below \$30million in June 2021.

## MAINTAINING A LENGTHY LIQUIDITY RUNWAY

We moved quickly as the crisis escalated late in FY20 to become a leaner and more efficient business with a long liquidity runway, which has been crucial during this challenging period.

At June 30 2021, FLT had total cash reserves of \$1.36billion. Total liquidity was \$941million, after deducting client cash and allowing for a complete unwind of working capital.

To date, client cash has exceeded \$300million at all times during the pandemic and had built up to \$331million at June 30 2021.

Liquidity was bolstered during FY21 through FLT's \$62.2million Melbourne office sale in July 2020 and the \$400million convertible note issue, which was launched in November 2020 and which also allowed the company to restructure its debt facilities and covenants and to retire \$100million in short-term borrowings.

During the 2H, the company also extended the GBP65million loan it secured under the Bank of England's COVID Corporate Finance Facility (CCFF) for 12 months and accessed an additional GBP50million through to March 2022.

We have maintained strong and positive relationships with our banking partners and thank them for the continued support. I would also like to take this opportunity to thank our shareholders for their strong support of our capital raising in FY20, as well as the participants in the Convertible Note issue in FY21.

## FY22 – CONTINUING TO TARGET A RETURN TO PROFIT IN LEISURE AND CORPORATE

Predicting a timeframe for recovery remains very difficult, given the lack of visibility and clarity around future government strategies and the various vaccination programs' ongoing effectiveness against new strains.

We said last year that we were targeting a return to breakeven on a month-to-month basis in both leisure and corporate travel during the 2021 calendar year on the basis that "domestic borders were likely to open permanently, and some (low risk) international travel could be permitted".

This would require us to reach circa 50% of our historic global TTV levels in corporate and about 40% in leisure, in addition to requiring governments to re-open borders. Further commentary on our outlook and FY22 expectations have been included in Graham Turner's column.

## GOVERNMENT SUPPORT INVALUABLE IN CHALLENGING TRADING CLIMATE

Finally, I'd like to again acknowledge the various support packages that governments throughout the world put in place during these extraordinary times. During FY21, we recognised \$236.1million in government subsidies or support packages as other income in our statement of profit or loss.

A significant portion of this had a corresponding expense against it, as it was paid through to stood-down or furloughed employees under JobKeeper or other programs. In all, about \$224million related to personnel, with some \$117million being paid directly to employees and the remaining \$107million paid to FLT to partially offset the wages of retained staff.

These types of programs and the access to government-backed loans that we have secured overseas have delivered critical short-term assistance and saved jobs while travel has been grounded.

## CONCLUSION

After a very challenging period, we believe we are on the path to recovery, with:

- Sales increasing consistently, despite ongoing volatility in relation to borders
- Vaccination levels reaching significant levels in most of our key markets; and
- Governments overseas starting to remove or relax the restrictions that have prevented or severely inhibited travel

We are now a leaner and more efficient organisation and are ready to capitalise on opportunities in the post-pandemic world, given our success in maintaining a strict cost discipline and lengthy liquidity runway, while also investing significantly in initiatives and strategies that will underpin our future growth.

Returning to profit in the short-term remains very much front of mind, but we will also continue to play the long game to deliver sustainable returns to you, our valued shareholders.



# CORPORATE UPDATE

**CHRIS GALANTY**  
CEO OF CORPORATE



THE Flight Centre Travel Group's global corporate travel division starts the new fiscal year in a strong position after again underlining its credentials as an innovative and disruptive world leader in the sector during FY21.

Against a backdrop of industry turmoil brought about by the global pandemic, our business laid the foundations for solid future growth by:

- Continuing to develop two category-leading global brands in FCM, which targets large market and enterprise customers, and Corporate Traveller, which specialises in SME and start-ups
- Securing new accounts with projected annual spends in the order of \$USD1.4billion, while retaining almost 100% of its large market customers – thereby fuelling future organic growth
- Investing in new products and platforms for the post-COVID world to fortify an already strong technology offering; and
- Enhancing global service capabilities to ensure improved customer experience and greater synergies across countries

Within the next few months, both FCM and Corporate Traveller will bring to market new digital platforms that will deliver meaningful new benefits to customers and, at the same time, are likely to further disrupt legacy travel management companies. Both the FCM Platform and Corporate Traveller's Melon platform have been "designed with customers for the post-COVID world" and deliver a proprietary end-to-end customer experience.

These platforms draw from FLT's widest range of air and hotel content and use Artificial Intelligence (AI), robotics and data science to produce tangible benefits, including faster onboarding, greater accuracy and better understanding of customer behaviour to streamline the buying process.

The FCM Platform will offer large-market customers the dual benefits of global consistency and flexibility in the form of bespoke user experiences and choice. This unique mix underpins the FCM Platform offering which is already available in China and provides the features global customers need along with best-in-market experiences tailored to the local Chinese market.

Through its proprietary Melon platform, Corporate Traveller will provide customers with a simple, end-to-end, mobile-first, consumer-grade experience, tailored for SME customers and with the sophistication required in the new world of travel in terms of duty of care, data and security.

## GROWING TO WIN

Our investments in new platforms and products are part of a broader "grow to win" strategy that is in place within our business during the pandemic.

In simple terms, grow to win is about winning market-share by retaining existing customers and winning new customers.

To achieve this ongoing organic growth, which is a key to our longstanding success as a business, we will keep investing in:

- Winning and on-boarding new customers
- Our two key brands to ensure they become differentiated category winners
- New products to ensure we address both the SME and large market categories with best-in-class customer

experience, which we are doing in an even stronger way through Melon and the FCM Platform; and

- Productivity, data science and automation to give an enhanced customer experience, improve margins and lower our cost base

While we have reduced costs, we have not followed the lead of some competitors who have cut costs back to the bare minimum to hibernate through the crisis. This would deliver a faster path back to short-term profitability, but would also slow our medium and longer-term growth.

Instead, we choose to “invest to win” and this will see us re-emerge with more customers, new differentiated brands and two completely new products in both brands. This will deliver a clear growth pathway in a market that is unlikely to return to pre-COVID levels for several years and at a time when significant consolidation is taking place.

### FY21 – TRANSACTION VOLUME GROWTH OUTPACING TTV GROWTH IN LOW FARE ENVIRONMENT

Looking back to FY21 trading, we were naturally disappointed to record a \$122.0million underlying loss before tax, generated from \$2.2billion in TTV, in a very challenging climate. We were, however, pleased with the recovery, particularly late in the year when trading conditions started to normalise in some of our larger markets.

Sales increased consistently throughout FY21, with transaction volumes globally approaching 50% of pre-COVID levels by the end of July 2021.

This was despite very tight travel restrictions remaining in place and many companies maintaining “essential travel only” policies, which meant they traded at much lower levels than normal (in some cases less than 10% of pre-COVID levels).

Given the very heavy restrictions on international travel, customer activity was more heavily weighted towards lower priced and shorter duration domestic travel. Consequently, the TTV recovery – at circa 40% of normal levels by year-end globally – was more subdued than the 50% volume recovery.

During FY21, we secured accounts globally with annual spends in the order of \$US1.4billion, with about \$US900m of new wins currently in the implementation stage (not fully onboarded or in the solution design process). Included in these wins are flagship accounts such as P&G and large and high-profile government accounts in the United Kingdom and France, which further diversify our global customer base.

About 70% of this new business will trade in the Americas and EMEA, regions that are major growth drivers and that have solid short-term recovery prospects given that vaccination programs are now at advanced levels.

Our ability to win large volumes of new business and to retain existing customers – retention within FCM tracked at 98.5% during FY21 – also highlights the strength of our proven organic growth model.

While we have completed strategic acquisitions in the corporate sector to complement this organic growth, our rationale in making these acquisitions has typically been:

- To secure a small but scalable footprint in important new markets; or
- To enhance our platforms and overall customer offerings, as evidenced by the WhereTo acquisition during the pandemic. The WhereTo technology has been instrumental to Melon’s creation and will help accelerate growth in the Americas in the short-term with \$US140million of business already committed to booking via the platform

### POSITIVE START TO FY22 – TARGETING RETURN TO PROFITABILITY

Looking ahead to the current year, recovery has escalated in some countries in July, despite the month typically being seasonally softer than June.

A number of businesses are now either back in profit or approaching break-even, including Corporate Traveller in the United States and South Africa and FCM in the United Arab Emirates, South Africa and Mexico. We have also seen rapid recent recovery in Canada, with transaction volumes now tracking above 50% of pre-COVID levels.

Overall, our corporate division can reach breakeven with circa 50% of its traditional TTV, a target that is now within reach. We may, however, make further investments before reaching this point, which will push the breakeven point higher.

We believe we will see further consistent growth in customer activity during FY22, driven by a continuation in essential travel and a gradual return of C-level travel, meetings and general corporate travel for those who have been vaccinated.

It will not, however, be business as usual.

During the pandemic, customers’ hierarchy of needs have changed from:

- Cost to duty of care
- Offline to digital service
- 9-5 to 24/7; and
- Simple to need for advice

This ongoing market evolution, which also includes a renewed focus on sustainability, will lead to increased demand for Travel Management Companies’ services and a shift away from unmanaged and supplier-direct bookings. Both FCM and Corporate Traveller have proprietary technology, backed by people, with the agility and adaptability to meet these changing needs and to ensure they benefit from market consolidation.

Within the enterprise (large market) segment, there has already been considerable change with only three of the traditional top-4 remaining. Other traditional competitors are struggling to keep pace with changing customer needs around agility, duty of care and digital investment, although we are also seeing some new tech-first entrants, which we are countering through our new platforms and products.

Overall, we believe the prospects for our corporate businesses are bright and we look forward to updating you on our progress during the year.

# LEISURE UPDATE

**MELANIE WATERS-RYAN**

CEO OF LEISURE



IT'S been an eventful year for the Flight Centre Travel Group's (FLT) global leisure travel division on its dual path to near-term recovery and longer-term transformation.

While we take no comfort from reporting a significant loss for the 2021 fiscal year (FY21), we are encouraged by:

- The progress being made towards the strategic objectives we are focusing on as part of the transformation program we initiated pre-COVID
- The enhancements we are making to our business through our significant ongoing investments in our multi-channel network and capabilities; and
- Our recovery prospects in what currently looms as an improving – albeit still volatile – trading cycle

In essence, our structural changes have now been completed after our transformation efforts were fast-tracked early in the pandemic, we have positioned ourselves for recovery by investing in and enhancing our offerings and we are starting to see promising early signs that our strategies are working.

The speed of recovery is, of course, predicated on vaccinations continuing to prove effective and governments continuing to lift travel restriction, which we are not yet seeing in any meaningful way in our larger Australia and New Zealand markets. We are, however, already benefitting from a return to more normal conditions in South Africa and the USA, which is bouncing back strongly.

We also expect to benefit from the enhancements we are fast-tracking during the pandemic.

These enhancements have included significant and ongoing investments in:

- Our global shop footprint, which houses an experienced and high-calibre workforce
- Irresistible and unique customer offers, created by our product design teams
- Repositioning and modernising the flagship Flight Centre brand for COVID-period and beyond customers; and
- Platforms, specifically online and digital capabilities, productivity tools and new business models and channels that will drive future growth and productivity

## MOMENTUM BUILDING, WELL POSITIONED FOR RECOVERY

Looking back to FY21, TTV reached \$1.5billion and was tracking at 14% of pre-COVID volumes by the end of the year. Sales tended to gradually increase, despite some markets continuing to be impacted by border closures and lockdowns.

The Liberty business traded solidly in the USA late in the year, exceeding pre-COVID productivity levels and maintaining profitability. Similarly, the GOGO external wholesale business has also led the recovery to date, trading profitably late in FY21 and generating solid forward bookings.

The US leisure business overall was capturing more than 40% of pre-COVID TTV by June 2021, with a significantly reduced sales force (15% of pre-COVID levels) backed by enhanced offerings across other channels.

In Australia – and in most markets – demand has been fairly strong when borders have re-opened. Continuing lockdowns have, however, damaged consumer confidence in inter-state travel and in the Trans-Tasman bubble, which has now been suspended.

On a very positive note, we are achieving our strategic objective of capturing a larger share of both the on and offline leisure markets in Australia, with industry data showing:

- An increase in Australia online (intermediary) market-share by 8% to 25%, with record online transaction numbers on flightcentre.com.au in some months before further lockdowns were implemented; and
- Continued dominance in the Australian Leisure Offline Travel Intermediaries sector, where our market-share now exceeds 40%, despite our core international travel product not being available for sale. Industry consolidation will undoubtedly lead to further growth opportunities as international travel returns, given international sales normally make up 80% of our shop network turnover

The New Zealand business, which also had a heavy international travel weighting pre-COVID, benefitted from solid uplifts in bookings when the Trans-Tasman and Cook Island bubbles opened late in the year.

The South Africa business has performed solidly, given the country's ongoing battles to bring COVID-19 under control.

Recovery was fairly modest in both Canada and the UK until recently, although both countries have made strong progress with their vaccination programs which has improved the travel outlook. The UK recently reopened its travel corridors after closing them in January 2021, while Canada has just reopened its border to fully vaccinated Americans for the first time in 16 months, although the US has not yet reciprocated.

## FORTIFYING A HIGH-PROFILE BUSINESS WITH A LONG PROFIT HISTORY

The changes we are making are ultimately geared towards ensuring our global leisure business, which has consistently generated record TTV, remains both highly relevant to customers and a key contributor to the group's profit.

Immediately prior to the pandemic (FY19), the Australian leisure business was far and away our most profitable business globally, as well as being the largest contributor to group sales in a year when the global leisure division generated almost \$14billion in TTV. In addition to Australia, the leisure business was also the major profit contributor in New Zealand and South Africa, the two other countries where we have mass-market leisure offerings.

The leisure division's overall contribution to group profit was, however, being adversely impacted by loss-making, break-even or low profit businesses in the United Kingdom, the Americas and Asia. Some of these businesses have now closed, while others have scaled back to a more appropriate size.

On a promising note, we are seeing pleasing recovery in the USA, with the scaled back Liberty and GOGO businesses consistently profitable recently, as mentioned above.

## NEW GROWTH MODEL IN PLACE AND PROVING SUCCESSFUL

One of the other challenges that we are addressing is cost-effective growth.

Historically, we relied heavily on advertising and growth in shop and consultant numbers to drive sales growth. While this model was delivering consistent TTV growth, it was also starting to experience a steady decline in return on investment.

To address this challenge, we have shifted to a new model designed to unlock a new era of growth and to increase market-share in a more cost-effective way by coupling:

- A smaller but strong and high accessible shop network – in Australia, 95% of the customers who transacted with us in the past two years have an open Flight Centre store within 5kms of where they last transacted; with
- Enhanced offerings across other new and emerging channels that are scalable and highly productive

The new model, which was designed pre-COVID as part of our transformation plan, is aligned to changing customer travel shopping needs, our B2B sales capabilities and better economic business models to complement our core agency model's strengths.

Key focus areas within this model include:

- e-commerce, an area that we are performing very well in, as outlined below
- The premium and luxury markets, which we predominantly service through the Travel Associates and Laurier Du Vallon brands; and
- A rapidly developing area that we refer to as "HOTTE" or Home Of The Travel Entrepreneur, which is targeted at independent agents and agencies

Globally, FLT now has about 1400 independent agents attached to its HOTTE network, with about half currently trading. Almost 300 of the independent agents currently trading are located in North America, where the independent contractor model is well established.

We have also developed an enhanced call centre model, which should capture a higher percentage of our overall bookings moving forward. This is a scalable and productive service that provides customers with 24/7 access to sales consultants and support worldwide, while also providing the company with flexible infrastructure that can shift from country to country and in line with seasonal trading patterns.

## E-COMMERCE SALES INCREASING AND POISED FOR FURTHER GROWTH

In line with this new growth strategy, the e-commerce channel has significantly increased its share of both FLT's business and the overall market in Australia, as we continue to enhance our online offerings in terms of content, capabilities, connections to other channels and pricing.

During FY21, online leisure gross TTV globally topped \$300million – roughly 20% of the group's Leisure total – with the flightcentre.com.au website generating 29% of the brand's Australian gross TTV.



Recent developments within this channel include:

- The Jetmax online travel agency (OTA) brands, BYOJet and Aunt Betty, securing a global agreement that will allow them to offer their discounted international airfares to travellers in new markets globally via the Google Flights platform; and
- StudentUniverse becoming part of Amazon's Prime Student offering, which means the online youth and student travel marketplace can distribute exclusive flight and hotel offers to Amazon Prime Student members in the United States

By 2024, we expect more than 20% of our total leisure sales globally will come from online channels, compared to circa 7% in FY19. Sales through our traditional shop network are likely to represent some 65% of TTV by FY24, compared to 93% during FY19, with the balance to come through the new call centre model and the HOTTE offering.

## CONCLUSION

In summary, we continue to weather the challenges posed by COVID-19 and expect to emerge from this crisis in a relatively strong position.

We continue to enhance our brands, deals, products, platforms and offerings and are seeing positive momentum, particularly when government policies change and customers are permitted to travel either domestically or internationally.

In our large leisure markets, we are generally increasing market-share through our enhanced multi-channel offerings, which points to successful execution of one of our key strategies and creates further optimism about our ability to contribute significant profits to the group as the recovery gains momentum.

In finishing, I would like to make special mention of our leisure consultants, who have worked tirelessly during the pandemic to help customers secure refunds or change their travel plans – in some instances many times over. In Australia alone, our consultants have now secured in the order of \$1.4billion in refunds from suppliers.

I would also like to thank customers for their ongoing support and for their patience, particularly in the early stages of the pandemic when new systems and processes were finetuned and implemented in the face of a never-before seen and prolonged disruption to global travel patterns.

# OUTLOOK

**GRAHAM TURNER**

CHIEF EXECUTIVE OFFICER



AFTER an incredibly challenging past 18 months, FLT has started the new fiscal year with renewed confidence.

This might seem counter-intuitive, given the magnitude of our FY21 losses and that large parts of Australia are again in lockdown, but it is based on tangible evidence that:

- Our recovery gained momentum as the year progressed
- Market conditions appear to be improving in most countries, particularly in the United States, Canada and the United Kingdom, countries that are traditionally material profit contributors to our company and that will be the major beneficiaries of the new corporate accounts we are winning
- We are bringing new products and technology platforms to market to enhance the customer experience; and
- We are leaner and more productive and well placed to benefit in both the corporate and leisure sectors as the travel industry globally takes off again after being grounded for a lengthy period

Of course, there cannot be any guarantees in the face of a never-before-seen threat and given that our short-term recovery trajectory is tied to factors that are beyond our control – specifically government policies and COVID-19 vaccination programs continuing to prove effective.

## TARGETING A RETURN TO MONTHLY LEISURE AND CORPORATE TRAVEL PROFITABILITY DURING FY22

Amid this uncertain climate, we continue to target a return to profitability in monthly trading in both our leisure and corporate travel divisions during FY22. The exact timing is uncertain and remains largely in government hands, given it is intrinsically linked to border re-openings and the removal of travel restrictions.

We are, not, therefore currently in a position to provide specific FY22 guidance, given this uncertainty.

Assuming vaccination programs continue to prove successful, we expect these restrictions will gradually and selectively ease as the year progresses and as countries open back up for business in safe and sensible ways – initially through travel corridors or bubbles. We do not need a full resumption of international travel to return to profitability, although we do think a meaningful recovery is possible in the short to medium-term.

As we said last year, when we initially outlined our recovery expectations, profit projections were based on domestic borders in Australia reopening and staying open and some international travel resuming. While we have not yet seen this in Australia, we have now started to see progress in other countries, with a number of international borders re-opening and potentially providing a material uplift in the near-term. At the time of writing, travel had started to resume on the USA-UK and USA-Canada routes (one-way bubbles) and within Europe. Further re-openings are happening, including Canada-UK (Sept 7) and Germany-Singapore (Sept 8).

A full resumption of US-UK travel would deliver material benefits to our company given that this route alone represented circa 25% of FLT's air TTV from the UK and 6% of overall US TTV pre-COVID.

Other government policy changes that have been contemplated recently could also deliver significant benefits. For example, fewer restrictions for vaccinated travellers, including the ability to avoid lengthy and expensive isolation or hotel quarantine requirements, would remove one of the major factors that has, to date, hampered travel recovery.

To reach break-even, we need to generate some 50% of our traditional TTV in corporate and circa 40% in leisure. This is based on current spend, which means the percentages will

increase if we decide to increase the investments we are making in the business to generate stronger future returns.

Before outlining the internal and external factors that give us renewed confidence about our prospects for FY22, I would like to thank you and other shareholders for your support. We remain very focussed on improving returns in the short-term, but also continue to build for the future at a time when others are unable to invest significantly in their offerings.

## EXPECTING STRONG RETURNS ON PANDEMIC-PERIOD INVESTMENTS

Looking within our own business, we are expecting tangible returns on the pandemic-period investments we have made in more favourable trading conditions during FY22.

We are now a leaner and more efficient organisation with a stable cost base and solid global revenue momentum, despite many of our businesses still being impacted by travel restrictions which means we are well placed to benefit as the cycle improves.

In both the corporate and leisure travel sectors, we are successfully executing our productivity strategies and achieving our operational objectives.

We have continued to invest in our key growth drivers, including our people, platforms and products – during the pandemic, an immensely challenging period that has led (and will inevitably lead) to further market consolidation. While we too have changed to adjust to this never-before-seen trading climate, we have focussed on protecting our key assets and we should be well placed to benefit from this consolidation in the months and years ahead.

Travel will inevitably be more complex in the post-COVID world and customers will require more assistance as they navigate new requirements and seek to understand any restrictions that may still apply. In this type of environment, our people's knowledge and our enhanced systems will prove invaluable at every step of the customer journey.

Our brand and geographic diversity have shielded our company from some of the challenges others have faced, while also potentially fast-tracking our recovery given our earnings leverage to countries and regions with strong recovery trajectories.

For example, about 54% of our pre-COVID group earnings came from the Americas and EMEA – regions that have well-advanced vaccination programs, fewer restrictions in place and solid sales momentum. The Americas and EMEA also stand to benefit significantly from the large pipeline of corporate accounts won during FY21 (circa \$US1.4billion), with some 70% of this new business set to trade in the two regions.

In addition, there is very significant potential upside in markets like Australia and New Zealand, which are particularly important to our leisure division and which remain under very heavy restrictions perhaps until the FY22 Q2.

## TRAVEL INDUSTRY POISED FOR RAPID TAKE-OFF AS MORE FAVOURABLE MARKET CONDITIONS EMERGE

Several lead indicators point to the possibility of a fairly rapid travel industry take-off.

Firstly, vaccination programs are gaining significant momentum. By the middle of this month (August), almost 5billion doses had been administered globally – enough to fully vaccinate more than 30% of the global population – and more than 50% of the adult populations had been vaccinated in several key FLT countries, including the USA, Canada and the UK (Source: Bloomberg).

Secondly, travel restrictions are being relaxed or removed in various locations, as highlighted earlier in this column.

Thirdly, consumers are ready and able to travel as soon as governments allow them to, with confidence recovering rapidly, savings at or near all-time highs – Moody's Analytics recently released data showing that \$US5.4trillion in excess savings had been banked during the pandemic globally – and significant pent-up demand evident.

According to a survey we conducted in mid-August, almost a quarter of the respondents hoped to travel within a month of COVID-19 being contained, while a global survey conducted by the International Air Transport Association (IATA) during the FY21 Q3 found that 57% of travellers planned to take-off within two months of COVID-19 being brought under control.

Fourthly, suppliers are looking to stimulate demand.

Airlines are rapidly ramping up capacity to capitalise on opportunities when international borders open. For example, US carrier JetBlue announced plans to launch services between New York's JFK Airport and London's Heathrow within days of the US-UK reopening announcement, with the US allowing reciprocal travel rights and with a lead-in one-way fare of just \$US202.

## AUSTRALIA STARTING TO PROGRESS ON THE PATHWAY TO FREEDOM

While our near-term prospects look positive in many markets, conditions in Australia are again challenging early in FY22, with large parts of the country back in lockdown.

As lockdown frustration has intensified and as the costs – financial, mental and emotional – have skyrocketed, attention has turned to finding more sustainable ways to safely and sensibly navigate our way out of the pandemic and to return to a degree of normalcy in our everyday lives, while protecting the vulnerable and minimising hospitalisations.

This will help prevent us from being rapidly left behind the rest of the western world in our freedoms through random lockdowns, tight restrictions on normal activities and widespread border restrictions at a time when other countries are opening back up.

The near-term solution, as things currently stand, is obviously the vaccination program and it is finally starting to gain more meaningful momentum, which increases the prospects of travel and other restrictions being lifted in the not-too-distant future, as highlighted earlier in this column.

We are, of course, dealing with a never-before-seen challenge that is evolving, so there can be no guarantees. There is, however, cause for optimism that we can return to a more normal life in the near-term assuming vaccinations continue to prove successful in minimizing the virus's spread and reducing hospitalisations and fatalities.

## CONCLUSION

After a very challenging 18 months, we start the new fiscal year with solid foundations and recovery prospects in what looks to be an improving global market for both leisure and corporate travel.

We continue to target a return to profitability during the year, based on:

- Our current recovery trajectory; and
- An expectation that international travel continues to gradually return and Australian domestic borders reopen and remain open

There are, of course, some uncertainties, including the Delta strain and government reactions to it, given it has predominantly impacted those who have not been vaccinated.

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Travel Group Limited (FLT) and the entities it controlled at the end of, or during, the year ended 30 June 2021.

## PRINCIPAL ACTIVITIES

The group's principal continuing activities consisted of travel retailing in both the leisure and corporate travel sectors, plus in-destination travel experience businesses including tour operations, hotel management, destination management companies (DMCs) and wholesaling.

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

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from the impact of COVID-19 and capital raisings outlined throughout the report, there was no other significant change in the group's state of affairs during the year.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the group's operations and the expected results of operations has been included in the Corporate Update column on pages 7 to 8, Leisure Update column on pages 9 to 11 and Outlook column on pages 12 to 13 of this report.

## DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

	2021 \$'000	2020 \$'000
<b>Dividends paid to members during the financial year were as follows:</b>		
Final ordinary dividend for the year ended 30 June 2019 of 98.0 cents (2018: 107.0 cents) per fully paid share	-	99,097
Interim ordinary dividend for the year ended 30 June 2020 of 0.0 cents (2019: 60.0 cents) per fully paid share	-	-
Special dividend for the year ended 30 June 2020 of 0.0 cents (2019: 149.0 cents) per fully paid share	-	-
	-	99,097

On 27 February 2020, FLT determined to pay an interim dividend for the period ended 31 December 2019. On 25 March 2020, the interim dividend was cancelled due to the significant financial impact of COVID-19 on the company and the need to preserve cash.

The directors have determined it is not prudent to pay a final dividend for the year ended 30 June 2021 due to the ongoing COVID-19 uncertainty.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No material matters have arisen since 30 June 2021.

## ENVIRONMENTAL REGULATIONS

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

## REVIEW OF OPERATIONS – OVERCOMING OPERATIONAL RISKS

A review of operations, operational risks, financial position, business strategies and details of FLT's outlook for 2021/22 are included on pages 2 to 13 of this report.



## INFORMATION ON DIRECTORS

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

DIRECTOR	EXPERIENCE AND DIRECTORSHIPS	SPECIAL RESPONSIBILITIES	DIRECTORS' INTERESTS IN SHARES OF FLT AS AT DATE OF THIS REPORT
			ORDINARY SHARES
G.W. Smith BCom, FCA, FAICD Age: 61	FLT director since 2007. Gary has vast tourism industry experience and has served on a diverse range of boards and tourism industry related bodies during the past 30 years. Gary is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. He is also a director of Michael Hill International Limited (from Feb-16) and National Roads and Motorists' Association Limited (the NRMA) (from Feb-19).	Independent non-executive chairman  Remuneration & nomination committee member  Audit and risk committee member	23,621
J.A. Eales BA, GAICD Age: 51	FLT director since 2012. Chairman of Trajan Group Holdings Ltd (from Mar-21) and De Motu Cordis Pty Ltd (from Jan-20). Director of Magellan Financial Group Ltd (from Jul-17), Executive Health Solutions (from Jun-15) and FUJIFILM Data Management Solutions Pty Ltd (from Jan-14).	Independent non-executive director  Remuneration & nomination committee chairman  Audit and risk committee member	11,875
R.A. Baker FCA, GAICD BBus (Accountancy) Age: 63	FLT director since 2013. Former audit partner of PricewaterhouseCoopers, with experience in the retail, travel and hospitality sectors. Chairman of Rightcrowd Limited (from Aug-17), Goodman Private Wealth Ltd (from Oct-14), and NeuroSensory Limited (from Dec-19). Board member of Apollo Tourism & Leisure Limited (from Jan-19). Pro bono roles include chairman of the Archdiocesan Development Fund, Catholic Archdiocese of Brisbane (from Jan-18), and chairman of the audit and risk committee of Australian Catholic University Limited (from May-15).	Independent non-executive director  Remuneration & nomination committee member  Audit and risk committee chairman	6,457
C.M. Garnsey OAM Age: 61	FLT Director since Feb-18. Chairman and independent director of Australian Wool Innovation Limited and non-executive director of Seven West Media, Magellan Financial Group Ltd and Laser Clinics Australia. Extensive experience in Australian retail industry, marketing and distribution. Former advisory roles include advisor to Federal Minister for Trade and Investment, Australian Fashion Week, Melbourne Fashion Festival and CSIRO. Former executive director of Just Group Limited (2012-2017).	Independent non-executive director  Remuneration & nomination committee member  Audit and risk committee member	5,168
G.F. Turner BVSc Age: 72	Founding FLT director with significant experience in running retail travel businesses in Australia, New Zealand, USA, UK, South Africa, Canada and Asia. Director of the Australian Federation of Travel Agents Limited (from Sept-05).	Managing Director	16,639,027

No directors held interests in share rights, options or performance rights during the year (2020: nil).

# DIRECTORS' REPORT

## SKILLS AND EXPERIENCE

The current mix of skills and experience represented by the directors during the period, is as follows:

	G.W. SMITH	J.A. EALES	R.A. BAKER	C.M. GARNSEY	G.F. TURNER
Travel or retail industry	✓	✓	✓	✓	✓
Senior executive	✓		✓	✓	✓
Finance/capital markets			✓		
Audit/accounting	✓		✓		
Legal*					
Regulatory/public policy	✓				
International markets	✓	✓		✓	✓
Strategy/risk management	✓	✓	✓	✓	✓
Governance	✓	✓	✓	✓	
Marketing/communications	✓	✓		✓	✓
Technology/IT*					

\* For expertise in areas not listed above, the directors seek expertise within FLT and externally where appropriate.

## COMPANY SECRETARY

The company secretary, Mr D.C. Smith (B.Com, LLB) joined FLT in 2002, and was appointed as company secretary in February 2008. Mr Smith has over 22 years legal experience. Mr Smith is also the general manager of mergers & acquisitions with FLT. Prior to joining FLT, Mr Smith held positions with Wilson HTM, Blake Dawson (now Ashurst) and Clayton Utz.

## MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2021 and the number of meetings attended by each director were:

	COMMITTEE MEETINGS					
	FULL MEETINGS OF DIRECTORS		AUDIT & RISK		REMUNERATION & NOMINATION	
	A	B	A	B	A	B
G.W. Smith	16	16	4	4	3	3
J.A. Eales	16	16	4	4	3	3
R.A. Baker	16	16	4	4	3	3
C.M. Garnsey	16	16	4	4	3	3
G.F. Turner	16	16	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\* = Not a member of the relevant committee

# OVERVIEW

## JOHN EALES

REMUNERATION AND NOMINATION  
COMMITTEE CHAIRMAN



AS FLT's RNC chairman, I present your company's FY21 Remuneration Report.

For the second successive year, I find myself writing this introduction at an extraordinary time, as the world continues its efforts to bring the COVID-19 pandemic under control.

Some 18 months have now passed since most countries closed their borders and implemented a variety of other never-been-seen measures to slow the virus's spread and to ultimately save lives, ahead of the development and introduction of effective vaccinations.

While these vaccinations have now arrived, the widespread international and, in some cases, domestic border closures that were initially used as part of the attempts to ringfence the virus have remained in place, along with curbs on other activities that were traditionally part and parcel of our everyday lives.

The effects have touched all areas of society and have deeply impacted our company and its key stakeholders, given that leisure and corporate travel plans have been temporarily abandoned or significantly curtailed. Only now is international travel threatening to take off again in any meaningful way, as some governments start to explore safe and sensible ways to reopen to the world.

The ensuing confusion and uncertain environment have challenged all businesses in many ways, including how they manage remuneration in a fit-for-purpose manner within their organisations.

### FOCUS ON RETAINING KEY PEOPLE WHO ARE CRITICAL TO FLT'S RECOVERY

As reported last year, we moved swiftly and decisively and made some incredibly tough decisions as the crisis escalated to lower our cost base to a sustainable level in an abnormally low revenue environment and with little visibility around the recovery timeframe.

This cost focus was balanced against the need to maintain key assets and critical intellectual property (IP) to ensure that our ability to recover was not compromised. Our key assets and IP are our people and thanks partly to government support programs like JobKeeper in Australia, which unfortunately ended before the recovery could gain any real momentum, we were able to retain a very significant part of this IP in the form of a high-quality workforce.

Given that these people have skills that readily transfer to other less affected sectors and industries, ensuring we

#### REMUNERATION REPORT GLOSSARY

- **BOS:** Business ownership scheme
- **CEO:** Chief executive officer
- **CFO:** Chief financial officer
- **EBIT:** Earnings before interest and tax
- **EGM:** Executive general manager
- **EMEA:** Europe, Middle East and Africa
- **EPS:** Earnings per share
- **ESP:** Employee Share Plan
- **FLT:** Flight Centre Travel Group Limited
- **FY:** The fiscal year
- **GRR:** Global Recovery Rights
- **KMP:** Key management personnel
- **KPIs:** Key performance indicators, the basis for FLT's STIs
- **LSL:** Long Service Leave
- **LTRP:** Long Term Retention Plan
- **MDs:** Managing director
- **NEDs:** Non-executive directors
- **PBT:** Profit before tax
- **PCR:** Post-COVID-19 Retention Plan
- **RNC:** FLT's Remuneration and Nomination Committee
- **SBP:** Share based payments
- **STIs/LTIs:** Short-term incentives/long-term incentives
- **Targeted Packages:** The packages KMP are offered at the beginning of each year and consisting of base pay, superannuation and targeted STI earnings
- **Taskforce:** FLT's global executive team, consisting of Graham Turner, Adam Campbell, Chris Galanty, Melanie Waters-Ryan, James Kavanagh, Charlene Leiss, and Steven Norris
- **TIP:** Transformation Incentive Plan

retain them now – at a critical junction in our recovery – has become an ongoing strategic priority. Accordingly, we have introduced two targeted programs – the GRR and the PCRP – to encourage our people to continue their careers with us during the recovery phase and to thank them for their efforts in very trying conditions and while their earning potential has been significantly hampered during the past 18 months.

These one-off programs are aligned to our strategic objectives of:

- Retaining employees at all levels who will be critical to our recovery and the creation of future shareholder value. The PCRP targets key executives globally, while the GRR is available to all other employees (excluding FLT directors); and
- Tightly controlling cash costs in what continues to be a low revenue environment, given that both programs are built around grants of share rights that will vest in the future if the participant continues his or her career with FLT, as outlined on page 28 of this report.

Before delving deeper into this year's Remuneration Report, I would like to acknowledge our people's efforts during what has been a very challenging period. This includes the 8000 people who have continued with us and those who departed during FY21.

We have sought to maintain close contact with those who have moved on, through the alumni program that our Peopleworks area has championed, with a view to keeping them informed of developments and alerting them to current and future opportunities that could arise should they be interested in returning to our business. On another positive note, approximately 40% of consultants in Australia over the last few months of FY21 have come from alumni, and a healthy number of former employees have elected to remain in the industry by becoming part of our expanding network of independent contractors globally.

**TABLE 1: KMP TENURE - SUCCESSFULLY DEVELOPING AND RETAINING KEY PEOPLE**

EXECUTIVE	AGE	TENURE	FIRST FLT ROLE	CURRENT FLT ROLE
Graham Turner	72	40 years	CEO, Founder	CEO, Founder
Adam Campbell	46	14 years	Risk & Audit	CFO
Chris Galanty	47	24 years	Flight Centre Putney (UK)	CEO - Corporate
Melanie Waters-Ryan	54	34 years	Flight Centre Queen Street (QLD)	CEO - Leisure
James Kavanagh	43	17 years	Campus Travel account manager	MD - Australia
Charlene Leiss	51	25 years	Sales administrator (Garber Travel)	MD - The Americas
Steven Norris	44	19 years	Flight Centre Uxbridge (UK)	MD - EMEA

## A COMMON-SENSE SYSTEM THAT IS PURPOSE-BUILT AND ALIGNED TO FLT'S STRATEGIC OBJECTIVES

Those who follow our company closely will know that we value common-sense over conventional wisdom, which means that we take a common-sense approach to business rather than adopting conventional, off-the-shelf policies that are neither aligned to our strategic objectives nor our core philosophies.

This applies to our remuneration structures which are simple and purpose-built to suit our specific requirements. As a result, they differ in various ways to the models that other companies typically adopt.

The key differences between FLT's tailor-made remuneration system and traditional models have again been summarised in Table 2 on page 19.

## OVER-ARCHING REMUNERATION OBJECTIVES RETAINED

Within this report, we have outlined our traditional model, along with the temporary alterations we have made during the pandemic, to help shareholders understand both the:

- Tailor-made structures and philosophies that we have designed and implemented over the years to meet our short and longer-term strategic objectives; and
- The modifications that we feel are necessary to strengthen the alignment between executive and shareholder interests within the current extraordinary trading climate, given the volatility and the lack of visibility around timeframes for restrictions to be lifted

Importantly, our over-arching objectives are unchanged as we continue to focus on four factors that commonly underpin most remuneration structures and best practice, namely:

- Attracting and retaining key people. Our success in this area is again highlighted in Table 1, which shows the experience and tenure of Graham Turner's global leadership team
- Recognising and rewarding people appropriately for their achievements in growing the business and helping it achieve the long-term strategic objectives that have consistently delivered sustainable growth to shareholders
- Delivering simple, sensible and transparent incentive structures; and
- Providing people with the opportunity to invest in their company through long-term share ownership, which in turn ensures they adopt the behaviours and implement the strategies that deliver long-term wealth creation for shareholders, rather than over indexing on short-term performance. With the introduction of the GRR and the PCRP, all employees will become owners.

We regularly engage with industry bodies, special interest groups and other stakeholders to ensure they understand the remuneration structures and to ensure they remain fit-for-purpose. Generally, shareholders have responded positively to our remuneration system and the policies, beliefs and governance structures which underpin it, with the largest vote against our remuneration report representing just 5.85% of our issued capital (2007).

We also regularly benchmark earnings to ensure remuneration packages are competitive and appropriate. A benchmarking exercise was conducted during FY21, as detailed on page 22.

## FY21 OUTCOMES AND FY22 EXPECTATIONS

As outlined in last year's Remuneration Report, various changes were implemented within KMP pay structures during FY21 as part of the company's ongoing response to the COVID-19 challenge.

These changes saw:

- KMP (excluding NEDs) paid at 75% of their targeted salaries for the FY21 first quarter and at 90% for the remainder of the year. During FY20, KMP also elected to receive reduced pay as the crisis escalated and were paid at 50% of normal levels during the fourth quarter, meaning earnings typically increased slightly year-on-year, but remained below targeted levels
- No executive STIs offered during the year (STIs were paid to front-end sales staff)
- NEDs paid 90% of their normal directors' fees for the first quarter and 100% for the remainder of FY21; and
- The BOS and Founder BOS programs suspended, reflecting a change that was made during FY20

At this stage, executives have again elected to forgo all STIs during FY22, which would see them earn the floor in their targeted remuneration packages (set at 90%) for the year. The RNC will, however, review this situation as the year progresses and may re-introduce STIs if market conditions improve significantly and if recovery is faster than expected.

## CONCLUSION

In all areas of its business, FLT has continued to refine its structures and offerings to meet the short-term challenges brought about by the pandemic and to ensure it is well placed to recover when conditions improve. This is clearly evidenced by the changes the company has made to its remuneration structures to ensure they align with FLT's short and longer-term strategic objectives.

Near-term priorities include retaining critical IP while keeping tight controls over costs, challenges which we have proactively addressed within our remuneration structures through the new GRR and PCRP programs.

**TABLE 2: UNDERSTANDING THE DIFFERENCES: FLT'S TAILOR-MADE REMUNERATION MODEL V TRADITIONAL OFFERINGS**

### STI component built into targeted remuneration packages, not paid as an annual bonus

STIs are not annual bonuses that are only payable to FLT's executives in good years. The company's people are targeted to earn STIs as part of their normal (targeted) remuneration packages in any given year and can earn additional stretch STIs (above and beyond targeted packages) if they exceed their KPIs.

### Profit-Based KPIs Tied to Sustainable, Ongoing Growth

FLT uses profit – generally underlying PBT – as the basis of its executive STIs, which is aligned to its goal of delivering sustainable, year on-year earnings growth to benefit all stakeholders. To earn their targeted STIs, executives need to deliver year-on-year profit growth.

### LTRP is primarily a retention tool, not a traditional LTI

The company's main KMP LTI, the LTRP, does not have results-related performance hurdles attached to it. This is because the LTRP is a tailor-made retention tool for key executives and its performance hurdle is longevity-related.

### STIs are uncapped

Fairness and reward for achievement are key components of FLT's remuneration system. Although the company does not cap STIs for KMP, or indeed for its sales people, formal structures, governance processes and natural curbs are in place to ensure that rewards are aligned to shareholders' interests and to prevent salaries from reaching unacceptable levels.

**TABLE 3: KEY EXECUTIVE TARGETED REMUNERATION (AUDITED)**

KMP	TARGETED REMUNERATION	TARGETED FIXED PAY COMPONENT*	TARGETED STIS COMPONENT	ESTIMATED STI EARNED	ACTUAL REMUNERATION PAID*
Graham Turner	\$AU750,000	\$AU675,000	\$AU75,000	\$nil	\$AU646,875 (86.25%)
Melanie Waters-Ryan	\$AU1,350,000	\$AU1,215,000	\$AU135,000	\$nil	\$AU1,164,375 (86.25%)
Adam Campbell	\$AU1,085,000	\$AU976,500	\$AU108,500	\$nil	\$AU935,813 (86.25%)
James Kavanagh	\$AU807,609	\$AU726,848	\$AU80,761	\$nil	\$AU696,563 (86.25%)
Chris Galanty	£GB700,000	£GB630,000	£GB70,000	£nil	£GB603,750 (86.25%)
Steven Norris	£GB434,783	£GB391,305	£GB43,478	£nil	£GB375,000 (86.25%)
Charlene Leiss	\$US609,000	\$US549,000	\$US60,000	\$USnil	\$US525,263 (86.25%)

\* KMP elected to receive reduced fixed pay during FY21 and did not receive targeted or stretch STIs, which meant all were paid below the 90% floor in their targeted remuneration packages. As illustrated in the last column above, KMP earned 86.25% of targeted remuneration during FY21.

Executives received 86.25% of their targeted remuneration packages during FY21, below the 90% floor that they would normally have been guaranteed, as illustrated in table 3. Total paid and payable remuneration (TPPR) on page 31 effectively represents actual FY21 earnings, while total remuneration in Table 3 reflects the statutory amounts paid to KMP.

These programs are purpose built and will increase employee ownership of our company, which is aligned with our philosophies and strengthens the ties between the interests of our people and our shareholders.

Thank you for your ongoing support of our company.



# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT – AUDITED (CONTINUED)

The remuneration report outlines FLT's KMP reward framework and is set out under the following headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration, including service agreements
3. LTIs: BOS return multiples on redemption
4. Share-based compensation; and
5. Loans to KMP

Information in this remuneration report has been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

### 1 PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The following section outlines FLT's remuneration policy and the philosophies that underpin it. Information is presented in a Question and Answer format in five sub-sections:

- i. Remuneration philosophies and structures
- ii. Alignment with shareholder wealth
- iii. Director remuneration
- iv. Executive (KMP) remuneration; and
- v. Remuneration governance

Within these five sub-sections, temporary changes that have been implemented in response to COVID-19 have been outlined as part of the applicable Q&A sections.

#### 1.1) REMUNERATION PHILOSOPHIES AND STRUCTURES

##### WHAT IS FLT'S REMUNERATION PHILOSOPHY?

In line with its belief in common sense over conventional wisdom, FLT has a simple remuneration system that is tied to its core philosophies and strategic objectives.

Although this reward framework is unique and is tailor-made to suit FLT's specific goals, its ultimate objectives are in line with market practice in that they aim to ensure overall reward is:

- Competitive, which allows the company to attract and retain high calibre people. This is particularly important in the current trading climate, as the travel industry continues to deal with widespread restrictions that are impacting people's earnings.
- Aligned with participants' interests, reflecting responsibilities and rewarding achievement and shareholder value creation
- Acceptable to shareholders and strongly aligned to their interests
- Transparent – clear targets are set and achievements against these targets are measurable; and
- Tied to the company's longer-term objectives, capital management strategies and structures

Remuneration structures for KMP (excluding NEDs) are also carefully tailored to ensure they include an appropriate mix of:

- Fixed and variable pay; and
- STIs and LTIs to ensure a strong short and long-term alignment between executive and shareholder interests

Measurable and reliable outcome-based KPIs underpin FLT's STI programs and the company's overall remuneration systems globally. FLT believes that if the right outcomes are rewarded via its STIs, the company, its people, its customers and its shareholders will benefit.

FLT's belief in the value of using quantitative and outcome-based STIs to drive the desired outcomes is articulated in the company's core philosophies, which are included in this Annual Report.

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

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

## REMUNERATION REPORT – AUDITED (CONTINUED)

### 1I) REMUNERATION PHILOSOPHIES AND STRUCTURES (CONTINUED)

#### WHAT ARE THE KEY COMPONENTS OF FLT'S REMUNERATION FRAMEWORK FOR EXECUTIVES?

All executives earn a combination of:

- Fixed pay
- Variable STIs; and
- LTIs, which may include share-based compensation

Historically, various KMP also received returns on their investments in the BOS tailor-made program that rewarded FLT's people for building businesses that delivered sustainable returns over the long-term. The BOS program and the BOS Multiplier program, which are outlined below in Table 1, are not currently operating.

Additional detail on each of these components is included in Table 1.

**TABLE 1: THE KEY COMPONENTS OF FLT'S REWARD FRAMEWORK**

#### Fixed Pay

Fixed pay typically includes base pay (retainer), LSL provisions and employer superannuation contributions. FLT does not guarantee annual base pay increases for executives or for its people at other levels.

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

FLT's people are guaranteed to earn at least the minimum amount payable to them under the applicable awards or other regulations and agreements. KMP did, however, elect to receive less than the floor during FY20 and FY21 as part of the company's COVID-19 response plan.

#### STIs

FLT's use of STIs differs from many other companies in that its STI program is not an annual bonus scheme for executives. Rather, all KMP earn STIs as part of their remuneration packages.

These STIs can be categorised in two ways:

1. Targeted STIs, which are structured in a way that will see an individual earn his or her targeted salary package if he or she achieves the KPIs that are in place; and
2. Stretch STIs, payments that the executive will earn if his or her businesses exceed their pre-determined targets or KPIs

All STIs (targeted and stretch) are based on measurable achievements (quantifiable) against KPIs or targets that are set annually. This transparency means each employee knows what he or she needs to achieve to earn all or part of his or her targeted STIs or the additional stretch STIs that might become available.

FLT does not guarantee its executives will earn their targeted STI earnings (in part or in full), which in turns means that the company does not guarantee the annual salary packages its executives will earn beyond the fixed component of 90% of targeted remuneration (the floor).

#### BOS returns

In line with FLT's belief in the importance of leaders taking ownership of the businesses they run, eligible executives have historically been invited to invest in

unsecured notes in their individual businesses via the BOS (currently in hibernation). In return for this investment, BOS participants received a variable return that was tied to the individual business's performance.

In basic terms, a BOS participant who invested in a 10% interest in his or her business was entitled to 10% of the business's profit as a return on his or her investment. The executive was exposed to the business's risks, as neither FLT nor any of its group companies guarantees returns above face value.

In accordance with the BOS prospectus, the board, via its RNC, could review and amend a BOS note if an individual return exceeded 35% of the BOS note's face value in any 12-month period. In addition, FLT could redeem the BOS note at face value at any point, as it elected to do during the pandemic.

#### BOS Multiplier Program

To help ensure that the leaders of some key businesses remained in their roles for the long-term, the company offered a BOS Multiplier program (see section 3). Under this program, invited senior executives became entitled to multiples of 5, 10 and up to 15 times the BOS return in the last full financial year before their BOS note was redeemed, provided they achieved tenure-related hurdles.

Provisions for these future payments are taken up annually and the amounts are shown in the KMP salary tables in section 2. These provision adjustments can be positive or negative as the company adjusts accruals to meet its anticipated future needs.

#### Share-based compensation

In line with the company's strong belief in creating ownership opportunities for its people, share-based compensation is available to KMP and other employees (excluding directors).

Programs include:

1. The ESP, which was offered to staff in Australia, New Zealand, Canada, the USA, South Africa and the UK; and
2. The LTRP and PCRP, which have become critical retention tools and were offered to various senior executives globally (refer section 4) during FY21.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

### HOW ARE EXECUTIVE SALARIES STRUCTURED?

Executives are normally offered a targeted annual remuneration package which includes:

- A fixed pay component representing 90% of the targeted remuneration package, which gives executives a degree of certainty over their earnings and helps ensure they are retained during short-term downturns; and
- A targeted STI component representing 10% of the targeted remuneration package and tied to pre-determined KPIs

The targeted STI component is not guaranteed - either in part or in full. If the KPIs are not achieved, the executive will not earn 100% of his or her targeted remuneration package and may only earn the 90% fixed component (the floor). Conversely, additional STIs (stretch incentives) will be payable if the KPIs are exceeded and, in this scenario, the executive will earn more than 100% of his or her targeted remuneration package.

Targeted remuneration packages are periodically compared to remuneration packages for equivalent positions externally to ensure executives are remunerated at a market-equivalent level. A benchmarking exercise, conducted by external consultants was undertaken late in FY20.

COVID-19 Update: During FY21, FLT's executives (KMP) elected to receive 75% of their targeted salaries during the first quarter and 90% for the remainder of the year. This one-off change meant they earned less than the floor in their targeted salaries and did not earn any STIs for the year.

### WHAT WERE THE BENCHMARKING EXERCISE'S FINDINGS?

Targeted FY21 earnings for FLT's executives (Taskforce) were compared to a both a Market Comparator Group (75 ASX 200 companies) and an Industry Comparator Group (23 companies).

## 11) ALIGNMENT WITH SHAREHOLDER WEALTH CREATION

### HOW IS EXECUTIVE REMUNERATION ALIGNED WITH SHAREHOLDER WEALTH CREATION?

FLT has developed a simple and logical reward system that ties KMP earnings to financial results achieved and, at the same time, rewards executives for creating longer term shareholder value. Pay-for-performance is integral to this system.

KMP are incentivised within the STI structure to improve key financial results year-on-year and are rewarded according to their achievements against pre-determined, measurable and outcome-based KPIs. Historically, these KPIs were tied to year-on-year growth in FLT's overall profit and, in some instances, within its key geographic divisions, which meant that senior executives' interests were tied to the company's success and were fully aligned with shareholders' interests.

If the company or the key geographic divisions' results exceeded expectations, KMP earned the full component of their targeted STIs, plus additional stretch STIs. Conversely, if the company or the key geographic divisions' results were below expectations, KMP earned a fraction of their targeted STIs (and possibly zero), which meant they achieved their targeted packages for the year, as illustrated in Table 3 and as outlined above.

As outlined in table 3 of John Eales' overview, KMP did not earn their targeted packages during FY20 and FY21 because global and regional results were below expectations.



## REMUNERATION REPORT - AUDITED (CONTINUED)

Table 2 below illustrates FLT's achievements in the areas that drive shareholder wealth during the past five years:

	FY21	FY20 RESTATED <sup>1</sup>	FY19	FY18	FY17
Profit / (loss) before income tax	\$(601.7m)	\$(848.6m)	\$343.5m	\$364.3m	\$325.4m
Underlying profit / (loss) before income tax <sup>2</sup>	\$(507.1m)	\$(509.2m)	\$343.1m	\$384.7m	\$329.5m
Profit / (loss) after income tax	\$(433.5m)	\$(662.2m)	\$264.2m	\$264.8m	\$230.8m
Interim dividend	-	-	60.0c	60.0c	45.0c
Final dividend	-	-	98.0c	107.0c	94.0c
Special dividend	-	-	149.0c	-	-
Earnings per share (basic)	(217.5c)	(552.2c)	224.2c	261.6c	228.5c
Share price at 30 June <sup>3</sup>	\$14.85	\$11.12	\$41.55	\$63.65	\$38.30
Increase / (decrease) in share price %	34%	(73%)	(35%)	66%	21%

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision - Configuration and Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

<sup>2</sup> Underlying PBT is a non-IFRS measure and is unaudited. Refer to note A1 segment information for reconciliation of underlying to statutory loss before tax.

<sup>3</sup> The share price at 30 June 2016 was \$31.58.

FLT exceeded its targets during FY18 and finished below expectations in FY17, FY19, FY20 and FY21. The impact on KMP earnings during each period is outlined in Table 3 below.

### TABLE 3: IMPACT ON KMP EARNINGS

Historically, KMP STIs were tied to FLT's underlying PBT globally and/or the PBT generated by key geographic divisions.

In simple terms, this meant that STI earnings were typically:

- Broadly in line with expectations (targeted STIs) in years where profits within their areas of responsibility were in line with expectations (when they met their KPIs)
- Above expectations in years when KMP earned stretch STIs because profits were above expectations and shareholders benefited from higher than expected dividends and EPS (when they exceeded their KPIs); and
- Below expectations in years when KMP did not earn their targeted STIs because profits and ultimately shareholder returns were below expectations and the executive did not achieve his or her KPIs

### HOW DOES FLT'S REMUNERATION SYSTEM BENEFIT BOTH ITS EMPLOYEES AND ITS SHAREHOLDERS?

For executives and employees in general, benefits include:

- Clear and measurable targets and structures for achieving rewards are in place
- Achievement, capability and experience are recognised and rewarded; and
- Contribution to shareholder wealth creation is rewarded because STIs are tied to the company's profit or the profit its key geographic divisions achieve and additional LTIs are in place to reward executives for developing businesses that deliver sustainable growth over a longer horizon

For shareholders, benefits include:

- A clear short and long-term performance improvement focus, as year-on-year profit growth is a core component of FLT's remuneration system. KMP must deliver reasonable year-on-year growth to maintain consistent earnings.
- A focus on sustained growth in shareholder wealth, as outlined above; and
- The ability to attract and retain high calibre executives

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

### 1III) DIRECTOR REMUNERATION

#### HOW ARE NEDS REMUNERATED?

To preserve their independence, NEDs receive fixed fees. They are not eligible to participate in the ESP or BOS program, and are not included in LTI programs.

The fees, which the RNC reviews and benchmarks annually, reflect the positions' demands and responsibilities and are determined within an aggregate directors' fee pool, which is periodically recommended for shareholder approval. The pool currently stands at \$1.1million per annum, as approved by shareholders on 22 October 2018.

The fees paid to individual directors were initially intended to be in the order of \$170,000 and \$250,000 for directors and the chairman respectively, below the median for ASX 50-100 companies, which CGI Glass Lewis listed as \$188,417 and \$377,000 respectively during FY20. Directors are not paid additional fees for their membership on any relevant Board Committees, including the audit and risk committee or the RNC.

COVID-19 Update: NEDs elected to received 90% of their individual Board fees during the first quarter of FY21.

#### HOW ARE CHAIRMAN'S FEES DETERMINED?

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

### 1IV) EXECUTIVE KMP REMUNERATION STRUCTURES

#### WHAT ARE KMP STIS BASED ON?

No STI targets were set for FY21, given KMP elected to receive reduced salary packages for the year.

In prior years, STIs were based on either:

- FLT's Underlying PBT (applied to the CEO, CFO and COO under FLT's previous global leadership structure)
- A combination of divisional PBT/EBIT (70%) and FLT underlying PBT (30%) (applied to regional MDs under FLT's previous global leadership structure)

FLT's broader STI structure, as it historically applied, is outlined in Table 4 below.

**TABLE 4: STI SUMMARY – KMP**

Participants:	All KMP (excluding NEDs) are targeted to earn performance-based STIs as part of their normal remuneration packages
Award Type:	Cash payments that are made annually to the global CEO and CFO and monthly to other executives who are classed as KMP.
Performance conditions:	KMP STIs are not guaranteed – in part or in full – and are strictly tied to the company's PBT (underlying) or the PBT/EBIT achieved within its key geographic divisions.
Structure:	KMP receive a small percentage of the company's PBT and, in some cases, the PBT/EBIT achieved within its key geographic divisions. For an executive to achieve 100% of his or her targeted STIs, the company or the relevant division must achieve a predetermined target for the year. If the executive's business exceeds its targets, he or she will be entitled to additional stretch STIs. Conversely, executives will earn less than 100% of his or her targeted STIs if the KPIs are not met.
Limits:	While KMP STIs are theoretically uncapped, several factors will curb an executive's earning potential in a normal year. Firstly, FLT's maturity means it is unlikely to achieve extraordinary year-on-year underlying PBT growth. Secondly, decelerator mechanisms are in place to slow an executive's salary growth if the company or his or her business exceeds pre-determined 'stretch profit' targets. Where a business is acquired, profit targets are adjusted to reflect the acquired business's expected contribution. The RNC also reviews STI payments during the course of the year and can amend targets if STIs exceed expectations
Deferral:	Not applicable.
Clawback:	Adjustments can be made to claw-back over-payments or to top-up under-payments.
FY21 Outcomes:	KMP did not receive STIs during the year.

## REMUNERATION REPORT - AUDITED (CONTINUED)

### WHAT PERCENTAGE OF OVERALL REMUNERATION IS FIXED FOR FLT EXECUTIVES?

For each executive who is classed as KMP, 90% of targeted remuneration is typically fixed and 10% is tied to STIs (variable).

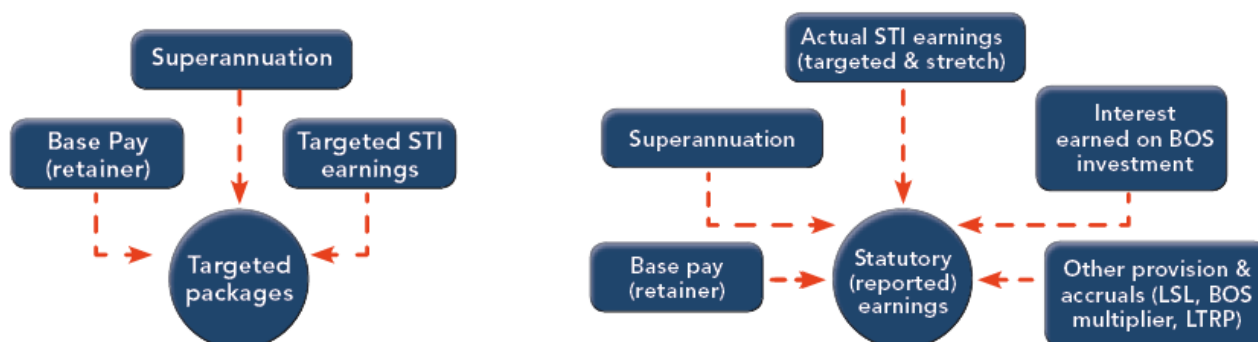
As outlined in previous sections, an executive may, however, earn more or less than the targeted amount of 10% because STIs are tied to actual results achieved.

When profit growth exceeds expectations, STIs will exceed the targeted levels (stretch STIs) and a larger portion of earnings will have been at risk. Conversely, when profit growth is below expectations, STIs will be lower than the targeted levels and a larger portion of earnings for the year will have been fixed.

COVID-19 Update: During FY21, key executives elected to receive 75% of their targeted salaries during the first quarter and 90% for the remainder of the year. As outlined previously, this meant they were paid below the 90% floor in their annual packages and did not receive any STIs for the year. Executives, including the global CEO, earned 86.25% of their targeted remuneration for the year.

### HOW DO THE TARGETED SALARY PACKAGES THAT KMP ARE OFFERED DIFFER FROM OVERALL EARNINGS DISCLOSED IN THIS REPORT?

The diagrams below illustrate the differences between the targeted remuneration packages that are offered to FLT's executives and statutory (reported) remuneration.



### ARE NON-FINANCIAL KPIS USED?

Non-financial KPIs were not used in KMP STIs during FY21 or FY20. The company may, however, consider using them in future periods if they are measurable and aligned to FLT's strategic objectives and shareholder interests.

### HOW DOES FLT LIMIT EXECUTIVE STIS?

While KMP STI earnings are normally uncapped, structures, governance processes and natural curbs are in place to ensure that executive earnings are aligned to shareholders' interests and do not reach unacceptable levels.

Effectively, KMP earn a small percentage of global profit and, in some cases, a small percentage of their geographic division's profit. As outlined previously, this percentage is calculated in such a way that the executive will earn his or her targeted STIs if FLT or the executive's business achieves its pre-determined profit growth target.

For example, an executive who was targeted to earn \$40,000 in targeted STIs if FLT achieved a \$400million PBT could be offered a 0.01% share of FLT's audited profit result for the year.

If the company significantly exceeds its profit goal and an executive reaches "stretch" targets, decelerator mechanisms will kick-in to slow the executive's earnings growth. During FY20, when some STIs were expected to be paid during the year, a decelerator would have applied to the global portion of STIs had an executive earned 150% of his or her targeted salary package.

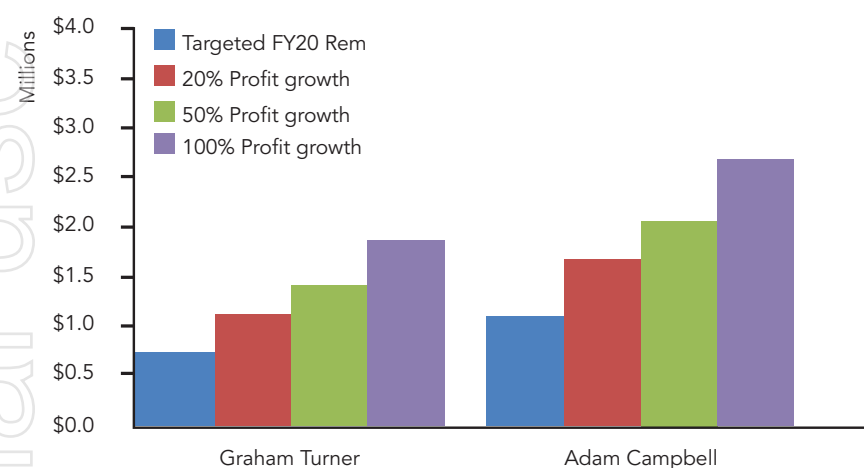
# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

A number of other factors will also limit earnings growth for KMP:

- Firstly, STIs are tied to results achieved by businesses that are now reasonably mature and are, therefore, limited by the relevant business's earnings growth potential in any normal year; and
- Secondly, the percentage of profit the executive earns under his or her KPIs is relatively small. In a year of normal profit growth, executive STIs will not significantly increase, as highlighted in the graph below which shows the impact various profit growth scenarios would have had on Graham Turner's, and Adam Campbell's FY20 targeted earnings. FY20 has been used as an example in this case, given that no STIs were available during FY21.

GRAPH: FIXED PAY AND STIS



As illustrated in the table above, had FLT doubled its PBT during FY20 Graham Turner would have earned in the order of \$1.8million in fixed pay and STIs, slightly above the median in fixed pay and STIs for an ASX 50-100 CEO (CGL Glass: circa \$1.65million).

The RNC also reviews incentive payments during the course of the year and has the discretion to adjust KPIs if earnings exceed targeted salary packages and are not aligned to the company's and its shareholders' interests, as outlined in greater detail elsewhere in the report.

## EXECUTIVE LONG TERM INCENTIVES (LTIS)

### WHAT IS THE LTRP AND HOW IS IT STRUCTURED?

The LTRP is an equity-based tool that is aligned with FLT's longer term strategic objectives, and aims to:

- Encourage retention of key executives
- Enhance the level of ownership among these key people to strengthen the alignment to shareholder interests; and
- Balance the use of STIs

## REMUNERATION REPORT - AUDITED (CONTINUED)

A summary is included below and further detail is provided in Section 4.

### LTRP SUMMARY

Participants:	Key executives globally, including KMP apart from Graham Turner and NEDs.
Award Type:	Annual equity grant of Base Rights that will vest in the future if the executive achieves the longevity-related performance condition. An additional Matched Right is attached to each Base Right and will also vest in the future if the executive achieves the performance conditions. On vesting, the rights become exercisable by the participant. No amount is payable on exercise.
Performance conditions:	As the program is primarily a retention and alignment tool, the performance condition is tied to longevity. No result-related performance conditions or hurdles are in place.
Structure:	<p>The number of Base Rights issued is based on a fixed dollar amount of rights granted for each participant divided by the company's share price (Volume Weighted Average Price) over the 10 trading days following release of FLT's full year accounts.</p> <p>Base Rights granted from FY19 onwards will vest three years after the applicable grant date or three years after the applicable grant date of the first grant for new participants first three years of grants, provided that the executive continues to be employed within FLT at that time.</p> <p>The Matched Rights are linked one-for-one to the granted Base Rights to further encourage key executives to build longer term careers with the company (continuous employment).</p> <p>Matched Rights granted from FY19 onwards will vest three years after the applicable grant date or five years after the applicable grant date of the first grant for new participants first three years of grants, upon release of FLT's audited full year accounts.</p> <p>The vesting of Matched Rights is conditional on:</p> <ul style="list-style-type: none"> <li>• The executive still holding the corresponding Base Rights previously issued under the LTRP for the applicable grant, or the associated shares received on exercise of those Base Rights (i.e. the executive has not sold the shares received from the Base Rights); and</li> <li>• The executive remaining employed within FLT</li> </ul> <p>In line with FLT's reporting requirements, the Base Rights and Matched Rights issued are recorded at grant date fair value within the remuneration tables in this report.</p>
Limits:	Participants receive a percentage of their targeted remuneration package (typically 15%) in Base Rights under the plan.
Voting and dividend rights:	<p>In return for each Base Right or Matched Right exercised, the executive will receive one fully paid FLT ordinary share with attached voting and dividend rights</p> <p>Participants can receive up to 12 annual share grants through to 2027.</p>
Other key terms:	<p>Shares can be bought on-market or issued, as is the case for the ESP.</p> <p>Provisions are in place for a change of control or other material changes in company structure.</p>
Clawback:	Not applicable, although the Board, via the RNC, has full discretion over the LTRP and can "alter, modify, add to or repeal" any provisions of the LTRP's rules.
FY21 Outcomes:	The board invited 51 key executives globally to participate in the LTRP during FY21. Of those invited, 98% (FY20: 88%) were retained.

### WHY AREN'T RESULT-RELATED PERFORMANCE HURDLES IN PLACE FOR THE LTRP?

Given that the LTRP is not a traditional LTI and is primarily an executive retention tool, no result-related performance hurdles apply. Rights can be granted to participants each year while they remain part of the program and while they remain part of FLT.

While FLT met with various stakeholders and considered adding performance hurdles to the plan when it was reviewed during FY18, the company elected to continue under the original structure, given the plan's success in achieving its primary strategic objective of retaining key individuals.

Fewer than 10 participants have elected to resign since the program was introduced during FY16.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

The company also believes that its program gives executives a stronger sense of ownership and alignment with shareholders than other plans that are tied to longer term performance hurdles that may or may not be achieved. Like other shareholders, LTRP participants gain an immediate sense of share ownership when they are invited to become part of the program, rather than the possibility of a longer term reward, and see the same short-term benefits (excluding dividends and voting rights), while also being motivated as an owner to deliver longer term value.

### ARE OTHER LTIS IN PLACE FOR KMP?

FLT's senior executives are integral to the success of its key businesses and the company overall.

To help retain these key people and to encourage them to build businesses that deliver sustainable profits into the future, the company has tailored an additional LTI that is aligned to the BOS and available to some KMP. Under this BOS Multiplier program, which is outlined in section 3, each participating executive becomes entitled to a one-off BOS return multiplier payment upon the BOS note's redemption if he or she remains in his or her role, or an equivalent or more senior position, for between five and 15 years.

COVID-19 Update: FLT has temporarily suspended the BOS and BOS Multiplier programs.

During FY21, the company formally introduced the PCRP which is available to all KMP apart from Graham Turner and the NEDs, to help it achieve one of its key strategic objectives in the post-COVID world – retaining key executives who are crucial to FLT's recovery, but who may also be at risk of leaving while the travel industry continues to be heavily impacted by government restrictions.

### WHAT IS THE PCRP AND GRR?

Both the PCRP and the GRR are a strategic response to the profound impacts that COVID-19 restrictions continue to have on the business.

They are tailored, one-off programs developed during FY21 to ensure people who will be crucial to FLT's recovery are retained while the business recovers and during the rebuilding phase.

The PCRP program focuses on key members of FLT's global leadership team (excluding Graham Turner and NEDs), whose skills easily translate to industries and sectors that are not as heavily impacted by the pandemic and who are, therefore, at heightened risk of being targeted by other companies.

Six KMP (Chris Galanty, Melanie Waters-Ryan, Adam Campbell, Steve Norris, James Kavanagh and Charlene Leiss) have been included in the program, which has been built around a one-off grant of share rights (vesting after two years), plus additional matched rights (vesting after years three and four).

The GRR has identical objectives to the PCRP but is a broader program targeted at FLT's global workforce (excluding PCRP participants and directors). Additional details of the PCRP are included in Section 4.

### HOW IS THE PCRP ALIGNED TO SHAREHOLDER INTERESTS AND TO THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES?

FLT's board believes the 22 PCRP participants are required to:

- Lead the company through an extraordinarily difficult time; and
- Rebuild FLT as restrictions ease and as it emerges from the crisis

This program will help lock in these key people, while they develop and deploy strategies that will fast-track recovery.

PCRP participants will have genuine ownership of the company, via their share rights, and will be rewarded for creating value, meaning their interests are aligned with other shareholders in both the near-term, given that PCRP shares will vest over a two-to-four-year period, and the long-term, given their involvement in the LTRP.

As outlined previously, one of the company's main strategic objectives is attracting and retaining high calibre individuals. FLT also continues to prioritise cash preservation, while heavy travel restrictions are in place and its revenue generation opportunities are limited.

The PCRP provides critical employees with additional incentive to continue their careers with FLT during what is likely to be a rebuilding phase and while their earnings are likely to be lower than normal, while at the same time minimising cash outflows during a challenging trading period.

### HOW DOES THE PCRP DIFFER, STRATEGICALLY, FROM THE LTRP?

The LTRP is an ongoing program that aims to retain a pool of key executives for an extended period.

The PCRP is a strategic, one-off response to COVID-19 and is a short-term program focused specifically on retaining a smaller group of executives who are considered crucial to FLT's recovery during the rebuilding phase and who are at heightened risk of being targeted by other companies in the current climate.

## REMUNERATION REPORT - AUDITED (CONTINUED)

### 1V) REMUNERATION GOVERNANCE

#### HOW IS EXECUTIVE REMUNERATION MONITORED TO ENSURE FLT ACHIEVES ITS REWARD OBJECTIVES?

FLT's RNC oversees and monitors executive remuneration and provides specific recommendations on remuneration and incentive structures, policies and practices and other employment terms for directors and senior executives.

In making its recommendations, the RNC considers:

- External benchmarks against ASX-listed companies, other global travel companies and retailers in general
- Targeted earnings being aligned with targeted PBT growth; and
- Three-five years' salary data for the position to ensure earnings are aligned with results over the longer term

During the course of the year, the RNC receives regular employee earnings updates, which allows it monitor executives' potential earnings against their divisions' performance and the targets that were set at the start of the year.

The RNC also has the discretion to withhold STI payments if deemed appropriate.

The RNC can adjust KPIs if actual earnings are likely to excessively exceed targeted packages or if a material change occurs within the business. For example, the RNC can normalise earnings by excluding unforeseen items or including an acquired business's contributions for the purposes of calculating STIs.

The RNC can "alter, modify, add to or repeal any provisions of the LTRP's rules in any way it believes is necessary or desirable to better secure or protect the company's rights". Subject to some conditions, the committee can, at any time, "amend, add to, revoke or substitute all or any of the provisions of the LTRP rules".

Under the LTRP, amendments can be made if the company is subject to a takeover bid or if the company's capital is consolidated, subdivided, returned, reduced or cancelled.

The RNC is supported by local committees that operate within FLT's key geographic divisions. These local committees generally meet quarterly and include the local EGM, CFO and HR (Peopleworks) leader.

#### WITHIN ITS EXECUTIVE REMUNERATION STRUCTURES, HOW DOES THE COMPANY ENSURE THAT KMP ARE FOCUSED ON PROTECTING AND GROWING SHAREHOLDER VALUE NOW AND INTO THE FUTURE?

Through the tailor-made programs that the company has developed and refined, it has created a remuneration program that:

- Encourages executives to adopt a business owners' mindset; and
- Rewards executives for surpassing the prior year's achievement, but also for delivering results that can be sustained into the future.

Executive STIs are tied to FLT's underlying profits for the year, which are subject to rigorous internal and external checks and reviews and can be adjusted (clawed back or topped up) if required.

Within this STI structure, executives are also rewarded for adopting strategies that deliver long-term growth, as future STIs and BOS interest are dependent on the business achieving ongoing profit growth. This ongoing growth focus promotes longer term thinking and sustainability, as an executive who took a short-term approach to profit growth and earned higher STIs in any given year would be adversely affected in future years.

To further encourage long-term thinking and to ensure key people are focused on building businesses that can deliver sustainable returns for the future, KMP (excluding directors) have been included in the LTRP. In addition to aiding executive retention, this has delivered a stronger sense of ownership and a clear alignment with shareholders' medium to long-term interests. In prior years, various KMP have also taken ownership interests in the businesses they run, via their participation in the BOS.

As a direct response to COVID-19, FLT has introduced the PCRPP to ensure the key global executives who are critical to FLT's recovery are retained and are working to create shareholder value over the next few years.

FLT has a share trading policy which prohibits directors, senior executives and their closely connected persons from entering into margin loans, hedging or any other arrangement that would have the effect of limiting their exposure to risk in relation to an element of their remuneration that has not yet vested or has vested but remains subject to a holding lock. The policy is available on FLT's website at <http://www.fctgl.com/investors/governance/share-trading-policy-2/>.



# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

### 2 DETAILS OF REMUNERATION

The following tables outline KMP remuneration details for the company and consolidated entity consisting of FLT and the entities it controlled for the year ended 30 June 2021. Board and KMP are as defined in AASB 124 *Related Party Disclosures* and are responsible for planning, directing and controlling the entity's activities.

#### BOARD OF DIRECTORS

##### Non-Executive Directors

G.W. Smith – Chairman

J.A. Eales

R.A. Baker

C.M. Garnsey

##### Executive Director

G.F. Turner

#### OTHER GROUP KMP

M. Waters-Ryan – CEO - Leisure

A. Campbell – CFO

C. Galanty – CEO - Corporate

D.W. Smith – MD - The Americas (retired 1 July 2020)

C. Leiss – MD – The Americas

J. Kavanagh – MD – Australia

S. Norris – MD – EMEA

#### PARENT ENTITY

With the exception of C. Galanty, C. Leiss and S. Norris, the executives listed above were also Parent Entity executives.

#### SERVICE AGREEMENTS

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

The company does not pay sign-on bonuses and requires KMP to provide at least 12 weeks written notice of their intention to leave FLT. If FLT gives notice, it must also provide at least 12 weeks' written notice. Termination payments to executives and other employees who are displaced as a result of their roles becoming redundant are assessed on a case-by-case basis and are capped by law. If the terminated senior executive has a BOS note (refer to note D2), FLT will also be required to repay the BOS note's face value and any applicable one-off BOS multiplier payment (refer to section 3), to the executive, in line with the BOS's general redemption rules. FLT is not bound, under the terms of any executive's employment contract, to provide termination benefits beyond those that are required by law.

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

#### KMP

The following table shows the remuneration paid and payable to KMP for the year ended 30 June 2021. Remuneration amounts are determined in accordance with the *Corporations Act 2001*'s requirements and are set out in the tables on page 31 and page 32 of this report.



## REMUNERATION REPORT - AUDITED (CONTINUED)

NAME	PAID AND PAYABLE REMUNERATION			TOTAL PAID AND PAYABLE REMUNERATION \$
	CASH SALARY AND FEES <sup>2</sup> \$	SHORT-TERM EMPLOYEE BENEFITS SHORT TERM INCENTIVE <sup>2</sup> \$	POST EMPLOYMENT BENEFITS <sup>1</sup> BOS INTEREST <sup>3</sup> \$	
NON-EXECUTIVE DIRECTORS				
G.W. Smith				
2021	238,870	-	4,880	243,750
2020	197,233	-	15,392	212,625
2019	229,469	-	20,531	250,000
J.A. Eales				
2021	151,370	-	14,380	165,750
2020	131,963	-	12,537	144,500
2019	155,251	-	14,749	170,000
R.A. Baker				
2021	151,370	-	14,380	165,750
2020	131,963	-	12,537	144,500
2019	155,251	-	14,749	170,000
C.M. Garnsey				
2021	151,370	-	14,380	165,750
2020	131,963	-	12,537	144,500
2019	155,251	-	14,749	170,000
EXECUTIVE DIRECTORS				
G.F. Turner				
2021	625,181	-	21,694	646,875
2020	578,997	-	21,003	600,000
2019	654,469	-	20,531	675,000
OTHER GROUP KMP				
M. Waters-Ryan				
2021	1,142,681	-	21,694	1,164,375
2020	696,747	-	301,064	1,018,814
2019	672,469	-	497,748	1,190,748
A. Campbell				
2021	914,119	-	21,694	935,813
2020	846,997	-	21,003	868,000
2019	955,969	-	20,531	976,500
D.W. Smith (retired 1 July 2020) <sup>4</sup>				
2021	-	-	-	-
2020	894,723	-	-	894,723
2019	880,585	245,772	782,335	1,908,692
C. Galanty				
2021	1,086,272	-	-	1,086,272
2020	586,530	-	684,178	1,270,708
2019	569,912	30,842	969,722	1,570,476
J. Kavanagh (appointed 1 January 2020) <sup>4</sup>				
2021	674,869	-	21,694	696,563
2020	272,162	-	10,501	282,663
C. Leiss (appointed 1 January 2020) <sup>4</sup>				
2021	712,451	-	-	712,451
2020	330,274	-	-	330,274
S. Norris (appointed 1 January 2020) <sup>4</sup>				
2021	674,703	-	-	674,703
2020	298,025	-	-	298,025
TOTAL KMP COMPENSATION (EXCLUDING LONG TERM BENEFITS)				
2021	6,523,256	-	134,796	6,658,052
2020	5,097,577	-	126,513	6,209,332
2019	4,428,626	276,614	126,371	7,081,416

<sup>1</sup> No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2020: nil).

<sup>2</sup> For each executive who is classed as KMP, 90% of targeted remuneration package is fixed for 2021, 2020 and 2019.

<sup>3</sup> BOS interest shown above does not take into account financial liabilities (principal repayments) that may relate to this investment.

<sup>4</sup> For KMP who retired during the current period and KMP who were appointed during the prior period the amounts disclosed reflect the relevant service period served.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

NEDs receive fixed fees, do not receive STIs or LTIs and do not participate in the BOS or BOS Multiplier program. No components of their remuneration are at risk.

NAME	TOTAL PAID AND PAYABLE REMUNERATION \$	LONG-TERM EMPLOYEE BENEFITS		SHARE- BASED PAYMENTS	TOTAL REMUNERATION \$	PERCENTAGE PERFORMANCE RELATED <sup>4</sup> %
		LONG SERVICE LEAVE <sup>1</sup> \$	BOS MULTIPLIER PROVISION <sup>2</sup> \$	EQUITY SETTLED PLANS <sup>3</sup> \$		
TOTAL NON EXECUTIVE DIRECTORS COMPENSATION						
2021	741,000	-	-	-	741,000	-
2020	646,125	-	-	-	646,125	-
2019	760,000	-	-	-	760,000	-
EXECUTIVE DIRECTORS						
G.F. Turner						
2021	646,875	4,110	-	-	650,985	-
2020	600,000	(101,558)	-	-	498,442	-
2019	675,000	(158,115)	-	-	516,885	-
OTHER GROUP KMP						
M. Waters-Ryan						
2021	1,164,375	4,299	-	738,945	1,907,619	-
2020	1,018,814	(57,882)	-	211,609	1,172,541	26
2019	1,190,748	(32,220)	852,000	144,692	2,155,220	63
A. Campbell						
2021	935,813	40,086	-	1,023,954	1,999,853	-
2020	868,000	26,183	-	420,523	1,314,706	-
2019	976,500	43,480	-	254,940	1,274,920	-
C. Galanty						
2021	1,086,272	-	-	725,750	1,812,022	-
2020	1,270,708	-	-	211,609	1,482,317	46
2019	1,570,476	-	1,844,781	144,692	3,559,949	80
D.W. Smith (retired 1 July 2020) <sup>5</sup>						
2021	-	-	-	-	-	-
2020	894,723	-	(415,813)	(1,036)	477,874	(87)
2019	1,908,692	-	1,105,878	149,611	3,164,181	67
J.Kavanagh (appointed 1 January 2020) <sup>5</sup>						
2021	696,563	12,079	-	562,074	1,270,716	-
2020	282,663	21,586	-	54,234	358,483	-
C.Leiss (appointed 1 January 2020) <sup>5</sup>						
2021	712,451	-	-	497,100	1,209,551	-
2020	330,274	-	-	78,559	408,833	-
S. Norris (appointed 1 January 2020) <sup>5</sup>						
2021	674,703	-	-	449,859	1,124,562	-
2020	298,025	-	-	60,552	358,577	-
TOTAL KMP COMPENSATION						
2021	6,658,052	60,574	-	3,997,683	10,716,309	
2020	6,209,332	(111,671)	(415,813)	1,036,050	6,717,898	
2019	7,081,416	(146,855)	3,802,659	693,935	11,431,155	

<sup>1</sup> Long Service Leave (LSL) includes amounts accrued and taken during the year. LSL provisions are linked to overall executive remuneration (which consists of the short-term benefits noted above) and, therefore, vary from year to year. Movements are based on total salary which is dependent on performance during the year. Negative amounts are sometimes recognised, as provisions naturally adjust in periods where incentives are not earned and the rate used for LSL calculation reduces compared to prior periods.

<sup>2</sup> BOS Multiplier program provisions are linked to profit and, therefore, vary from year to year. Information on the BOS program including the hibernation of the BOS Multiplier Program is included in section 3.

<sup>3</sup> Share-based payments represent amounts expensed in relation to rights granted under LTRP Grant 2019 (Grant 4), LTRP Grant 2020 (Grant 5), LTRP Grant 2021 (Grant 6) and PCRPP (refer section 4). D.W. Smith, A. Campbell, J. Kavanagh, C. Leiss and S. Norris' include matched rights granted under the ESP (refer section 4).

<sup>4</sup> Performance related percentage calculated as the sum of the STI and BOS interest, and BOS Multiplier divided by total remuneration.

<sup>5</sup> For KMP who retired during the current period and KMP who were appointed during the prior period the amounts disclosed reflect the relevant service period served.

## REMUNERATION REPORT - AUDITED (CONTINUED)

### DETAILS OF REMUNERATION PAID AND FORFEITED

OTHER GROUP KMP	INCENTIVES	
	PAID %	FORFEITED %
G.F. Turner	0%	100%
M. Waters-Ryan	0%	100%
A. Campbell	0%	100%
C. Galanty	0%	100%
D.W. Smith <sup>1</sup>	-	-
J. Kavanagh	0%	100%
C. Leiss	0%	100%
S. Norris	0%	100%

<sup>1</sup> D.W. Smith retired effective 1 July 2020.

For each STI, the percentage of the available bonus that was paid, or that vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

### 3 LTIS: BOS RETURN MULTIPLES ON REDEMPTION

To encourage key executives to continue in their roles for the long-term and to drive growth in large and important businesses, two current KMP with BOS notes – namely Melanie Waters-Ryan and Chris Galanty – are in line to earn multipliers on their BOS returns (upon redemption).

Under the program's terms as they relate to Mr Galanty and Ms Waters-Ryan, if the BOS note is redeemed between its fifth and tenth anniversary, the BOS holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the redemption date, multiplied by five, being the applicable redemption multiple.

If the BOS note is redeemed between its tenth and fifteenth anniversary, the holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the redemption date, multiplied by 10, being the applicable redemption multiple.

Minor changes implemented through an amending deed (effective 30 June 2020) were made to Ms Waters-Ryan's BOS note. Ms Waters-Ryan's BOS note matures in 2027 and it must then be finally redeemed. In this instance, the final redemption multiple will be 15, but the multiple will remain at 10 if the BOS note is redeemed between 2023 to 2026.

Mr Galanty's BOS note matures in 2026 and it must then be redeemed. At that point, the final redemption multiple will be 15.

Dean Smith, a member of FLT's KMP until his retirement on 1 July 2020, was also part of the BOS Multiplier program.

Mr Smith's unsecured BOS note was redeemed, effective May 2020. The payment represented a five-times multiple payment of BOS interest on America's 30 June 2019 profits.

By execution of amending deeds effective 30 June 2020, both Ms. Waters-Ryan and Mr Galanty's BOS notes are in temporary hibernation commencing 1 January 2020 through to 31 December 2021. The result of this temporary redemption has been a temporary pay back of the invested Face Value to the note holders with no entitlements to any interest earnings, payments entirely suspended and unable to be redeemed. At the end of the hibernation period, the BOS noteholders are required to return to FLT the Face Value either through a payment or issue of a funds designation notice. The required provision for remaining Founder BOS multiple earning periods out to 2027 has been recognised.

If the BOS note is redeemed outside of the temporary hibernation period and between five years and its maturity date, as a result of the holder transferring into a comparable or more senior role within the company, an affiliate or a related body corporate, the redemption multiple will be the number of full years the BOS note has been held. This redemption multiple will then be applied to the holder's BOS returns for the last full financial year before the redemption date. The same calculation will apply if a material part of the holder's business unit is sold.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

The BOS's Face Value, being the amount paid by the holder to purchase the BOS, is guaranteed – it cannot decrease in value – and will always be deducted from the final redemption multiple payment.

BOS MULTIPLIER PROGRAM							
OTHER GROUP KMP	GRANT DATE	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH BOS RETURN MULTIPLE MAY VEST	MINIMUM TOTAL BOS RETURN MULTIPLE <sup>1</sup>	MAXIMUM TOTAL BOS RETURN MULTIPLE <sup>1</sup>	BALANCE AT 30 JUNE 2021 <sup>2</sup> \$
M. Waters-Ryan	1 July 2012	100%	-	2018-2027	5 times	15 times	3,722,964
C. Galanty	1 July 2010	100%	-	2016-2026	5 times	15 times	8,548,307
<b>Total</b>							<b>12,271,271</b>

<sup>1</sup> The BOS Holder will be entitled to and paid an amount equivalent to his or her BOS return for the last full financial year before the redemption date, multiplied by the applicable redemption multiple. As the BOS return multiple is dependent on profit during the last full financial year before the date of redemption, neither the minimum nor maximum amount can be reliably estimated until redeemed.

<sup>2</sup> The balance held for C. Galanty as at 30 June 2021 has been revalued for movement in foreign exchange rates.

## 4 SHARE-BASED COMPENSATION

In line with FLT's philosophies, share-based plans are in place to allow KMP (excluding directors) and employees in general to take an equity interest in the company. These plans include the LTRP and the ESP.

### LTRP

The LTRP was introduced to provide equity-based compensation with a focus on balancing FLT's use of STIs, long-term shareholder alignment and retention of key executives.

#### General terms

Invited participants are granted base rights, for no consideration, in annual tranches over a 12-year period with vesting conditions based upon continued service. When these base rights are granted, participants are also granted a corresponding number of matched rights for no consideration (one matched right for each base right granted).

Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary FLT share.

The plan's rules stipulate that the number of shares resulting from exercising all unexercised rights cannot exceed 5% of the company's issued capital (currently less than 1%).

#### Vesting requirements

Base rights granted to participants for each tranche will vest on the base rights' vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date).

Matched rights granted to participants for each tranche will vest on the matched rights' vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date) and the base rights (or shares) in respect of the respective grant continue to be held.

#### Method of settlement

The base rights and matched rights may be issued by FLT, purchased on-market or allocated from treasury shares.

#### Valuation

The fair value of base and matched rights under the plan is estimated at the date of grant using a fixed dollar amount of rights granted for each participant and the Black-Scholes option pricing model. The fair value is allocated equally over the period from grant date to vesting date and is included in the remuneration report compensation tables.

## REMUNERATION REPORT - AUDITED (CONTINUED)

Details of rights provided as remuneration to KMP are set out below:

GRANT NUMBER	GRANT DATE	BASE RIGHTS			MATCHING RIGHTS		
		DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE <sup>2</sup>	DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE <sup>2</sup>
1	1 Jan 2016	1 July 2018	1 July 2030	\$31.93	6 April 2020	1 July 2030	\$28.91
2	1 July 2016	1 July 2018	1 July 2030	\$32.99	6 April 2020	1 July 2030	\$29.58
3	1 July 2017	1 July 2018	1 July 2030	\$46.63	6 April 2020	1 July 2030	\$42.46
4	1 July 2018	August 2021	1 July 2030	\$54.26	August 2021	1 July 2030	\$54.26
4b	1 July 2018	August 2021	1 July 2030	\$54.26	August 2023	1 July 2030	\$51.58
5	1 July 2019	August 2022	1 July 2030	\$42.06	August 2022	1 July 2030	\$42.06
5b	1 July 2019	August 2022	1 July 2030	\$42.06	August 2024	1 July 2030	\$38.84
6	1 July 2020	August 2023	1 July 2030	\$11.30	August 2023	1 July 2030	\$11.30
6b	1 July 2020	August 2021	1 July 2030	\$11.30	August 2023	1 July 2030	\$11.30

<sup>1</sup> The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.

<sup>2</sup> The maximum value of each grant can be calculated by multiplying the fair value of the rights on the grant date by the number of rights granted during the relevant year. This amount represents the maximum value which will be expensed over the performance period. The minimum value is nil if the service conditions are not met.

### PCRP

The PCRP, which will operate alongside the broader GRR program, was introduced as a strategic response to the profound impacts that COVID-19 restrictions continue to have on the business, with a focus on ensuring key executives who will be crucial to FLT's recovery are retained while the business recovers and during the rebuilding phase.

#### General terms

Invited PCRP participants are granted one-off base rights, for no consideration, that will vest if they achieve the program's continued service condition, which extends through what the company believes will be a recovery period. Additional matched rights are attached to each base right held and will vest in two equal tranches after the attached base rights vest (subject to conditions outlined below).

Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary FLT share.

The plan's rules stipulate that the number of shares resulting from exercising all unexercised rights cannot exceed 5% of the company's issued capital (currently less than 1%).

#### Vesting requirements

Base rights granted to participants will vest on the base rights' vesting date as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date).

Matched rights granted to participants for each tranche will vest on the matched rights' vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date) and for Tranche 1 matched rights that the base rights (or shares) in respect of the respective grant continue to be held, and for Tranche 2 matched rights' that the Tranche 1 matched rights (or shares) continue to be held.

#### Method of settlement

The base rights and matched rights may be issued by FLT, purchased on-market or allocated from treasury shares.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

### Valuation

The fair value of base and matched rights under the plan is estimated at the date of grant using the Black-Scholes option pricing model. The fair value is allocated equally over the period from grant date to vesting date, and is included in the remuneration report compensation tables.

Details of rights provided as remuneration to KMP are set out below:

GRANT NUMBER	GRANT DATE	BASE RIGHTS			MATCHING RIGHTS - TRANCHE 1		
		DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE <sup>2</sup>	DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE <sup>2</sup>
1	29 Jun 2020	August 2022	1 July 2031	\$9.66	August 2023	1 July 2031	\$9.25
					MATCHING RIGHTS - TRANCHE 2		
					August 2024	1 July 2031	\$8.83

<sup>1</sup> The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.

<sup>2</sup> The maximum value of the grant can be calculated by multiplying the fair value of the rights on the grant date by the number of rights granted during the relevant year. This amount represents the maximum value which will be expensed over the performance period. The minimum value is nil if the service conditions are not met.



## REMUNERATION REPORT - AUDITED (CONTINUED)

### RIGHTS HOLDINGS

The number of rights over ordinary FLT shares held during the financial year by FLT's group KMP, including the number granted, vested, exercised and forfeited is set out below:

OTHER GROUP KMP RIGHTS	BALANCE AT 1 JULY 2020						BALANCE AT 30 JUNE 2021		VALUE OF RIGHTS GRANTED DURING THE YEAR \$
	VESTED AND EXERCISABLE	UNVESTED	GRANTED	FORFEITED	VESTED	EXERCISED	VESTED AND EXERCISABLE	UNVESTED	
M. WATERS-RYAN									
LTRP Grant 4									
Base	-	1,923	-	-	-	-	-	1,923	-
Match	-	1,923	-	-	-	-	-	1,923	-
LTRP Grant 5									
Base	-	2,386	-	-	-	-	-	2,386	-
Match	-	2,386	-	-	-	-	-	2,386	-
LTRP Grant 6									
Base	-	-	10,508	-	-	-	-	10,508	118,753
Match	-	-	10,508	-	-	-	-	10,508	118,753
PCRP									
Base	-	-	70,000	-	-	-	-	70,000	676,282
Match 1	-	-	35,000	-	-	-	-	35,000	323,597
Match 2	-	-	35,000	-	-	-	-	35,000	309,142
A. CAMPBELL									
LTRP Grant 4									
Base	-	4,637	-	-	-	-	-	4,637	-
Match	-	4,637	-	-	-	-	-	4,637	-
LTRP Grant 5									
Base	-	5,754	-	-	-	-	-	5,754	-
Match	-	5,754	-	-	-	-	-	5,754	-
LTRP Grant 6									
Base	-	-	21,113	-	-	-	-	21,113	238,606
Match	-	-	21,113	-	-	-	-	21,113	238,606
PCRP									
Base	-	-	70,000	-	-	-	-	70,000	676,282
Match 1	-	-	35,000	-	-	-	-	35,000	323,597
Match 2	-	-	35,000	-	-	-	-	35,000	309,142
C. GALANTY									
LTRP Grant 4									
Base	-	1,923	-	-	-	-	-	1,923	-
Match	-	1,923	-	-	-	-	-	1,923	-
LTRP Grant 5									
Base	-	2,386	-	-	-	-	-	2,386	-
Match	-	2,386	-	-	-	-	-	2,386	-
LTRP Grant 6									
Base	-	-	8,756	-	-	-	-	8,756	98,961
Match	-	-	8,756	-	-	-	-	8,756	98,961
PCRP									
Base	-	-	70,000	-	-	-	-	70,000	676,282
Match 1	-	-	35,000	-	-	-	-	35,000	323,597
Match 2	-	-	35,000	-	-	-	-	35,000	309,142
D.W. SMITH									
LTRP Grant 4									
Base	-	-	-	-	-	-	-	-	-
Match	-	-	-	-	-	-	-	-	-
LTRP Grant 5									
Base	-	-	-	-	-	-	-	-	-
Match	-	-	-	-	-	-	-	-	-

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED (CONTINUED)

### RIGHTS HOLDINGS (CONTINUED)

OTHER GROUP KMP RIGHTS	BALANCE AT 1 JULY 2020						BALANCE AT 30 JUNE 2021		VALUE OF RIGHTS GRANTED DURING THE YEAR \$
	VESTED AND EXERCISABLE	UNVESTED	GRANTED	FORFEITED	VESTED	EXERCISED	VESTED AND EXERCISABLE	UNVESTED	
J. KAVANAGH									
LTRP Grant 4b									
Base	-	1,282	-	-	-	-	-	1,282	-
Match	-	1,282	-	-	-	-	-	1,282	-
LTRP Grant 5b									
Base	-	2,569	-	-	-	-	-	2,569	-
Match	-	2,569	-	-	-	-	-	2,569	-
LTRP Grant 6b									
Base	-	-	9,429	-	-	-	-	9,429	106,502
Match	-	-	9,429	-	-	-	-	9,429	106,563
PCR									
Base	-	-	40,000	-	-	-	-	40,000	386,447
Match 1	-	-	20,000	-	-	-	-	20,000	184,912
Match 2	-	-	20,000	-	-	-	-	20,000	176,653
C. LEISS									
LTRP Grant 4									
Base	-	1,488	-	-	-	-	-	1,488	-
Match	-	1,488	-	-	-	-	-	1,488	-
LTRP Grant 5									
Base	-	2,291	-	-	-	-	-	2,291	-
Match	-	2,291	-	-	-	-	-	2,291	-
LTRP Grant 6									
Base	-	-	9,429	-	-	-	-	9,429	106,563
Match	-	-	9,429	-	-	-	-	9,429	106,563
PCR									
Base	-	-	40,000	-	-	-	-	40,000	386,447
Match 1	-	-	20,000	-	-	-	-	20,000	184,912
Match 2	-	-	20,000	-	-	-	-	20,000	176,653
S. NORRIS									
LTRP Grant 4									
Base	-	1,069	-	-	-	-	-	1,069	-
Match	-	1,069	-	-	-	-	-	1,069	-
LTRP Grant 5									
Base	-	1,382	-	-	-	-	-	1,382	-
Match	-	1,382	-	-	-	-	-	1,382	-
LTRP Grant 6									
Base	-	-	9,429	-	-	-	-	9,429	106,563
Match	-	-	9,429	-	-	-	-	9,429	106,563
PCR									
Base	-	-	40,000	-	-	-	-	40,000	386,447
Match 1	-	-	20,000	-	-	-	-	20,000	184,912
Match 2	-	-	20,000	-	-	-	-	20,000	176,653

The relevant portion of the expense relating to these rights was recognised during the year ended 30 June 2021. Refer to note D3.

## REMUNERATION REPORT - AUDITED (CONTINUED)

### ESP

#### General terms

Under the ESP, eligible employees are granted a conditional right to one matched share for every two shares purchased (for cash consideration), subject to vesting conditions.

To receive the matched shares, participants must hold the acquired shares for a period of two years and one month and still be employed with FLT at the end of that time. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

The matched shares may be issued by FLT, purchased on-market or allocated from treasury shares.

#### SHAREHOLDINGS

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

2021 FLT DIRECTORS	BALANCE AT THE START OF THE YEAR	RECEIVED ON THE EXERCISE OF RIGHTS	ESP PURCHASED SHARES <sup>1</sup>	ESP MATCHED SHARES VESTED <sup>1</sup>	OTHER CHANGES	BALANCE AT THE END OF THE YEAR
G.W. Smith	23,621	-	-	-	-	23,621
J.A. Eales	11,875	-	-	-	-	11,875
R.A. Baker	6,457	-	-	-	-	6,457
C.M. Garnsey	5,168	-	-	-	-	5,168
G.F. Turner	16,639,027	-	-	-	-	16,639,027
<b>OTHER GROUP KMP</b>						
M. Waters-Ryan	80,622	-	-	-	(20,000)	60,622
A. Campbell <sup>1</sup>	21,577	-	1,015	115	(16,500)	6,207
C. Galanty	32,497	-	-	-	(6,908)	25,589
D.W. Smith <sup>2</sup>	20,953	-	-	-	(20,953)	-
J. Kavanagh <sup>1</sup>	89	-	2,031	-	-	2,120
C. Leiss <sup>1</sup>	8,444	-	1,102	81	-	9,627
S. Norris <sup>1</sup>	17,213	-	647	-	(17,213)	647

<sup>1</sup> A. Campbell, J. Kavanagh, C. Leiss and S. Norris participated in the ESP and were issued with ordinary shares under the same terms and conditions as all other ESP participants. At period end A. Campbell held 795 (2020: 403), J. Kavanagh held 1,015 (2020: nil), C. Leiss held 701 (2020: 232) and S. Norris held 323 (2020: nil) conditional matched rights that had been granted under the ESP but had not yet vested.

<sup>2</sup> D.W. Smith retired effective 1 July 2020.

## 5 LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

There were no loans provided to key management personnel and their related parties during the period.

# DIRECTORS' REPORT CONTINUED

## INDEMNIFICATION AND INSURANCE OF OFFICERS

An Officers' Deed of Indemnity, Access and Insurance is in place for directors, KMP, the company secretary and some other executives. FLT has agreed to provide indemnification to the fullest extent permitted by law. Liabilities covered include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or its controlled entities. Disclosure of premiums paid is prohibited under the insurance contract. No payment has been made to indemnify a director, KMP, the company secretary or other executives during or since the financial year.

## INDEMNIFICATION OF AUDITOR

To the extent permitted by law, FLT has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided to the consolidated group during the year are set out in note F13.

The board has considered the position and, in accordance with the advice received from the audit and risk committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the auditor's provision of non-audit services did not compromise the Act's independence requirements because none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

The audit and risk committee reviewed all non-audit services to ensure they did not impact the auditor's impartiality and objectivity.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 41.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars or, in certain cases, to the nearest dollar.

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



G.F. Turner  
Director  
BRISBANE

26 August 2021

# AUDITOR'S INDEPENDENCE DECLARATION

## FLIGHT CENTRE TRAVEL GROUP LIMITED



Building a better  
working world

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

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

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

As lead auditor for the audit of the financial report of Flight Centre Travel Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ric Roach  
Partner  
26 August 2021

# STATEMENT OF PROFIT OR LOSS

	NOTES	FOR THE YEAR ENDED 30 JUNE	
		2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Revenue	A2	395,907	1,897,272
Fair value gain/(loss) on change in control	A3	-	(3,138)
Other income	A3	280,009	196,944
Share of profit/(loss) of joint ventures and associates	E1	17,471	(5,047)
Employee benefits	F1	(810,210)	(1,491,455)
Sales and marketing		(24,983)	(170,451)
Tour & hotel operations - cost of sales		(2,331)	(129,856)
Amortisation and depreciation	B8 / F7	(137,973)	(230,612)
Finance costs	A4	(37,110)	(38,253)
Impairment charge	A5 / F7	(35,709)	(217,117)
Other expenses	A4	(246,781)	(656,873)
<b>(Loss) / Profit before income tax</b>		<b>(601,710)</b>	<b>(848,586)</b>
Income tax credit / (expense)	F12	168,254	186,358
<b>(Loss) / Profit after income tax</b>		<b>(433,456)</b>	<b>(662,228)</b>
<b>(Loss) / Profit attributable to</b>			
Company owners		(433,129)	(662,285)
Non-controlling interests		(327)	57
		<b>(433,456)</b>	<b>(662,228)</b>
Earnings per share for (loss) / profit attributable to the ordinary equity holders of the company:			
		CENTS	CENTS RESTATED <sup>1</sup>
Basic earnings / (loss) per share	F2	(217.5)	(552.2)
Diluted earnings / (loss) per share	F2	(217.5)	(552.2)

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

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



# STATEMENT OF OTHER COMPREHENSIVE INCOME

	NOTES	FOR THE YEAR ENDED 30 JUNE	
		2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
(Loss) / Profit after income tax		(433,456)	(662,228)
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that have been reclassified to profit or loss:</b>			
Hedging gains reclassified to profit or loss	F11	(109)	(29,553)
Changes in the fair value of financial assets at FVOCI	F11	-	(321)
Net exchange differences on disposal of foreign operations	F11	(152)	-
<b>Items that may be reclassified to profit or loss:</b>			
Changes in the fair value of cash flow hedges	F11	336	29,569
Gain/(loss) on net investment hedges	F11	3,204	(1,456)
Net exchange differences on translation of foreign operations	F11	(28,863)	1,223
Income tax on items of other comprehensive income	F12	(1,029)	489
<b>Total other comprehensive income</b>		<b>(26,613)</b>	<b>(49)</b>
<b>Total comprehensive income</b>		<b>(460,069)</b>	<b>(662,277)</b>
<b>Attributable to</b>			
Company owners		(459,740)	(662,346)
Non-controlling interests		(329)	69
		<b>(460,069)</b>	<b>(662,277)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE			
	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers <sup>2</sup>		483,776	2,797,481
Payments to suppliers and employees <sup>2</sup>		(1,683,491)	(2,858,163)
Royalties received		-	360
Interest received		10,199	15,422
Interest paid (non-leases)		(16,009)	(24,252)
Interest paid (leases)	F7	(12,507)	(17,134)
Government subsidies received		277,644	98,009
Income taxes refunded/(paid)		28,155	(22,366)
<b>Net cash (outflow) from operating activities</b>	<b>B1</b>	<b>(912,233)</b>	<b>(10,643)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, net of cash acquired	A6	(145)	(19,607)
Proceeds from disposal of non-controlling interests in subsidiaries		157	-
Proceeds from disposal/(acquisition) of joint ventures and associates	E1	169	(13,792)
Payments of contingent consideration	A7	(1,634)	(11,170)
Proceeds from sale of property, plant and equipment	A3/F6	62,150	-
Payments for property, plant and equipment	B8/F6	(3,376)	(42,663)
Payments for intangibles	B8/A5	(33,978)	(51,569)
Payments for the purchase of financial asset investments	B2	(57,073)	(4,635)
Proceeds from sale of financial asset investments	B2	-	111,244
Dividends received from joint ventures and associates		1,555	-
Loans repaid by related parties	E2	-	380
<b>Net cash (outflow) from investing activities</b>		<b>(32,175)</b>	<b>(31,812)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	B4	326,445	413,905
Net proceeds from issue of convertible notes	B5	392,228	-
Repayment of borrowings	B4	(222,408)	(137,873)
Payment of principal on lease liabilities	F7	(91,031)	(113,820)
Lease surrender payments	F7	(54,285)	-
Payments for purchase of shares on market		(180)	-
Proceeds from issue of shares, net of transaction costs	D4	5,111	691,027
Proceeds from allocation of treasury shares	D4	-	3,207
Dividends paid to company owners	B7	-	(99,097)
Dividends paid to non-controlling interests	B7	-	(145)
<b>Net cash inflow from financing activities</b>		<b>355,880</b>	<b>757,204</b>
<b>Net increase / (decrease) in cash held</b>		<b>(588,528)</b>	<b>714,749</b>
Cash and cash equivalents at the beginning of the financial year		1,865,797	1,172,252
Effects of exchange rate changes on cash and cash equivalents		13,562	(21,204)
<b>Cash and cash equivalents at end of the financial year</b>	<b>B1</b>	<b>1,290,831</b>	<b>1,865,797</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

<sup>2</sup> Including consumption tax.

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

# BALANCE SHEET

		AS AT 30 JUNE	
	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	B1	1,290,831	1,867,307
Financial asset investments	B2	65,142	8,078
Trade receivables	F3	279,299	319,596
Contract assets	F4	50,373	96,515
Other assets	F5	43,478	39,243
Assets held for sale	F5	-	20,850
Other financial assets	C3	5,642	22,811
Current tax receivables		83,567	58,685
Derivative financial instruments	C2	5,015	5,432
<b>Total current assets</b>		<b>1,823,347</b>	<b>2,438,517</b>
<b>Non-current assets</b>			
Property, plant and equipment	F6	89,979	153,392
Intangible assets	A5	687,512	709,866
Right of use asset	F7	243,690	371,391
Other assets	F5	8,557	11,582
Other financial assets	C3	29,465	3,847
Investments in joint ventures and associates	E1	49,046	34,760
Deferred tax assets	F12	331,091	242,215
Derivative financial instruments	C2	2,189	278
<b>Total non-current assets</b>		<b>1,441,529</b>	<b>1,527,331</b>
<b>Total assets</b>		<b>3,264,876</b>	<b>3,965,848</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	F8	843,182	1,203,010
Contract liabilities	F9	54,536	235,762
Contingent consideration	A7	2,784	3,278
Lease liability	F7	100,783	134,219
Borrowings	B4	212,167	211,668
Provisions	F10	43,273	65,456
Current tax liabilities		2,546	1,244
Derivative financial instruments	C2	1,659	2,185
<b>Total current liabilities</b>		<b>1,260,930</b>	<b>1,856,822</b>
<b>Non-current liabilities</b>			
Trade and other payables		2,041	-
Contract liabilities	F9	34,945	40,597
Contingent consideration	A7	-	297
Lease liability	F7	267,670	392,442
Borrowings	B4	355,684	250,514
Convertible note	B5	347,239	-
Provisions	F10	29,862	43,720
Deferred tax liabilities	F12	10,469	20,032
Derivative financial liabilities	C2	-	1,456
<b>Total non-current liabilities</b>		<b>1,047,910</b>	<b>749,058</b>
<b>Total liabilities</b>		<b>2,308,840</b>	<b>2,605,880</b>
<b>Net assets</b>		<b>956,036</b>	<b>1,359,968</b>
<b>EQUITY</b>			
Contributed equity	D4	1,099,056	1,094,095
Reserves	F11	35,614	11,176
Retained profits		(178,634)	254,495
<b>Equity attributable to the Company owners</b>		<b>956,036</b>	<b>1,359,766</b>
Non-controlling interests		-	202
<b>Total equity</b>		<b>956,036</b>	<b>1,359,968</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE							
NOTES	CONTRIBUTED EQUITY \$'000	TREASURY SHARES \$'000	RESERVES \$'000	RETAINED PROFITS \$'000	TOTAL \$'000	NON-CONTROLLING INTEREST \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2019	405,626	(11,993)	15,397	1,053,010	1,462,040	278	1,462,318
Accounting policy change - AASB16	-	-	-	(4,030)	(4,030)	-	(4,030)
Accounting policy change - SAAS implementation costs <sup>1</sup>	-	-	4	(33,103)	(33,099)	-	(33,099)
Restated total equity as at 1 July 2019 <sup>1</sup>	405,626	(11,993)	15,401	1,015,877	1,424,911	278	1,425,189
(Loss) / Profit for the year	-	-	-	(662,285)	(662,285)	57	(662,228)
Other comprehensive income	-	-	(61)	-	(61)	12	(49)
Total comprehensive income for the year	-	-	(61)	(662,285)	(662,346)	69	(662,277)
<b>Transactions with owners in their capacity as owners:</b>							
Entitlement offer, net of transaction costs and tax	685,543	-	-	-	685,543	-	685,543
Employee share-based payments	2,926	-	4,622	-	7,548	-	7,548
Treasury shares	-	11,993	(8,786)	-	3,207	-	3,207
Dividends provided for or paid	-	-	-	(99,097)	(99,097)	(145)	(99,242)
Balance at 30 June 2020 <sup>1</sup>	1,094,095	-	11,176	254,495	1,359,766	202	1,359,968
(Loss) / Profit for the year	-	-	-	(433,129)	(433,129)	(327)	(433,456)
Other comprehensive income	-	-	(26,611)	-	(26,611)	(2)	(26,613)
Total comprehensive income for the year	-	-	(26,611)	(433,129)	(459,740)	(329)	(460,069)
<b>Transactions with owners in their capacity as owners:</b>							
Non-controlling interest disposal of subsidiary	-	-	-	-	-	127	127
Employee share-based payments	4,961	-	13,119	-	18,080	-	18,080
Equity component of convertible bond, net of tax	-	-	37,930	-	37,930	-	37,930
Dividends provided for or paid	-	-	-	-	-	-	-
Balance at 30 June 2021	1,099,056	-	35,614	(178,634)	956,036	-	956,036

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision - Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

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

# NOTES TO THE FINANCIAL STATEMENTS

## SIGNIFICANT MATTERS

### A FINANCIAL OVERVIEW

A1	Segment information	48
A2	Revenue	49
A3	Other income	55
A4	Expenses	57
A5	Intangible assets	58
A6	Business combinations	59
A7	Contingent consideration	62

### B CASH MANAGEMENT

B1	Cash and cash equivalents	64
B2	Financial asset investments	64
B3	Cash and financial asset investments – financial risk management	66
B4	Borrowings	66
B5	Convertible notes	68
B6	Ratios	70
B7	Dividends	71
B8	Capital expenditure	72

### C FINANCIAL RISK MANAGEMENT

C1	Financial risk management	73
C2	Derivative financial instruments	74
C3	Other financial assets	78

### D REWARD AND RECOGNITION

D1	Key management personnel	83
D2	Business ownership scheme (BOS)	84
D3	Share-based payments	84
D4	Contributed equity and treasury shares	85

### E RELATED PARTIES

E1	Investments accounted for using the equity method	87
E2	Related party transactions	93

## 48

## 49

## 49

## 55

## 57

## 58

## 59

## 62

## 63

## 64

## 64

## 66

## 66

## 66

## 66

## 68

## 70

## 71

## 72

## 73

## 74

## 74

## 78

## 83

## 84

## 84

## 84

## 85

## 87

## 93

## 95

## 95

## 97

## F OTHER INFORMATION

F1	Other expenses	99
F2	Earnings per share	100
F3	Trade and other receivables	101
F4	Contract assets	103
F5	Other assets	105
F6	Property, plant and equipment	106
F7	Leases	107
F8	Trade and other payables	110
F9	Contract liabilities	111
F10	Provisions	112
F11	Reserves	113
F12	Tax	115
F13	Auditor's remuneration	118
F14	Seasonality	118

## G GROUP STRUCTURE

G1	Subsidiaries	119
G2	Deed of cross guarantee	119
G3	Parent entity financial information	122

## H UNRECOGNISED ITEMS

H1	Commitments	124
H2	Contingencies	124
H3	Events occurring after the end of the reporting period	124

## I SUMMARY OF ACCOUNTING POLICIES

## 125

# NOTES TO THE FINANCIAL STATEMENTS

## SIGNIFICANT MATTERS

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

### UNDERLYING ADJUSTMENTS

#### GAIN ON SALE OF ST KILDA BUILDING

On 10 July 2020 the sale of the St Kilda Melbourne head office property was completed for cash proceeds of \$62,150,000, and a gain of \$32,982,000 was recognised in other income within the statement of profit or loss. Refer to note A3.

#### COVID-19 COST BASE AND DISPOSAL OF STORE/HEAD OFFICE ASSETS

- FLT incurred \$103,884,000 costs during the period to achieve COVID-19 hibernation cost base reduction (\$102,813,000 for the year ended 30 June 2020) including redundancies, lease break fees and IT contract early exit costs. Refer to note A1.
- FLT incurred \$19,063,000 non-cash loss on disposal of head office and store assets during the period due to closures associated with COVID-19. Refer to note A1.

### LIQUIDITY

FLT closely manages and monitors liquidity at a group level through rolling 18-month operating cashflow forecasts and comparing actual cashflows to this forecast, which is supported by Global Treasury review of cashflow forecasts prepared weekly at a detailed level by business and country.

On 17 November 2020, the Company issued convertible notes with an aggregate principal amount of \$400,000,000. On 22nd February 2021, FLT entered into a \$350,000,000 three year secured syndicated debt facility with its existing bank lenders. The facility refinanced FLT's bilateral debt facility agreements which totalled \$450,000,000, with \$100,000,000 repaid in March 2021 from the proceeds of the convertible note issue. FLT will not be required to comply with its existing operating leverage ratio, fixed charges ratio and shareholder funds ratio covenants until 31 December 2022, at which point covenants will be calculated based on the six month period from 1 July 2022 to 31 December 2022. Until that time FLT will be required to maintain a cash to total borrowings ratio of greater than or equal to 1:1 (with total borrowings to exclude the convertible notes). The facility is guaranteed by certain members of the group and is secured. The total amount drawn down at the reporting date was \$350,000,000.

On 3 July 2020, Flight Centre (UK) Limited (FCUK) issued GBP 65,000,000 of notes under the Bank of England (BoE) COVID-19 Corporate Financing Facility (CCFF notes) which matured in March 2021 and were repaid. On 16 March 2021 FCUK issued a further GBP 65,000,000 of CCFF notes to refinance the original July 2020 issuance, and these notes mature in March 2022. On 19 March 2021 FCUK issued a further GBP 50,000,000 of CCFF notes which mature in March 2022. In total, FCUK has issued GBP 115,000,000 (A\$211,747,000) of CCFF notes which mature in March 2022.

COVID-19 continues to impact FLT and has given rise to the loss in FY21. Whilst there is uncertainty in the timing of the travel rebound and FLT's revenues, given the cost reduction initiatives executed to date, together with the cash in bank and long term financing arrangements in place, the Directors are satisfied the company has the ability to meet its debts as and when due for the next 12 months, and for the financial report to be prepared on a going concern basis. No adjustments have been made in the financial report in relation to the company's ability to realise its assets and discharge its liabilities in the normal course of business.

### DIVIDENDS

The directors have determined it is not prudent to declare a dividend for the period ended 30 June 2021 due to the ongoing COVID-19 uncertainty.



## A FINANCIAL OVERVIEW

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

A1	Segment information
A2	Revenue
A3	Other income
A4	Expenses
A5	Intangible assets
A6	Business combinations
A7	Contingent consideration

## A1 SEGMENT INFORMATION

### (A) IDENTIFICATION AND DESCRIPTION OF SEGMENTS

FLT has identified its operating segments based on the internal reports that are reviewed and used by the board and global task force (chief operating decision makers – CODM) in assessing performance and in determining resource allocation.

The company's executive team currently consists of the following members:

- Managing director
- Chief financial officer
- Chief executive officer – Leisure; and
- Chief executive officer – Corporate.

The executive team, together with the below regional Managing Directors (MDs) form the global taskforce:

- MD – Australia
- MD – The Americas
- MD – EMEA

While the MD's play a key role in the setting the strategy, they report to the CEOs who then allocate resources and assess performance. Therefore the MDs are not considered as part of the CODM.

#### LEISURE

The Leisure segment combines the retail store front and on-line brands for retail customers. It also includes the global experiences business which incorporates touring, ground-handling and hotels.

#### CORPORATE

The Corporate segment includes the FCM brand, Corporate Traveller and other Corporate customer brands.

#### OTHER

Other segment includes Brisbane-based support and wholesale procurement businesses that support the global network (including Global Procurement Network and India Forex business). It also includes individual businesses that report directly to head office.

The group consolidation adjustments are also included in this segment.

### (B) MAJOR CUSTOMERS

FLT provides services to and derives revenue from a number of customers. The company does not derive more than 10% of total consolidated revenue from any one customer.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A1 SEGMENT INFORMATION (CONTINUED)

### (C) UNDERSTANDING THE SEGMENT RESULT

Segment information is presented below in the manner in which it is presented to the CODMs and upon which they make their decisions. AASB16 Leases applied from 1 July 2019 however due to the budgeting & forecasting cycle the reporting to the CODMs was presented on pre AASB16 Leases basis. Therefore profit before tax for both Leisure and Corporate segments for the year ended 30 June 2020 included the pre AASB16 "rent expense" and the impact of AASB16 is included within the "other" segment. For the year ended 30 June 2021, leasing has been allocated in the segments as per AASB16.

Underlying information is shown as this is information presented and used by the CODMs.

#### SEGMENT REVENUE

The measurement of segment revenue has not changed since 30 June 2020. Refer to note A2 for details of revenue policies.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

#### SEGMENT ASSETS AND LIABILITIES

The amounts provided to the board and global 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.

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

#### TOTAL TRANSACTION VALUE (TTV)

TTV is 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, both as agent for various airlines and other service providers and as principal, plus revenue from other sources. TTV has been reduced by refunds. FLT's revenue is, therefore, derived from TTV.

## A1 SEGMENT INFORMATION (CONTINUED)

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

The segment information provided to the board and task force for the reportable segments for the years ended 30 June 2021 and 30 June 2020 is shown in the tables on the following pages.

30 JUNE 2021	LEISURE \$'000	CORPORATE \$'000	OTHER \$'000	TOTAL \$'000
<b>Segment information</b>				
TTV <sup>1</sup>	1,391,190	2,169,089	384,905	3,945,184
Agency revenue from the provision of travel	141,594	211,451	13,064	366,109
Principal revenue from the provision of travel	9,178	3,265	682	13,125
Revenue from tour & hotel operations	2,897	-	2	2,899
Revenue from other businesses	2,731	1,820	9,223	13,774
<b>Total revenue from contracts with customers</b>	<b>156,400</b>	<b>216,536</b>	<b>22,971</b>	<b>395,907</b>
<b>Net (loss) / profit before tax and royalty</b>	<b>(461,615)</b>	<b>(141,390)</b>	<b>1,295</b>	<b>(601,710)</b>
Royalty	-	(1,027)	1,027	-
<b>Net (loss) / profit before tax and after royalty</b>	<b>(461,615)</b>	<b>(142,417)</b>	<b>2,322</b>	<b>(601,710)</b>
<b>Reconciliation of Statutory PBT to Underlying PBT</b>				
<b>Net (loss) / profit before tax and royalty</b>	<b>(461,615)</b>	<b>(141,390)</b>	<b>1,295</b>	<b>(601,710)</b>
Gain on sale of St Kilda building	-	-	(32,982)	(32,982)
Loss on disposal of head office and store assets	15,933	2,973	157	19,063
Costs incurred due to COVID-19 cost base transition				
Employee benefits	50,023	11,637	10,322	71,982
Lease related <sup>2</sup>	27,485	4,231	2,556	34,272
Communications & IT	1,370	32	(3,772)	(2,370)
Employee retention plans	334	545	3,734	4,613
<b>Underlying (loss) / profit before tax and royalty</b>	<b>(366,470)</b>	<b>(121,972)</b>	<b>(18,690)</b>	<b>(507,132)</b>

<sup>1</sup> TTV is an un-audited, non-IFRS measure.

<sup>2</sup> Includes right-of-use asset impairment, gain/loss on disposal of right-of-use assets and other occupancy costs.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2020 - RESTATED <sup>1</sup>	LEISURE <sup>2</sup> \$'000	CORPORATE <sup>2</sup> \$'000	OTHER <sup>2</sup> \$'000	TOTAL \$'000
<b>Segment information</b>				
TTV <sup>3</sup>	7,422,193	6,911,108	969,750	15,303,051
Agency revenue from the provision of travel	856,770	708,314	29,919	1,595,003
Principal revenue from the provision of travel	83,912	14,505	3,365	101,782
Revenue from tour & hotel operations	169,817	-	-	169,817
Revenue from other businesses	15,014	3,777	11,879	30,670
<b>Total revenue from contracts with customers</b>	<b>1,125,513</b>	<b>726,596</b>	<b>45,163</b>	<b>1,897,272</b>
<b>Net (loss) / profit before tax and royalty</b>	<b>(761,708)</b>	<b>(14,002)</b>	<b>(72,876)</b>	<b>(848,586)</b>
Royalty	-	(2,736)	2,736	-
<b>Net (loss) / profit before tax and after royalty</b>	<b>(761,708)</b>	<b>(16,738)</b>	<b>(70,140)</b>	<b>(848,586)</b>
<b>Reconciliation of Statutory PBT to Underlying PBT</b>				
<b>Net (loss) / profit before tax and royalty</b>	<b>(761,708)</b>	<b>(14,002)</b>	<b>(72,876)</b>	<b>(848,586)</b>
Global Touring impairment	63,475	-	-	63,475
Supplier exposure	19,720	8,904	-	28,624
Fair value loss on Ignite	3,138	-	-	3,138
Upside investment share of losses	-	10,454	-	10,454
Upside impairment	-	47,126	-	47,126
Hotel impairment	29,778	-	-	29,778
Other impairment	6,859	10,702	650	18,211
Loss on disposal of store assets	27,348	811	1,040	29,199
Costs incurred due to COVID-19 cost base transition				
Employee benefits	15,027	6,942	2,243	24,212
Lease related <sup>4</sup>	67,704	1,368	1,216	70,288
Communications & IT	208	43	8,062	8,313
Impact of AASB 16 transition	-	-	6,572	6,572
<b>Underlying (loss) / profit before tax and royalty</b>	<b>(528,451)</b>	<b>72,348</b>	<b>(53,093)</b>	<b>(509,196)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

<sup>2</sup> The results of the new acquisitions and investments are shown in the following segments: Ignite & Ixtapa in the Leisure segment, Where to in the Corporate segment and TP Connects in Other segment.

<sup>3</sup> TTV is an un-audited, non-IFRS measure.

<sup>4</sup> Includes right-of-use asset impairment, gain/loss on disposal of right-of-use assets and other occupancy costs.

## A1 SEGMENT INFORMATION (CONTINUED)

### (E) ADDITIONAL INFORMATION PRESENTED BY GEOGRAPHIC AREA

In addition to the pillar segment information provided above, the below table presents geographic revenue disclosures and also PBT information which has been included to aid user understanding:

#### ALTERNATIVE PROFIT MEASURES

Underlying information is shown as this is information presented and used by the CODMs.

Underlying (loss) / profit before tax and royalty (PBT) and underlying (loss) / profit after tax (NPAT) are non-IFRS measures.

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

30 JUNE 2021	AUSTRALIA & NZ \$'000	AMERICAS \$'000	EMEA \$'000	ASIA \$'000	OTHER SEGMENT \$'000	TOTAL \$'000
<b>Segment information</b>						
TTV <sup>1</sup>	2,066,991	802,829	568,169	473,304	33,891	3,945,184
Agency revenue from the provision of travel	164,681	103,582	78,632	13,593	5,621	366,109
Principal revenue from the provision of travel	8,118	3,591	447	76	893	13,125
Revenue from tour & hotel operations	-	-	-	-	2,899	2,899
Revenue from other businesses	3,897	3,720	364	1,312	4,481	13,774
<b>Total revenue from contracts with customers</b>	<b>176,696</b>	<b>110,893</b>	<b>79,443</b>	<b>14,981</b>	<b>13,894</b>	<b>395,907</b>
Net (loss) / profit before tax and royalty	(250,447)	(152,029)	(71,026)	(23,560)	(104,648)	(601,710)
Royalty	-	-	(1,211)	-	1,211	-
<b>Net (loss) / profit before tax and after royalty</b>	<b>(250,447)</b>	<b>(152,029)</b>	<b>(72,237)</b>	<b>(23,560)</b>	<b>(103,437)</b>	<b>(601,710)</b>
<b>Reconciliation of Statutory PBT to Underlying PBT</b>						
Net (loss) / profit before tax and royalty	(250,447)	(152,029)	(71,026)	(23,560)	(104,648)	(601,710)
Gain on sale of St Kilda building	(32,982)	-	-	-	-	(32,982)
Loss on disposal of head office and store assets	8,315	10,276	134	45	293	19,063
Costs incurred due to COVID-19 cost base transition						
Employee benefits	53,155	12,270	695	1,057	4,805	71,982
Lease related <sup>2</sup>	16,982	20,136	(2,850)	26	(22)	34,272
Communications & IT	(3,524)	1,135	-	-	19	(2,370)
Employee retention plans	428	191	342	96	3,556	4,613
<b>Underlying (loss) / profit before tax and royalty</b>	<b>(208,073)</b>	<b>(108,021)</b>	<b>(72,705)</b>	<b>(22,336)</b>	<b>(95,997)</b>	<b>(507,132)</b>

<sup>1</sup> TTV is an un-audited, non-IFRS measure.

<sup>2</sup> Includes right-of-use asset impairment, gain/loss on disposal of right-of-use assets and other occupancy costs.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A1 SEGMENT INFORMATION (CONTINUED)

30 JUNE 2020 - RESTATED <sup>1</sup>	AUSTRALIA & NZ <sup>2</sup> \$'000	AMERICAS <sup>2</sup> \$'000	EMEA \$'000	ASIA \$'000	OTHER SEGMENT <sup>2</sup> \$'000	TOTAL \$'000
<b>Segment information</b>						
TTV <sup>3</sup>	7,343,602	3,646,402	2,454,748	1,666,911	191,388	15,303,051
Agency revenue from the provision of travel	774,867	431,553	324,525	63,273	785	1,595,003
Principal revenue from the provision of travel	81,293	9,938	4,595	450	5,506	101,782
Revenue from tour & hotel operations	-	-	-	-	169,817	169,817
Revenue from other businesses	14,008	4,150	2,864	3,288	6,360	30,670
<b>Total revenue from contracts with customers</b>	<b>870,168</b>	<b>445,641</b>	<b>331,984</b>	<b>67,011</b>	<b>182,468</b>	<b>1,897,272</b>
<b>Net (loss) / profit before tax and royalty</b>	<b>(423,743)</b>	<b>(101,682)</b>	<b>(66,356)</b>	<b>(16,533)</b>	<b>(240,272)</b>	<b>(848,586)</b>
Royalty	2,774	-	(2,774)	-	-	-
<b>Net (loss) / profit before tax and after royalty</b>	<b>(420,969)</b>	<b>(101,682)</b>	<b>(69,130)</b>	<b>(16,533)</b>	<b>(240,272)</b>	<b>(848,586)</b>
<b>Reconciliation of Statutory PBT to Underlying PBT</b>						
<b>Net (loss) / profit before tax and royalty</b>	<b>(423,743)</b>	<b>(101,682)</b>	<b>(66,356)</b>	<b>(16,533)</b>	<b>(240,272)</b>	<b>(848,586)</b>
Global Touring impairment	-	-	-	-	63,475	63,475
Supplier exposure	28,624	-	-	-	-	28,624
Fair value loss on Ignite	3,138	-	-	-	-	3,138
Upside investment share of losses	-	-	-	-	10,454	10,454
Upside impairment	-	-	-	-	47,126	47,126
Hotel impairment	-	-	-	-	29,778	29,778
Other impairment	8,951	-	6,282	819	2,159	18,211
Loss / (gain) on disposal of store assets	13,241	6,676	8,375	1,183	(276)	29,199
Costs incurred due to COVID-19 cost base transition						
Employee benefits	3,803	3,552	13,092	1,483	2,282	24,212
Lease related <sup>4</sup>	36,069	13,809	20,074	267	69	70,288
Communications & IT	7,001	1,312	-	-	-	8,313
Impact of AASB 16 transition	536	(281)	5,314	920	83	6,572
<b>Underlying (loss) / profit before tax and royalty</b>	<b>(322,380)</b>	<b>(76,614)</b>	<b>(13,219)</b>	<b>(11,861)</b>	<b>(85,122)</b>	<b>(509,196)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

<sup>2</sup> The results of the new acquisitions and investments are shown in the following geography groups: Ignite and TP Connects in Australia & NZ, Ixtapa in Americas and Whereto in Other.

<sup>3</sup> TTV is an un-audited, non-IFRS measure.

<sup>4</sup> Includes right-of-use asset impairment, gain/loss on disposal of right-of-use assets and other occupancy costs.

## A2 REVENUE

	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Agency revenue from the provision of travel	366,109	1,595,003
Principal revenue from the provision of travel	13,125	101,782
Revenue from tour & hotel operations	2,899	169,817
Revenue from other businesses	13,774	30,670
<b>Total revenue from contracts with customers</b>	<b>395,907</b>	<b>1,897,272</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

Refer below for details of revenue constraint due to potential cancellation of travel related to COVID-19. Refer to note F9 for contract liability raised.

Additional disaggregation of revenue by geographic region is presented in note A1 Segment Information.

### ACCOUNTING POLICY

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Agency revenue from the provision of travel

Revenue is generated when FLT, acting as an agent, arrange and book travel and travel related products to be provided by suppliers to retail and corporate consumers. The supplier of the travel products is the principal in the wider travel sales transaction. From FLT's perspective (under AASB 15), the supplier of the travel products is the customer in the agency relationship.

The service is paid for in a variety of ways, including guaranteed base payments, commissions, mark-ups, transaction fees, other ancillary fees and in the case of cancelled travel, cancellation fees. Rebates are received for using travel consolidator systems known as Global Distribution Systems (GDS) to access and book travel supplier products. In addition, volume incentives are received from suppliers for achieving annual targets.

Guaranteed base payments, commission, mark-ups, transaction fees are paid for and received at the time of booking. Rebates and volume incentive payments received will vary depending on the terms of the contract. Receipt of payment can vary between upfront to post contract completion once availed data is known.

Revenue is recognised over time as the supplier of the travel products (the customer in the agency relationship under AASB 15) simultaneously receives and consumes the benefit of the travel agency services. Practically revenue is recognised when the booking is finalised as this is when the performance obligation is satisfied.

The revenue is variable, however it is not subject to material constraints, except for:

##### 1) COVID-19 cancellation

FLT's agency revenue from the provision of travel is variable and in an ordinary operating environment is not subject to material constraints, hence is recognised at the time of ticketing when the performance obligation is satisfied.

In the current COVID-19 environment, there is a constraint attached to this revenue, namely that the booking may be cancelled prior to travel (either by the supplier, end-consumer or due to government restrictions) requiring a refund of the agency revenue earned by FLT.

Whilst FLT has terms & conditions in place to allow the retention of cancellation fees on cancellation of bookings, a decision has been made that these will not be applied in all circumstances.

Therefore FLT has recognised a contract liability which recognises the uncertainty that the travel may be cancelled prior to departure requiring a refund of the agency revenue earned by FLT. This is calculated using booking volumes and margins, known or anticipated travel restrictions and cancellation probability rate based on COVID-19 trading patterns.

This constraint of revenue will unwind when the uncertainty is removed. Either the end consumer will travel, in which case FLT will recognise the revenue in the statement of profit or loss. Or if the travel does not proceed, this contract liability will be settled via payment to the end-consumer.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A2 REVENUE (CONTINUED)

### 2) Volume incentives which are recorded by applying the following:

- Year-end differences – judgements and estimation techniques are required to determine revenue from consumers anticipated to travel over the remaining contract year and the associated incentive rate applicable to these forecast levels. A combination of historical data and actual ticketed data from external sources is used to predict the anticipated travel revenue and associated incentive rate.
- Utilisation rates – the likelihood of the consumer cancelling the travel prior to departure.
- Constraints – in the current COVID-19 environment all volume incentives have been constrained due to future cancellations and the uncertainty of predicting future bookings. Volume revenue has been booked to the extent of flown / availed revenue at guaranteed rates.

Except as noted above, the travel supplier, as principal, is responsible for refunds to the front end customer, not FLT as agent.

### SUPPLIER INCENTIVES AND LUMP-SUM REVENUE

From time-to-time, incentives or lump sum amounts are received from suppliers. The supplier of the travel products is the customer in the agency relationship under AASB 15. The recognition pattern is dependent on the specific terms of each contract. The revenue is only recognised upfront where there has been a distinct service transferred upfront, otherwise it is recognised over the term of the contract in line with the delivery of the performance obligation. The revenue can be either fixed or variable and is constrained where contract terms require the supplier to be refunded in part or full upon termination of the contract.

Associated contract costs may be eligible for capitalisation as fulfilment assets and amortised over the same period.

Lump sum deferred revenue is recognised over the contract terms which typically range between 1 – 10 years.

### Principal revenue from the provision of travel

Revenue is generated when FLT, acting as principal, provides other services to the customer such as hotel management through the Cross Hotels (previously BHMA) brand, events and production management, conferences, marketing campaigns, Travel Money currency sales and franchise programs. In addition, from time-to-time FLT will develop and offer products in its retail and corporate agency business' for which FLT is principal.

Revenue is recognised when the performance obligation has been satisfied. The revenue may be variable or fixed and is typically recognised over time as the service is provided. The most likely method is used for variable revenue recognition. The revenue is not subject to material constraints as revenue recognition is over time as service is provided.

As principal, FLT is responsible for refunds to the customer.

### Revenue from tour and hotel operations

FLT has a number of touring and ground-handling operations provided through the brands Top Deck, Back-Roads, Discova Asia (previously Buffalo Tours) and Discova Americas (previously Olympus Tours). In addition FLT provides hotel operations through Away Camakila.

Revenue is generated from tour and hotel operations when FLT, acting as principal, provides tours, ground-handling services and hotel accommodation and other hotel services (eg restaurant, spa). Revenue is variable and includes the gross amount sold less any cancellations/refunds.

Revenue is recognised over the duration of the tour/accommodation period or when the ground-handling service or hotel service is provided. The costs associated with fulfilling these services such as transport, accommodation costs, wages and food and beverage are expensed over the same duration and disclosed as cost of tour and hotel operations in the statement of profit or loss.

As principal, FLT is responsible for refunds to the customer, with an allowance for refunds taken into consideration in the recognition of revenue.

### REVENUE FROM OTHER BUSINESSES

Revenue is generated when FLT, typically acting as principal, provides other services to customers. This includes services provided by the brands Healthwise, Moneywise, and FC Business School. Revenue is recognised when the performance obligation has been satisfied. The revenue may be variable or fixed and is typically recognised over time as the service is provided. The most likely method is used for variable revenue recognition. The revenue is not subject to material constraints as it is recognised only when all performance obligations have been satisfied.

## A3 OTHER INCOME

FAIR VALUE GAIN ON CHANGE IN CONTROL	NOTES	2021 \$'000	2020 \$'000
Fair value loss on Ignite Travel Group		-	(3,138)
<b>Total</b>		<b>-</b>	<b>(3,138)</b>
<b>OTHER INCOME</b>			
Interest		5,709	14,599
Rent and sub-lease rentals	F7	6,012	4,250
Gain on sale of St Kilda building		32,982	-
Net foreign exchange gains		-	28,139
(Loss) / Gain on contingent consideration	A7	(840)	4,735
Government subsidies		236,146	145,221
<b>Total</b>		<b>280,009</b>	<b>196,944</b>

### GAIN ON SALE OF ST KILDA BUILDING

On 10 July 2020 the sale of the St Kilda Melbourne head office property was completed for cash proceeds of \$62,150,000. Immediately prior to the sale, the building had been recognised in the balance sheet as held for sale at the carrying amount of \$20,850,000.

FLT continue to occupy a portion of the premises, therefore as part of the sale and leaseback, a net liability amount of \$8,318,000 has been recognised in the balance sheet.

A gain of \$32,982,000 was recognised in other income within the statement of profit or loss and is presented within the Australia & New Zealand geographic area and the Other pillar segment.

### GOVERNMENT SUBSIDIES

Due to the financial impact of COVID-19, FLT applied for and received wage subsidy and property related grants from various governments.

The conditions of the wage subsidy grants vary globally but are broadly based on employer, employee and payment conditions, which FLT has met. The length of time these grants are available varies between nations.

As at 30 June 2021, the time frame to access wage subsidies globally is until December 2021. Depending on the conditions of the grant, it is recognised as a trade receivable (refer note F3) until the payment is received, which is typically within 7-14 days of submission, or where payment has been received in advance, recognised in deferred revenue (refer note F9) and released to the statement of profit or loss over the term of the grant.

### ACCOUNTING POLICY

*Grant income is generated and can be recognised when there is reasonable assurance that the conditions attached to the grant income will be met and that the grant will be received.*

*The income is recognised in the statement of profit or loss over the periods in which FLT incurs expenses for which the grants are intended to compensate.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A4 EXPENSES

Profit/(loss) before income tax includes the following expenses:

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>FINANCE COSTS</b>			
BOS interest expense		27	14,568
Interest and finance charges		9,000	3,738
Amortisation of convertible note at effective interest rate		15,360	-
Lease interest expense	F7	12,507	17,134
Unwind of make good provision discount	F10	216	2,813
<b>Total finance costs</b>		<b>37,110</b>	<b>38,253</b>
<b>OTHER EXPENSES</b>			
Other occupancy costs		30,568	68,900
Rent expense	F7	6,028	29,863
Consulting and outsourcing fees		45,345	88,276
Independent agent consulting fees		9,536	32,467
Communication and IT		109,641	184,085
Net foreign exchange losses		3,351	-
Supplier exposure <sup>2</sup>		-	28,624
Bad debts expense	F3 / F4	(1,033)	43,138
Other expenses		43,345	181,520
<b>Total other expenses</b>		<b>246,781</b>	<b>656,873</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

<sup>2</sup> Supplier exposure relates to one-off items of \$7,056,000 relating to Tempo supplier collapse and \$21,568,000 relating to Virgin Australia voluntary administration in the prior year.

## A5 INTANGIBLE ASSETS

### OVERVIEW

FLT continues to focus on enhancing productivity, reducing costs and making it easier for customers to interact and transact with its brands and people across all channels. Growing digital capabilities has also been a priority. These strategies are reflected in the growth in intangibles through additions.

	GOODWILL \$'000	BRAND NAMES, LICENCES AND CUSTOMER RELATIONSHIPS <sup>2</sup> \$'000	SOFTWARE <sup>3</sup> \$'000	TOTAL \$'000
<b>OPENING BALANCE AT 1 JULY 2019</b>				
Cost	707,426	96,861	190,339	994,626
Accumulated amortisation (including accumulated impairment losses)	(108,787)	(78,058)	(92,352)	(279,197)
<b>Net book amount at 1 July 2019<sup>1</sup></b>	<b>598,639</b>	<b>18,803</b>	<b>97,987</b>	<b>715,429</b>
Additions	-	-	51,569	51,569
Acquisitions	50,840	14	14,600	65,454
Customer relationships recognised on acquisition	(22,945)	22,945	-	-
Transfers	-	(739)	739	-
Disposals & retirements <sup>4</sup>	-	-	(6,317)	(6,317)
Amortisation	-	(6,680)	(22,380)	(29,060)
Impairment charge	(58,741)	(13,398)	(19,335)	(91,474)
Exchange differences	3,220	372	673	4,265
<b>Net book amount at 30 June 2020<sup>1</sup></b>	<b>571,013</b>	<b>21,317</b>	<b>117,536</b>	<b>709,866</b>
<b>OPENING BALANCE AT 1 JULY 2020</b>				
Cost	739,448	119,324	223,814	1,082,586
Accumulated amortisation (including accumulated impairment losses)	(168,435)	(98,007)	(106,278)	(372,720)
<b>Net book amount at 1 July 2020<sup>1</sup></b>	<b>571,013</b>	<b>21,317</b>	<b>117,536</b>	<b>709,866</b>
Additions	-	36	33,942	33,978
Acquisitions	-	-	-	-
Customer relationships recognised on acquisition	-	-	-	-
Transfers	-	-	-	-
Disposals & retirements <sup>4</sup>	-	-	(2,014)	(2,014)
Amortisation	-	(4,951)	(20,556)	(25,507)
Impairment charge	-	-	-	-
Exchange differences	(21,934)	(625)	(6,252)	(28,811)
<b>Net book amount at 30 June 2021</b>	<b>549,079</b>	<b>15,777</b>	<b>122,656</b>	<b>687,512</b>
Cost	711,353	114,948	230,459	1,056,760
Accumulated amortisation (including accumulated impairment losses)	(162,274)	(99,171)	(107,803)	(369,248)
<b>Net book amount at 30 June 2021</b>	<b>549,079</b>	<b>15,777</b>	<b>122,656</b>	<b>687,512</b>

<sup>1</sup> Software balances restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

<sup>2</sup> Definite life brand names are amortised over their expected useful life, not exceeding 15 years. Customer relationships are amortised over their expected useful life, not exceeding seven years.

<sup>3</sup> Relates predominately to software which is amortised using the straight-line method over the project's period of expected future benefits, which varies from 2.5 to 5 years, with some core software products amortised over periods 10 to 15 years.

<sup>4</sup> Balances shown net of accumulated amortisation.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A5 INTANGIBLE ASSETS (CONTINUED)

### (A) IMPAIRMENT TESTS

#### Critical accounting estimates, assumptions and judgements – impairment of goodwill and indefinite life intangibles

The group tests goodwill and indefinite life intangibles (mainly brand names) annually for impairment, in accordance with the accounting policy stated in note I(g). For all cash-generating units (CGUs) which contain goodwill or indefinite life intangibles and all other CGUs which show an indicator of impairment, the recoverable amounts have been determined based on the higher of fair value less costs of disposal or value-in-use calculations. These calculations use cash flow projections based on management's financial forecasts, the expected rebound timeline to pre-COVID-19 operating results with reference to external market view of future travel prospects and cover a five-year period. Refer below for details of these assumptions and the potential impacts of reasonable changes to the assumptions.

Goodwill and indefinite life intangibles are allocated to the CGUs, identified according to relevant business and country of operation.

Each segment includes a number of separately identifiable CGUs. Goodwill and indefinite life intangibles allocated to individually significant CGUs are presented at the net book amount below:

	GOODWILL		INDEFINITE LIFE BRAND NAMES & LICENCES	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Australia Leisure	167,773	178,150	-	-
Global Corporate <sup>2</sup>	311,818	314,278	-	-
Discova <sup>3</sup>	26,875	28,379	-	-
Student Universe	17,270	18,884	-	-
Other <sup>1</sup>	25,343	31,322	193	205
<b>Total</b>	<b>549,079</b>	<b>571,013</b>	<b>193</b>	<b>205</b>

<sup>1</sup> Other includes CGUs which are not individually significant.

<sup>2</sup> In the prior year, Europe Corporate, USA Corporate, UK Corporate, Australia FCM, Canada and certain other countries were disclosed separately. These CGU's, including a portion of Canada, were reallocated to the Global Corporate CGU during the year to more accurately reflect the way management is now monitoring and reporting activities. Prior year comparatives have also been restated.

<sup>3</sup> Discova Asia and Discova America were combined during the year to more accurately reflect the way management is now monitoring and reporting activities.

FLT owns these brands and licences and intends to continue to use them indefinitely.

#### Current year

There has been no impairment of goodwill or indefinite life brand names & licences in the current year.

#### Prior year

In the prior year the Global Touring CGU was impaired \$63,475,000 (including total goodwill impairment of \$36,215,000). Post impairment, there was no remaining goodwill, intangible assets, or property, plant and equipment in the Global Touring CGU.

FLT also recorded a non-cash impairment in the prior year to goodwill, intangible assets, and property, plant and equipment of \$29,778,000 in Cross Hotels and Camakila which form the Global Hotels CGU. Post impairment there was no remaining goodwill, intangible assets, or property, plant and equipment in the Hotels CGU.

In the prior year a non-cash impairment of \$7,238,000 of goodwill for other immaterial CGUs due to changes in growth expectations caused by COVID-19 was recorded.

## A5 INTANGIBLE ASSETS (CONTINUED)

### IMPAIRMENT (CONTINUED)

#### (B) KEY ASSUMPTIONS USED FOR VALUE-IN-USE / FAIR VALUE LESS COST TO SELL CALCULATIONS

GOODWILL & BRAND NAMES CGU	PRE-TAX DISCOUNT RATE	
	2021 %	2020 %
Australia Leisure	12.8	11.2
Global Corporate <sup>1</sup>	12.2	-
Discova	18.7	16.9
Student Universe	13.5	11.8
Other countries (excluding those listed above)	12.8	12.9

<sup>1</sup> Global Corporate is a new aggregated CGU in FY21.

The discount rates shown were applied to CGUs within each of the geographic areas. For the purposes of impairment testing, value in use and fair value methodologies were applied and a terminal rate of 2.0% - 2.5% (2020: 2.0% - 2.5%) was used to extrapolate cash flows beyond the budget period and calculate a terminal value.

These assumptions have been used for the analysis of each CGU within the business segment, in line with local long-term inflation.

The basis of estimation of the five-year cash flows uses the following key operating assumptions:

- Five-year budgeted EBITDA is based on management's forecasts of revenue from travel services, taking into account the timelines for expected rebound of domestic and international travel
- Revenue forecasts take into account historical revenue and consider external factors such as market sector and geography
- Costs are calculated taking into account historical margins, forecast increases and estimated inflation rates over the period, consistent with the locations in which the CGUs operate
- Revenue and cost forecasts have taken into consideration the impacts of COVID-19 within an estimated potential date of travel returning to pre-COVID levels benchmarked to industry forecasts
- Where fair value less cost to sell methodology has been appropriately applied, the costs to sell are estimated at 2% of enterprise value

Management has calculated the discount rates based on available market data and data from comparable listed companies within the travel sector.

#### (C) IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

COVID-19 has had an impact on the business. Assumptions around border restrictions lifting and travel returning (international and domestic) are key assumptions in the impairment models, any delay to externally benchmarked forecasts could have a further impact on the business. There are no CGUs identified as being sensitive to changes in other key assumptions.

Goodwill is recorded based on the fair value of the business acquired on the acquisition date. Should this value fall, impairment of assets (including goodwill) may arise in future periods.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A6 BUSINESS COMBINATIONS

### (A) CURRENT YEAR ACQUISITIONS

There were no acquisitions in the current period.

### (B) PRIOR YEAR ACQUISITIONS

#### Summary of acquisitions

##### WHERE TO

During the period, escrow payments recognised at 30 June 2020 of \$145,000 were paid in relation to the WhereTo Inc acquisition. The accounting for the business combination is now finalised.

##### IGNITE

The accounting for the business combination was finalised prior to 30 June 2020 with no significant changes.

##### IXTAPA

The accounting for the business combination was finalised prior to 30 June 2020 with no significant changes.

## A7 CONTINGENT CONSIDERATION

CURRENT	2021 \$'000	2020 \$'000
Contingent consideration	2,784	3,278
<b>Total current contingent consideration</b>	<b>2,784</b>	<b>3,278</b>
NON-CURRENT		
Contingent consideration	-	297
<b>Total non-current contingent consideration</b>	<b>-</b>	<b>297</b>

Contingent consideration is recognised in relation to the acquisitions listed below. FLT has determined that it is classified as Level 3 (2020: Level 3) under the AASB 13 Fair value measurement hierarchy as the main valuation inputs outlined below are unobservable.

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

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

### AVMIN PTY LIMITED (AVMIN)

The financial liability related to the put option for AVMIN of \$2,784,000 (2020: \$1,683,000) has been recorded as part of current contingent consideration. The potential undiscounted amount of this liability has been estimated as the value of future expected cash flows for the settlement of the put option for AVMIN. The expected cash flows are based on a multiple of the average NPAT for the year ended 30 June 2020 and for the year ended 30 June 2021.

### BESPOKE HOSPITALITY MANAGEMENT ASIA (BHMA)

The final payments for BHMA of \$55,000 were settled in July 2020. No financial liability was recognised in respect of this at 30 June 2020, therefore, a \$55,000 loss on fair value has been recognised during the period.

### BLC VENTURES LTD (IXTAPA)

There is no financial liability as at 30 June 2021 (30 June 2020: \$297,000).

The potential amount of this liability was based on a multiple of expected EBITDA for two subsequent 12 month periods post acquisition. The expected EBITDA for the second 12 month period post acquisition has been reassessed at 30 June 2021 and this assessment indicates that it is unlikely that EBITDA will be greater than nil. As such, the contingent consideration recorded in respect of this has been released and recognised as a fair value gain on contingent consideration during the year ended 30 June 2021.

### UMAPPED INC (UMAPPED)

The final holdback payment for Umapped of \$1,579,000 was settled on 24 September 2020. No financial liability remains in respect of this acquisition as at 30 June 2021.

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

	NOTES	CONTINGENT CONSIDERATION \$'000
<b>Opening balance at 1 July 2020</b>		<b>3,575</b>
New business combinations	A6	-
Payments		(1,634)
Unrealised (gains) / losses recognised in the statement of profit or loss and other comprehensive income	A3	840
Other unrealised (gains) / losses including net foreign exchange movements		3
<b>Closing balance at 30 June 2021</b>		<b>2,784</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B CASH MANAGEMENT

FLT has traditionally focused on maintaining a strong balance sheet through increasing cash and investments and keeping low levels of debt. The strategy also considers the group's expenditure, growth and acquisition requirements, and the desire to return dividends to shareholders.

COVID-19 has caused a prolonged downturn of demand due to the unprecedented restrictions that governments globally have imposed on travel to slow the spread of COVID-19.

This has required FLT to implement a comprehensive package of initiatives during the period to preserve cash and strengthen its balance sheet to position it for future growth when travel rebounds.

B1	Cash and cash equivalents
B2	Financial asset investments
B3	Cash and financial asset investments - financial risk management
B4	Borrowings
B5	Ratios <ul style="list-style-type: none"> <li>• Net debt</li> <li>• Gearing ratio</li> </ul>
B6	Dividends
B7	Capital expenditure

## B1 CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Cash at bank and on hand	1,172,115	1,779,550
Restricted cash <sup>1</sup>	118,716	87,757
<b>Total cash and cash equivalents</b>	<b>1,290,831</b>	<b>1,867,307</b>

<sup>1</sup> Restricted cash relates to cash held within legal entities of the Group for payment to product and service suppliers or cash held for supplier guarantees. Restricted cash includes monies paid to the Group by customers for payment to local International Air Transport Association (IATA) for ticketed travel arrangements.

RECONCILIATION TO STATEMENT OF CASH FLOWS	2021 \$'000	2020 \$'000
Cash and cash equivalents	1,290,831	1,867,307
Bank overdraft	-	(1,510)
<b>Balance per Statement of Cash Flows</b>	<b>1,290,831</b>	<b>1,865,797</b>

## B1 CASH AND CASH EQUIVALENTS (CONTINUED)

### RECONCILIATION OF LOSS AFTER TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
(Loss) / Profit after income tax for the year	(433,456)	(662,228)
Depreciation and amortisation	137,973	230,612
Net (gain) / loss on disposal of non-current assets	(31,028)	18,365
Net (gain) / loss on sale of financial assets at fair value	(2,942)	282
Share of loss / (profits) of joint ventures & associates	(17,471)	5,047
Impairment charges	35,709	217,117
Net (gain) on financial assets	-	(156)
Fair value (loss) / gain on change in control	-	3,138
Fair value adjustment to contingent consideration	840	(4,735)
Non-cash employee benefits expense - share based payments	13,323	5,385
Amortisation of convertible note	9,196	-
Lease surrender payments	54,285	-
Net exchange differences	(49,836)	(16,030)
(Increase) / decrease in trade and other receivables, contracts assets and other assets	96,514	612,909
(Increase) / decrease in deferred tax assets and liabilities	-	817
(Increase) / decrease in inventories	-	(3)
Increase / (decrease) in trade creditors and other payables	(551,315)	(220,611)
Increase / (decrease) in net income taxes payable	(139,463)	(207,046)
Increase / (decrease) in other provisions	(34,562)	6,494
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(912,233)</b>	<b>(10,643)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B2 FINANCIAL ASSET INVESTMENTS

	2021 \$'000	2020 \$'000
Equity investments - Fair value through profit or loss (FVTPL)	4,320	4,081
Debt securities - Fair value through profit or loss (FVTPL)	5,916	3,997
Debt securities - Fair value through other comprehensive income (FVOCI)	54,906	-
<b>Total financial asset investments</b>	<b>65,142</b>	<b>8,078</b>

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

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

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

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

Debt securities at FVOCI (corporate bonds) and debt securities at FVTPL are measured at fair value, which is determined by reference to price quotations in a market for identical assets. FLT has determined that they are classified as Level 2 (2020: Level 2) under the AASB 13 *Fair Value Measurement* hierarchy.

Equity investments at FVTPL are measured at fair value, which is determined by an independent qualified valuer in accordance with Australian Accounting Standards (AASB's) and International Private Equity and Venture Capital Valuation Guidelines as adopted by Australian Private Equity and Venture Capital Association Limited. FLT has determined that they are classified as Level 3 (2020: Level 3) under the AASB 13 *Fair Value Measurement* hierarchy, based on the valuation technique as described above.

## B3 CASH AND FINANCIAL ASSET INVESTMENTS - FINANCIAL RISK MANAGEMENT

### CREDIT RISK

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

Credit quality has been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There has been no significant increase to credit risk for cash and cash equivalents and financial assets.

	EQUIVALENT S&P RATING				UNRATED - FX BUSINESS CURRENCY HOLDINGS \$'000	TOTAL \$'000
	AA AND ABOVE \$'000	AA- TO A- \$'000	BBB+ TO BBB- \$'000	NON INVESTMENT GRADE / UNRATED \$'000		
<b>AT 30 JUNE 2021</b>						
Cash and cash equivalents	-	1,137,036	112,838	40,957	-	1,290,831
Equity investments - FVTPL	-	-	-	4,320	-	4,320
Debt securities - FVTPL	-	-	-	5,916	-	5,916
Debt securities - FVOCI	-	50,857	4,049	-	-	54,906

### AT 30 JUNE 2020

Cash and cash equivalents	-	1,744,102	21,642	43,639	57,924	1,867,307
Equity investments - FVTPL	-	-	-	4,081	-	4,081
Debt securities - FVTPL	-	-	-	3,997	-	3,997

## **B3 CASH AND FINANCIAL ASSET INVESTMENTS - FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **ACCOUNTING POLICY**

*FLT has applied the simplified approach for provisioning for expected credit losses prescribed by AASB 9 for financial assets held at amortised cost. Additional information on trade and other receivables accounting policies is included in note I(m).*

*The maximum exposure to credit risk is the carrying amount of financial assets and the carrying amount of cash and cash equivalents as disclosed above. Rated assets falling outside the AAA and BBB- range are considered non-investment grade/ unrated. These include term deposits in overseas banks held by the subsidiaries, mainly in South Africa. Unrated FX business currency holdings consists of cash on hand for trading purposes as part of the Travel Money foreign exchange business.*

### **MARKET RISK**

#### **INTEREST RATE AND FOREIGN CURRENCY RISK**

The group holds investments at variable rates. FLT's profit and operating cash flows are, therefore, exposed to changes in market interest rates. The group constantly analyses its interest rate exposure.

Refer to note C1 for sensitivity of interest rate risk and foreign currency risk.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B4 BORROWINGS

CURRENT	NOTES	2021 \$'000	2020 \$'000
Bank loans		212,126	210,323
Net unsecured notes principal <sup>1</sup>	D2	41	1,345
<b>Total current borrowings</b>		<b>212,167</b>	<b>211,668</b>
<b>NON-CURRENT</b>			
Bank loans		355,684	250,514
<b>Total non-current borrowings</b>		<b>355,684</b>	<b>250,514</b>

<sup>1</sup> Refer to note D2 for further information on the net unsecured notes that form part of the Business Ownership Scheme (BOS).

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

BORROWINGS	2021 \$'000	2020 \$'000
Opening balance at 1 July	462,182	185,085
Cashflow - Proceeds from borrowings <sup>1</sup>	326,445	412,395
Cashflow - Repayment of borrowings <sup>1</sup>	(222,408)	(137,873)
Cashflow - Repayment of bank overdrafts	(1,510)	1,510
Foreign exchange movement	3,142	167
Amortisation of borrowing at effective interest rate	-	898
<b>Closing balance at 30 June</b>	<b>567,851</b>	<b>462,182</b>

<sup>1</sup> This includes the bank debt facilities, the periodic use of the repurchase facility and operation of the Business Ownership Scheme (BOS) during the year. Further details of BOS are included in note D2.

The Group classifies interest paid within cash flows from operating activities.

## FINANCIAL RISK MANAGEMENT

### CAPITAL MANAGEMENT

In November 2020, FLT entered into commitment letters with its existing bank lenders for a \$350,000,000 three year secured syndicated debt facility with financial close on 22 February 2021. The facility refinanced FLT's bilateral debt facility agreements totalling \$450,000,000 with \$100,000,000 repaid from the proceeds of the successful convertible note issue in November 2020.

FLT is not required to comply with its existing operating leverage ratio, fixed charges ratio or shareholder funds ratio covenants until 31 December 2022, at which point covenants will be calculated based on the six month period from 1 July 2022 to 31 December 2022. Until that time, FLT is required to maintain a cash to total borrowings ratio of greater than or equal to 1:1 (with total borrowings to exclude the convertible notes).

The facility is guaranteed by certain members of the group and is secured. The total amount drawn down at the reporting date was \$350,000,000.

## B4 BORROWINGS (CONTINUED)

### FINANCIAL RISK MANAGEMENT (CONTINUED)

#### CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The group holds borrowings which are issued at both fixed and variable rates. FLT's profit and operating cash flows are, therefore, exposed to changes in market interest rates.

The group constantly analyses its interest rate exposure, taking into consideration refinancing, renewal of existing positions and alternative financing. The group calculates the impact a defined interest rate shift will have on profit or loss. For each analysis, the same interest rate shift is used for all currencies.

Under group policy, the maximum percentage of outstanding external group debt that may be maintained at a fixed interest rate is 50%, unless the group's Global CFO and Global Treasurer approve otherwise. Current bank loan facilities are subject to annual review (except the three-year syndicated debt facility) and are a mix of fixed and floating interest rates.

Non-current loan facilities have maturities between 2-3 years (2020: 1-2 years) and are at a mix of fixed and floating rates.

The current interest rates on loan facilities range from 0.55% - 6.84% (2020: 0.25% - 6.84%).

#### LIQUIDITY RISK

The group has access to additional financing via unused bank loan facilities, repurchase agreements, credit card facilities, bank guarantees and letter of credit facilities.

	BANK LOANS & LEASING FACILITIES		CREDIT CARDS		BANK GUARANTEES & LETTERS OF CREDIT	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unused	4,558	4,159	32,419	90,570	42,982	65,578
Used	570,373	460,837	12,795	2,774	48,978	64,856
<b>Total facilities</b>	<b>574,931</b>	<b>464,996</b>	<b>45,214</b>	<b>93,344</b>	<b>91,960</b>	<b>130,434</b>

Bank guarantees and letters of credit are provided as security on various facilities with vendors and in accordance with local travel agency licensing and International Air Transport Association (IATA) regulations.

Refer to note C1 for a sensitivity analysis of borrowings' interest rate risk and details of borrowings' maturity profiles and associated liquidity risks.

There have been no defaults during the period.

#### FAIR VALUE

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

#### ASSETS PLEDGED AS SECURITY

The \$350,000,000 syndicated debt facility is secured against the assets of Flight Centre Travel Group Limited and certain subsidiaries of the group who are also guarantors. In addition, \$41,500,000 of FLT's cash is invested with the providers of certain bank guarantees and letter of credit facilities and used as collateral for bank guarantees and letters of credit issued under those facilities.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B5 CONVERTIBLE NOTES

### SIGNIFICANT MATTERS

On 17 November 2020, the Company issued convertible notes with an aggregate principal amount of \$400,000,000. There was no movement in the number of these convertible notes since the issue date.

The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of \$20.04 per share (convertible into 19,960,080 shares) at any time on or after 41 business days after issuance and up to the close of business on the maturity date.

Note holders have an option to redeem the bond at the end of 4 years at face value plus any accrued interest. Any convertible notes not converted will be redeemed on 17 November 2027 at the principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 2.50% per annum (effective interest rate of 7.00% per annum based on a four year amortisation period on estimation of cashflow timing in line with four year redemption option), which is payable semi-annually in arrears in May and November. Interest expense for the period is \$15,360,000, comprised of \$9,196,000 amortisation and \$6,164,000 coupon paid or payable at the end of the period. The interest expense is recognised in finance costs in the statement of profit or loss.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in reserves. FLT applies significant judgment in determining the amortisation period.

In November 2020, Gainsdale Pty Ltd, CEO Graham Turner's shareholding company entered into a stock borrow agreement with Goldman Sachs placing 5,400,000 shares in a twelve month stock borrow facility to support the FLT convertible note issue.

The convertible notes issued during the period have been split into the liability and equity components as follows:

	2021 \$'000
Opening balance at 1 July 2020	-
Nominal value of convertible notes issued on 17 November 2020	400,000
Gross equity component of convertible note	(54,185)
Direct transaction costs attributable to the convertible note	(7,772)
Liability component at 17 November 2020	338,043
Amortisation of borrowings at effective interest rate	9,196
Liability component at 30 June 2021	347,239

Transaction costs relate to the equity component of \$1,074,000 and liability component of \$6,698,000.

Equity component of convertible note after tax of \$16,255,000 (refer note F12) is \$37,930,000 (refer note F11).

### CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	\$'000
Opening balance at 1 July 2020	-
Cashflow - proceeds from issuance of convertible note, net of transaction costs	392,228
Gross equity component of convertible note	(54,185)
Amortisation of borrowings at effective interest rate	9,196
Closing balance at 30 June 2021	347,239

### ACCOUNTING POLICY

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in liability due to passage of time is recognised as finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent periods. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

## B6 RATIOS

### CAPITAL MANAGEMENT

FLT maintains a funding structure that allows it to meet its operational and regulatory requirements, while providing sufficient flexibility to fund growth, working capital requirements and future strategic opportunities. The group's capital structure includes a mix of debt, general cash and equity attributable to the parent's equity holders.

### NET DEBT

	NOTES	2021 \$'000	2020 \$'000
Cash at bank and on hand	B1	1,172,115	1,779,550
Financial investments	B2	65,142	8,078
		<b>1,237,257</b>	<b>1,787,628</b>
Less:			
Borrowings - current	B4	212,167	211,668
Borrowings - non-current	B4	355,684	250,514
		<b>567,851</b>	<b>462,182</b>
Positive net debt <sup>1</sup>		<b>669,406</b>	<b>1,325,446</b>

FLT continues to be in a positive net debt position.

<sup>1</sup> Net debt = (Cash+ financial investments) – (current and non-current borrowings). The calculation excludes restricted cash (refer note B1) and convertible notes. The calculation also excludes the impact of AASB 16 Leases in respect of the current and non-current lease liabilities.

### GEARING RATIO

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Total borrowings	B4	567,851	462,182
Total equity		956,036	1,359,968
Gearing ratio <sup>2</sup>		59.4%	34.0%

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

<sup>2</sup> Gearing ratio = Total borrowings / Total equity. The calculation excludes the convertible notes and impact of AASB 16 Leases in respect of the current and non-current lease liabilities and the convertible note.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B7 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 prior year interim dividend of 40 cents per fully paid ordinary share that was declared on release of the FY20 interim financial statements was cancelled on 23 March 2020, and a final dividend was not declared for 30 June 2020.

An interim dividend was not declared on release of the FY21 interim financial statements.

Since year-end the directors have determined not to pay a final dividend for 30 June 2021 after taking into account the need to preserve cash and protect long-term shareholder value.

	2021 \$'000	2020 \$'000
<b>ORDINARY SHARES</b>		
Final ordinary dividend for the year ended 30 June 2019 of 98.0 cents (2018: 107.0 cents) per fully paid share	-	99,097
Interim ordinary dividend for the year ended 30 June 2020 of 0.0 cents (2019: 60.0 cents) per fully paid share	-	-
Special dividend for the year ended 30 June 2020 of 0.0 cents (2019: 149.0 cents) per fully paid share	-	-
	-	99,097
	<b>AMOUNT PER SECURITY CENTS</b>	<b>AMOUNT PER SECURITY CENTS</b>
Final dividend	-	-
	<b>\$'000</b>	<b>\$'000</b>
Final dividend	-	-

### FRANKING CREDITS

Franking credits available for subsequent financial years based on a tax rate of 30%	157,250	159,831
--	---------	---------

The above amounts represent the balance of the franking account at the end of the financial year, adjusted for:

- Franking credits that will arise from the current tax liability's payment
  - Franking debits that will arise from the dividend payments recognised as a liability for the reporting period's end; and
  - Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting period's end.
- There is no further reduction to the franking account due to dividends as no dividends have been declared since year-end (2020: \$nil.)

### CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021 \$'000	2020 \$'000
<b>DIVIDENDS PAYABLE</b>		
Opening balance at 1 July	-	-
Dividends declared - parent entity	-	99,097
Dividends declared - attributable to non-controlling interest	-	145
Cashflow - Dividend payment	-	(99,242)
Closing balance at 30 June	-	-

## B8 CAPITAL EXPENDITURE

### OVERVIEW

FLT continues to focus on its technological offering through acquisitions in recent years of technology companies including TP Connect and Whereto and the development of a number of IT projects to support FLT's future strategy.

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>DEPRECIATION</b>			
Buildings	F6	129	859
Plant and equipment	F6	37,118	66,182
<b>Total depreciation</b>		<b>37,247</b>	<b>67,041</b>
<b>AMORTISATION</b>			
Brand names, licences and customer relationships	A5	4,951	6,680
Software	A5	20,556	22,380
<b>Total amortisation</b>		<b>25,507</b>	<b>29,060</b>
<b>Total depreciation and amortisation</b>		<b>62,754</b>	<b>96,101</b>
<b>ADDITIONS</b>			
Plant and equipment	F6	3,376	42,663
Intangibles	A5	33,978	51,569
<b>Total additions</b>		<b>37,354</b>	<b>94,232</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

Refer to note F7 for depreciation and amortisation relating to right of use asset under AASB16.

In addition to the depreciation & amortisation disclosed above, 'Tour & hotel operations - Cost of sales' in the income statement includes \$662,000 (2020: \$952,000) relating to depreciation & amortisation directly attributable to the delivery of tour and hotel services.

### CONTRACTUAL COMMITMENTS

Neither the parent entity, nor the group, have any material contractual obligations to purchase plant and equipment or intangible assets at balance date (2020: \$nil).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C FINANCIAL RISK MANAGEMENT

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

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

## C1 FINANCIAL RISK MANAGEMENT

### OVERVIEW

FLT continues to ensure it retains a robust balance sheet and liquidity position to manage through the current COVID-19 crisis.

The group's activities expose it to a variety of financial risks: ongoing unprecedented COVID-19 impacts on the travel industry, market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

A central treasury department oversees financial risk under board-approved policies that cover specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments and investments. Treasury identifies, evaluates and hedges financial risks in co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering the specific areas noted above.

Market risk and credit risk are analysed within the relevant balance sheet note disclosures with the exception of the effects of hedge accounting, which is set out below. Liquidity risk and sensitivities are also set out below.

### LIQUIDITY RISK

FLT closely manages and monitors liquidity at a group level through rolling 18-month operating cashflow forecasts and comparing actual cashflows to this forecast, which is supported by Global Treasury review of cashflow forecasts prepared weekly at a detailed level by business and country.

On 17 November 2020, the Company issued convertible notes with an aggregate principal amount of \$400,000,000. On 22nd February 2021, FLT entered into a \$350,000,000 three year secured syndicated debt facility with its existing bank lenders. The facility refinanced FLT's bilateral debt facility agreements which totalled \$450,000,000, with \$100,000,000 repaid in March 2021 from the proceeds of the convertible note issue. FLT will not be required to comply with its existing operating leverage ratio, fixed charges ratio and shareholder funds ratio covenants until 31 December 2022, at which point covenants will be calculated based on the six month period from 1 July 2022 to 31 December 2022. Until that time FLT will be required to maintain a cash to total borrowings ratio of greater than or equal to 1:1 (with total borrowings to exclude the convertible notes). The facility is guaranteed by certain members of the group and is secured. The total amount drawn down at the reporting date was \$350,000,000.

On 3 July 2020, Flight Centre (UK) Limited (FCUK) issued GBP 65,000,000 of notes under the Bank of England (BoE) COVID-19 Corporate Financing Facility (CCFF notes) which matured in March 2021 and were repaid. On 16 March 2021 FCUK issued a further GBP 65,000,000 of CCFF notes to refinance the original July 2020 issuance, and these notes mature in March 2022. On 19 March 2021 FCUK issued a further GBP 50,000,000 of CCFF notes which mature in March 2022. In total, FCUK has issued GBP 115,000,000 (A\$211,747,000) of CCFF notes which mature in March 2022.

COVID-19 continues to impact FLT and has given rise to the loss in FY21. Whilst there is uncertainty in the timing of the travel rebound and FLT's revenues, given the cost reduction initiatives executed to date, together with the cash in bank and long term financing arrangements in place, the Directors are satisfied the company has the ability to meet its debts as and when due for the next 12 months, and for the financial report to be prepared on a going concern basis. No adjustments have been made in the financial report in relation to the company's ability to realise its assets and discharge its liabilities in the normal course of business.

## C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

### LIQUIDITY RISK (CONTINUED)

#### MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings. Groupings are based on the remaining period to the contractual maturity date at the reporting period's end. The amounts disclosed in the table are the contractual undiscounted cash flows.

	LESS THAN 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	MORE THAN 5 YEARS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES \$'000
<b>2021</b>						
<b>Non-derivatives</b>						
Trade and other payables	800,415	-	-	-	800,415	800,415
Contingent consideration	2,784	-	-	-	2,784	2,784
Borrowings	223,858	10,679	362,091	-	596,628	567,851
Convertible note	10,000	10,000	415,000	-	435,000	347,239
Lease liabilities	103,024	85,399	158,092	51,487	398,002	368,453
<b>Total non-derivatives</b>	<b>1,140,081</b>	<b>106,078</b>	<b>935,183</b>	<b>51,487</b>	<b>2,232,829</b>	<b>2,086,742</b>
Derivatives	1,659	-	-	-	1,659	1,659
<b>Derivatives - net settled</b>	<b>1,659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,659</b>	<b>1,659</b>
<b>2020</b>						
<b>Non-derivatives</b>						
Trade and other payables	1,152,870	-	-	-	1,152,870	1,152,870
Contingent consideration	3,278	316	-	-	3,594	3,575
Borrowings	219,709	253,217	-	-	472,926	462,182
Lease liabilities	137,693	99,335	216,072	107,354	560,454	526,661
<b>Total non-derivatives</b>	<b>1,513,550</b>	<b>352,868</b>	<b>216,072</b>	<b>107,354</b>	<b>2,189,844</b>	<b>2,145,288</b>
Derivatives	2,185	-	1,456	-	3,641	3,641
<b>Derivatives - net settled</b>	<b>2,185</b>	<b>-</b>	<b>1,456</b>	<b>-</b>	<b>3,641</b>	<b>3,641</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

### SUMMARISED SENSITIVITY ANALYSIS

The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

The foreign exchange sensitivities are based on the Group's exposures existing at balance date taking into account the Group's designated cash flow hedges.

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

Foreign currency risks, as defined by AASB 7 *Financial Instruments: Disclosures*, arise on account of financial instruments being denominated in a currency that is not the functional currency in which the financial instrument is measured.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis. Foreign exchange sensitivities are based on reasonably possible changes in foreign exchange rates.

For interest rate and foreign exchange rate sensitivities, all other variables are held constant. Sensitivity figures are pre tax. The movement in equity excludes movements in retained earnings.

2021 Financial assets	CARRYING AMOUNT \$'000	INTEREST RATE RISK		FOREIGN EXCHANGE RISK	
		-1% PROFIT	+1% PROFIT	-10% PROFIT	+10% PROFIT
Cash and cash equivalents	1,290,831	(12,908)	12,908	17,313	(14,165)
Equity securities - FVTPL	4,320	-	-	-	-
Debt securities - FVTPL	5,916	-	-	-	-
Debt securities - FVOCI	54,906	(540)	540	-	-
Trade & other receivables	314,048	-	-	2,179	(1,783)
Contract assets	80,934	-	-	2,169	(1,774)
Other financial assets	35,107	-	-	-	-
Derivative financial instruments	5,015	-	-	18,989	(15,536)
<b>Financial liabilities</b>					
Trade and other payables	800,415	-	-	(11,521)	9,426
Contingent consideration	2,784	-	-	-	-
Borrowings - current	212,167	-	-	-	-
Borrowings - non-current	355,684	3,557	(3,557)	-	-
Convertible note - non-current	347,239	-	-	-	-
Derivative financial instruments	1,659	-	-	(6,822)	5,582
<b>Total increase / (decrease)</b>		<b>(9,891)</b>	<b>9,891</b>	<b>22,307</b>	<b>(18,250)</b>

## C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

### SUMMARISED SENSITIVITY ANALYSIS (CONTINUED)

2020 Financial assets	CARRYING AMOUNT \$'000	INTEREST RATE RISK		FOREIGN EXCHANGE RISK	
		-1% PROFIT	+1% PROFIT	-10% PROFIT	+10% PROFIT
Cash and cash equivalents	1,867,307	(18,673)	18,673	9,172	(7,504)
Equity securities - FVTPL	4,081	-	.	-	-
Debt securities - FVTPL	3,997	-	-	-	-
Trade & other receivables	362,395	-	-	703	(575)
Contract assets	129,261	-	-	3,892	(3,185)
Other financial assets	26,658	-	-	-	-
Derivative financial instruments	4,869	-	-	(17,915)	14,681
<b>Financial liabilities</b>					
Trade and other payables	1,152,870	-	-	(446)	365
Contingent consideration	3,575	-	-	(210)	210
Borrowings - current	211,668	(2,117)	2,117	-	-
Borrowings - non-current	250,514	(2,505)	2,505	-	-
Derivative financial instruments	1,178	-	-	(6,931)	5,465
<b>Total increase / (decrease)</b>		<b>(23,295)</b>	<b>23,295</b>	<b>(11,735)</b>	<b>9,457</b>

2021 Financial assets	CARRYING AMOUNT \$'000	INTEREST RATE RISK		FOREIGN EXCHANGE RISK	
		-1% PROFIT	+1% PROFIT	-10% PROFIT	+10% PROFIT
Derivative financial instruments	2,189	83	(83)	(9,554)	9,554
<b>Financial liabilities</b>					
Derivative financial instruments	-	-	-	-	-
		<b>83</b>	<b>(83)</b>	<b>(9,554)</b>	<b>9,554</b>

2020 Financial assets	CARRYING AMOUNT \$'000	INTEREST RATE RISK		FOREIGN EXCHANGE RISK	
		-1% PROFIT	+1% PROFIT	-10% PROFIT	+10% PROFIT
Derivative financial instruments	841	(94)	94	(1,369)	1,116
<b>Financial liabilities</b>					
Derivative financial instruments	2,463	-	-	(12,709)	12,205
		<b>(94)</b>	<b>94</b>	<b>(14,078)</b>	<b>13,321</b>

Other than disclosed in the table above, there are no other equity impacts as a result of movements in interest rates and foreign exchange rates.

There is no profit or equity impact as a result of other price risk.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C2 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 \$'000	2020 \$'000
<b>CURRENT ASSETS</b>		
Forward foreign exchange contracts - designated in a cash flow hedge	-	563
Forward foreign exchange contracts - FVTPL	5,015	4,869
<b>Total current derivative financial instrument assets</b>	<b>5,015</b>	<b>5,432</b>
<b>NON-CURRENT ASSETS</b>		
Cross currency interest rate swaps - designated in a cash flow hedge <sup>1</sup>	441	278
Cross currency interest rate swaps - designated in a net investment hedge <sup>1</sup>	1,748	-
<b>Total current derivative financial instrument assets</b>	<b>2,189</b>	<b>278</b>
<b>CURRENT LIABILITIES</b>		
Forward foreign exchange contracts - designated in a cash flow hedge	-	1,007
Forward foreign exchange contracts - FVTPL	1,659	1,178
<b>Total current derivative financial instrument liabilities</b>	<b>1,659</b>	<b>2,185</b>
<b>NON-CURRENT LIABILITIES</b>		
Cross currency interest rate swaps - designated in a net investment hedge <sup>1</sup>	-	1,456
<b>Total non-current derivative financial instrument liabilities</b>	<b>-</b>	<b>1,456</b>

<sup>1</sup> FLT entered into a cross currency interest rate swap in 2019 which has been designated in a hedge relationship using split approach. The non-current asset represents the interest component designated in a cash flow hedge and the non-current liability represents the foreign exchange component designated in a net investment hedge. Refer further details below.

## FINANCIAL RISK MANAGEMENT

### FAIR VALUE

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

Cross currency interest rate swaps are measured at fair value, which is calculated as the present value of the estimated future cash flows. Estimate of future cash flows are based on quoted swap rates, interbank borrowing rates and forward exchange rates.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. See hedge accounting set out below for derivatives designated as part of a hedging relationship to which hedge accounting is applied. Changes in fair value for derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The forward foreign exchange contracts and cross currency interest rate swaps are classified as Level 2 (2020: Level 2) under the AASB 13 *Fair value Measurement* hierarchy, based on the valuation technique described above.

### CREDIT RISK

The maximum exposure to credit risk at the reporting period's end is the fair value of all forward foreign exchange contracts and cross currency interest rate swaps as disclosed above. Credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. All counterparties have an equivalent S&P rating of AA- to A-.

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### HEDGE ACCOUNTING

#### ACCOUNTING POLICY

All derivatives are recognised in the balance sheet at fair value and are classified as FVTPL except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The group designates its derivatives as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a foreign currency risk or interest rate risk associated with a recognised asset or liability or a highly probable foreign currency forecast transaction.

The group designates its derivatives as net investment hedges when hedging foreign currency risk attributable to a net investment in a foreign operation.

FLT documents at the inception of the transaction the relationship between hedging instruments and hedged items, the risk being hedged and the group's risk management objective and strategy for undertaking these hedge transactions. The effectiveness of the hedges is measured throughout the life of the hedging relationship. Ineffectiveness arises in the event of over hedging, whereby the notional amount of the designated hedge instrument exceeds the notional amount of the hedged item attributable to the hedged risk, or timing mismatches. Where ineffectiveness is identified, any revaluation gains or losses on the ineffective portion of the hedging instrument are immediately recognised in the statement of profit or loss in foreign exchange gains or foreign exchange losses or interest expense.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in the cash flow hedge reserve within equity. The effective portion of changes in the fair value of derivatives that are designated as net investment hedges are recognised in the foreign currency translation reserve within equity. Amounts accumulated in equity are transferred to the statement of profit or loss in the period(s) in which the hedged item affects the statement of profit or loss.

#### RISK MANAGEMENT STRATEGY

The fundamental objective is to minimise risk. This is achieved by minimising the volatility in the statement of profit or loss and variations in cash flows. The objective is not to maximise revenue or minimise costs, however in certain situations hedging may deliver value to FLT by minimising downside risk. There is no speculation allowed and all treasury activities and transactions must be linked to underlying business requirements.

Hedge accounting has been applied in FLT's Global Procurement ("GPN") business and its UK based Global Touring business. GPN seeks to reduce variability by entering into forward foreign exchange contracts upon collection of customer deposits. Global Touring seeks to reduce variability on forecast payments to suppliers by entering into forward foreign exchange contracts upon publication of its brochures. Global Touring also enter into GBP forward exchange contracts to minimise variability in its London based head office costs. The first \$1 of notional amount of the hedging instrument is designated against the first \$1 of forecast payments or forecast receipts. Hedges are entered into in the same currency as the underlying exposures as such ineffectiveness may arise in the event of over hedging or timing mismatches, therefore the hedging ratio is 1:1.

FLT entered into a cross currency interest rate swap in 2019 which has been designated in a hedge relationship using split approach. Under this approach the benchmark interest rate risk and foreign exchange risk on principal components of the swap are accounted for respectively as cash flow hedge and net investment hedge.

Net investment hedge is used to hedge FLT's exposure to the EUR foreign exchange risk on 3mundi investment. There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the EUR swap. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The effective portion of the hedge is recognised in the foreign currency translation reserve net of tax. The hedge ineffectiveness may arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing. This is recognised in the statement of profit or loss and other comprehensive income in FX.

Cashflow hedges are used to hedge FLT's exposure to variability of cash flows on borrowings due to movement in interest rates. There is an economic relationship between the hedged item and the hedging instrument based on assessment of benchmark rate, tenor, repricing, maturity and notional amount. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness may arise when there are mismatches in terms of the hedged item and the hedging instrument.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### HEDGE ACCOUNTING (CONTINUED)

#### THE EFFECTS OF HEDGE ACCOUNTING

At 30 June 2021, FLT holds the following forward foreign exchange contracts to hedge its exposure on forecast foreign currency receipts and forecast foreign currency payments. The impact of hedging instruments designated in hedging relationships at 30 June 2021 on the balance sheet of the group is as follows. Note these are all shown in the consolidated balance sheet in current assets and liabilities as derivative financial instruments.

CASH FLOW HEDGES - 2021	NOTIONAL AMOUNT IN LOCAL CURRENCY '000	CARRYING AMOUNT \$'000	AVERAGE FORWARD PRICE	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS FOR THE PERIOD \$'000
Nil	-	-	-	-
		-		-

CASH FLOW HEDGES - 2020	NOTIONAL AMOUNT IN LOCAL CURRENCY '000	CARRYING AMOUNT \$'000	AVERAGE FORWARD PRICE	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS FOR THE PERIOD \$'000
South African Rand	12,000	20	11.746	20
US Dollar	16,000	(398)	0.656	(398)
Euro	8,000	(70)	0.599	(70)
Singapore Dollar	900	(19)	0.940	(19)
New Zealand Dollar	5,000	(3)	1.072	(3)
Fiji Dollar	2,700	(21)	1.491	(21)
Other <sup>1</sup>		47		47
		(444)		(444)

<sup>1</sup> Other includes various other insignificant currencies to which hedge accounting is applied.

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The impact of hedged items designated in hedging relationships as at 30 June 2021 on the balance sheet of the group is as follows:

		CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS \$'000	CASH FLOW HEDGE RESERVE \$'000
<b>CASH FLOW HEDGES - 2021</b>			
Foreign currency receipts	Nil	-	-
Foreign currency payments	Nil	-	-
			-
		CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS \$'000	CASH FLOW HEDGE RESERVE \$'000
<b>CASH FLOW HEDGES - 2020</b>			
Foreign currency receipts	US Dollar	(1,903)	-
	British Pound	(231)	4
	South African Rand	(153)	13
	New Zealand Dollar	(113)	2
	Other <sup>1</sup>	(97)	-
Foreign currency payments	US Dollar	2,255	(54)
	British Pound	131	-
	Fiji Dollar	101	-
	Other <sup>1</sup>	391	(10)
			(45)

<sup>1</sup> Other includes various other insignificant currencies to which hedge accounting is applied.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2021, FLT holds the following cross currency interest rate swaps to hedge its exposure on borrowings and net investments in foreign operations. The impact of hedging instruments designated in hedging relationships at 30 June 2021 on the balance sheet of the group is as follows. Note these are all shown in the consolidated balance sheet in current assets and liabilities as derivative financial instruments.

	NOTIONAL AMOUNT \$'000	CARRYING AMOUNT \$'000	CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS \$'000
<b>CASH FLOW HEDGES - 2021</b>			
Cross currency interest rate swap	96,696	441	163
			<b>163</b>

<b>CASH FLOW HEDGES - 2020</b>			
Cross currency interest rate swap	96,696	278	278
			<b>278</b>

	CARRYING AMOUNT \$'000	ACCUMULATED FAIR VALUE ADJUSTMENTS \$'000	CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS \$'000	CASH FLOW HEDGE RESERVE \$'000
<b>CASH FLOW HEDGES - 2021</b>				
Borrowings	96,696	441	163	309
			<b>163</b>	<b>309</b>

<b>CASH FLOW HEDGES - 2020</b>				
Borrowings	96,696	278	278	195
			<b>278</b>	<b>195</b>

	NOTIONAL AMOUNT IN LOCAL CURRENCY '000	CARRYING AMOUNT \$'000	CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS \$'000
<b>NET INVESTMENT HEDGES - 2021</b>			
Cross currency interest rate swap (Euro)	60,000	1,748	3,204
			<b>3,204</b>

<b>NET INVESTMENT HEDGES - 2020</b>			
Cross currency interest rate swap (Euro)	60,000	(1,456)	(1,456)
			<b>(1,456)</b>

	CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000
<b>NET INVESTMENT HEDGES - 2021</b>		
Investment in subsidiaries	3,204	1,224
	<b>3,204</b>	<b>1,224</b>

<b>NET INVESTMENT HEDGES - 2020</b>		
Investment in subsidiaries	(1,456)	(1,019)
	<b>(1,456)</b>	<b>(1,019)</b>

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The impact of hedging instruments designated in hedging relationships at 30 June 2021 on the consolidated statement of profit or loss of the group is as follows. Note these are all shown in the consolidated statement of profit or loss in other expenses as net foreign exchange losses or finance costs in interest and finance charges paid/payable.

	INEFFECTIVENESS RECOGNISED IN THE INCOME STATEMENT \$'000	HEDGING GAIN /(LOSS) RECOGNISED IN OCI \$'000	AMOUNT RECLASSIFIED FROM OCI TO THE INCOME STATEMENT
<b>CASH FLOW HEDGES</b>			
<b>Hedges of forecast foreign currency transactions</b>			
2021	-	173	(109)
2020	257	29,291	(29,553)
<b>Hedges of borrowings</b>			
2021	-	163	-
2020	-	278	-
<b>Net investment hedges</b>			
2021	-	3,204	-
2020	-	(1,456)	-

## C3 OTHER FINANCIAL ASSETS

	2021 \$'000	2020 \$'000
Accrued Interest	247	839
Security deposits	5,395	21,972
<b>Total current other financial assets</b>	<b>5,642</b>	<b>22,811</b>
Loans to external parties	140	155
Security deposits	29,325	3,692
<b>Total non-current other financial assets</b>	<b>29,465</b>	<b>3,847</b>

### ACCOUNTING POLICY

Loans to related parties, external parties and security deposits are measured at amortised cost, as they are held in order to collect contractual cash flows which are solely principal and interest.

### FINANCIAL RISK MANAGEMENT

#### FAIR VALUE

Due to their short-term nature, the carrying amounts of current other financial assets are assumed to approximate their fair values.

The carrying amounts of non-current other financial assets equals their fair values, due to the commercial rates of interest earned and paid respectively, and the impact of discounting is not significant.

#### CREDIT RISK

The maximum exposure to credit risk at the reporting period's end is the carrying amount of other financial assets as disclosed above, however FLT has categorised these as having an insignificant amount of credit risk and therefore no expected credit loss has been recognised.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D REWARD AND RECOGNITION

This section provides a breakdown of the various programs FLT uses to reward and recognise employees and key executives, including Key Management Personnel (KMP).

FLT believes that these programs reinforce the value of ownership and incentives, both of which are key parts of the company's philosophies and culture, and drive performance both individually and collectively to deliver better returns to shareholders.

These programs also result in changes to the group's contributed equity.

During COVID-19 a number of these programs have been put on hold, however new programs (the PCRP and GRR) have been introduced as a strategic response to the profound impacts that COVID-19 restrictions continue to have on the business, with a focus on ensuring key executives who will be crucial to FLT's recovery are retained while the business recovers and during the rebuilding phase.

D1	Key management personnel
D2	Business Ownership Scheme (BOS)
D3	Share-based payments
	Long term retention plan (LTRP)
	Post-COVID-19 retention plan (PCRP)
	Global Recovery Rights (GRR)
	Employee Share Plan (ESP)
	Transformation incentive plan (TIP)
D4	Contributed equity and treasury shares

## D1 KEY MANAGEMENT PERSONNEL

### KMP COMPENSATION

	2021 \$	2020 \$
Short-term employee benefits	6,523,256	6,082,819
Post-employment benefits	134,796	126,513
Long-term benefits	60,574	(527,484)
Share-based payments	3,997,683	1,036,050
<b>Total KMP compensation</b>	<b>10,716,309</b>	<b>6,717,898</b>

Detailed remuneration disclosures are provided in section 2 of the remuneration report. Supporting information on director and KMP remuneration is included in the remuneration report in sections 3 and 4.

### EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP

Details of LTRP, PCRP and ESP provided as remuneration to KMP and shares issued on the exercise of such, together with terms and conditions, can be found in section 4 of the remuneration report.

### OTHER TRANSACTIONS WITH KMP

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

## D2 BUSINESS OWNERSHIP SCHEME (BOS)

### OVERVIEW

FLT believes it is important that its leaders see the businesses they run as their own and, under the BOS, eligible employees (front-line team leaders) have historically been invited to invest in unsecured notes in their businesses as an incentive to improve short and long-term performance. Trading conditions under COVID-19 have resulted in the programme being unsuitable for its intended purpose. As a result, programmes globally were put on hold until further notice.

In Australia, in line with the scheme requirements, any outstanding unsecured notes were redeemed with a 30 day notice period given on or about 1 May 2020. The unsecured notes in overseas nations were similarly either put on hold or redeemed in line with local scheme requirements.

### ACCOUNTING POLICY

#### BUSINESS OWNERSHIP SCHEME

*Both the unsecured notes and loans are recorded at amortised cost.*

	2021 \$'000	2020 \$'000
Unsecured notes principal	5,263	8,360
Loans held for unsecured notes	(5,222)	(7,015)
<b>Net unsecured notes principal</b>	<b>41</b>	<b>1,345</b>

The unsecured note holders earn a variable, non-guaranteed return, based on their business's performance.

In the current COVID-19 environment, the unsecured notes have largely been redeemed and associated loans held for unsecured notes repaid in full.

Unless approved by the board, via its remuneration and nomination committee, the distribution payable in respect of any unsecured note will not exceed 35% of the face value of the unsecured note in any 12 month period.

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

### FINANCIAL RISK MANAGEMENT

#### Credit risk

There is no credit risk arising for BOS loans held for unsecured notes, as there is a legally enforceable right to set-off against FLT's unsecured note liability.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D2 BUSINESS OWNERSHIP SCHEME (BOS) (CONTINUED)

### BOS MULTIPLIER PROGRAMME

As noted in the Remuneration Report, key executives that have a Founder BOS note are Melanie Waters-Ryan and Chris Galanty.

Dean Smith's unsecured BOS note was redeemed, effective May 2020. The payment represented a five times multiple payment of BOS interest on America's 30 June 2019 profits.

Founder BOS note for Melanie Waters-Ryan and Chris Galanty are in a temporary hibernation commencing 1 January 2020 through to 31 December 2021. The result of this temporary redemption has been a pay back of the invested Face Value to the note-holders. Once the BOS notes come out of hibernation, Ms Waters-Ryan and Mr Galanty will be required to repay or designate replacement funds. The required provision for a five times multiple payment of BOS interest on 30 June 2019 profits and for remaining Founder BOS multiple earning periods out to 2027 have been recognised.

### ACCOUNTING POLICY

A liability for the employee benefit of the potential BOS return multiple has been recognised as a provision (refer to note F10) when there is a contractual obligation or valid expectation that payment will be made. Refer to section 3 of the remuneration report for further information on BOS return multiplier.

CURRENT	NOTES	2021 \$'000	2020 \$'000
Employee benefits	F10	15,455	15,047

The BOS multiplier is recognised as current as it has vested for the KMP. While KMP are employed they cannot redeem the multiplier during hibernation period (before January 2022) however if they cease employment during the hibernation period total interest earnings for the last full financial year preceding the hibernation, multiplied by five, will be paid out. Refer to remuneration report for further details.

## D3 SHARE-BASED PAYMENTS

### OVERVIEW

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

- Long Term Retention Plan (LTRP)
- Post-COVID-19 Retention Plan (PCRP)
- Global Recovery Rights (GRR)
- Employee Share Plan (ESP)
- Transformation Incentive Plan (TIP)

### EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	2021 \$'000	2020 \$'000
Long term retention plan	5,650	5,614
Post Covid-19 Retention plan	4,413	-
Employee share plan	3,038	1,786
Global recovery rights plan	222	-
Transformation incentive plan	-	(2,015)
<b>Total expenses arising from share-based payment transactions</b>	<b>13,323</b>	<b>5,385</b>

Directors are not eligible to participate in the LTRP, PCRP, GRR, ESP or TIP.

### ACCOUNTING POLICY AND VALUATION

*The fair value of performance rights granted are recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the rights.*

*The fair value at grant date is determined using the Black-Scholes option pricing model.*

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### LONG TERM RETENTION PLAN

#### GENERAL TERMS

Invited participants are granted base rights, for no consideration, in annual tranches over a 12 year period with vesting conditions based upon continued service. At the time base rights are granted, participants are granted a corresponding number of matched rights for no consideration (one matched right for each base right granted).

Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary FLT share.

The plan's rules stipulate that the number of shares resulting from exercising all unexercised rights cannot exceed 5% of the company's issued capital (currently less than 1%).

#### VESTING REQUIREMENTS

Base rights granted to participants for each tranche will vest on the base rights vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date).

Matched rights granted to participants for each tranche will vest on the matched rights vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date) and the base rights (or shares) in respect of the respective grant continue to be held.

#### METHOD OF SETTLEMENT

The base rights and matched rights may be newly issued by FLT, purchased on-market or allocated from treasury shares.

#### VALUATION

The fair value of base and matched rights under the plan is estimated at the date of grant using a fixed dollar amount of rights granted for each participant and the Black-Scholes option pricing model which takes into account the rights' term, the rights' non-tradeable nature, the expected dividend yield and risk-free rate for the rights' term. The fair value is recognised in the balance sheet as part of reserves over the period that the right vests with a corresponding expense recognised in the employee benefits costs.

GRANT NUMBER	GRANT DATE	BASE RIGHTS			MATCHING RIGHTS		
		DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE	DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE
4	1 July 2018	August 2021	1 July 2030	\$54.26	August 2021	1 July 2030	\$54.26
4b	1 July 2018	August 2021	1 July 2030	\$54.26	August 2023	1 July 2030	\$51.58
5	1 July 2019	August 2022	1 July 2030	\$42.06	August 2022	1 July 2030	\$42.06
5b	1 July 2019	August 2022	1 July 2030	\$42.06	August 2024	1 July 2030	\$38.84
6	1 July 2020	August 2023	1 July 2030	\$11.30	August 2023	1 July 2030	\$11.30
6b	1 July 2020	August 2021	1 July 2030	\$11.30	August 2023	1 July 2030	\$11.30
6c	1 July 2020	August 2022	1 July 2030	\$11.30	August 2024	1 July 2030	\$10.79
6d	1 July 2020	August 2023	1 July 2030	\$11.30	August 2025	1 July 2030	\$10.28

<sup>1</sup> The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.

The weighted average contractual remaining life (until expiry date) is 9 years.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### LONG TERM RETENTION PLAN (CONTINUED)

The LTRP rights held by executives, including those KMP separately disclosed in the remuneration report, is set out below:

	BALANCE AT START OF THE YEAR		DURING THE YEAR				BALANCE AT END OF THE YEAR	
	VESTED AND EXERCISABLE NUMBER	UNVESTED NUMBER	GRANTED NUMBER	FORFEITED NUMBER	VESTED NUMBER	EXERCISED NUMBER	VESTED AND EXERCISABLE NUMBER	UNVESTED NUMBER
<b>2021</b>								
<b>Grant 6</b>								
Base	-	-	197,319	-	-	-	-	197,319
Match	-	-	197,319	-	-	-	-	197,319
<b>Grant 6b</b>								
Base	-	-	23,417	-	-	-	-	23,417
Match	-	-	23,417	-	-	-	-	23,417
<b>Grant 6c</b>								
Base	-	-	13,953	-	-	-	-	13,953
Match	-	-	13,953	-	-	-	-	13,953
<b>Grant 6d</b>								
Base	-	-	47,804	(2,597)	-	-	-	45,207
Match	-	-	47,804	(2,597)	-	-	-	45,207
<b>Grant 5</b>								
Base	-	67,840	-	(5,984)	-	-	-	61,856
Match	-	67,840	-	(5,984)	-	-	-	61,856
<b>Grant 5b</b>								
Base <sup>1</sup>	-	4,289	1,400	(1,334)	-	-	-	4,355
Match <sup>1</sup>	-	4,289	1,400	(1,334)	-	-	-	4,355
<b>Grant 4</b>								
Base	-	56,580	-	(4,676)	10,225	-	10,225	41,679
Match	-	47,843	-	(4,676)	-	-	-	43,167
<b>Grant 4b</b>								
Base <sup>1</sup>	-	5,481	1,128	(1,091)	-	-	-	5,518
Match <sup>1</sup>	-	3,993	1,128	(1,091)	-	-	-	4,030
<b>Grant 3</b>								
Base	1,691	-	-	-	-	-	1,691	-
Match	1,691	-	-	-	-	-	1,691	-
<b>Grant 2</b>								
Base	2,341	-	-	-	-	-	2,341	-
Match	2,341	-	-	-	-	-	2,341	-
<b>Grant 1</b>								
Base	2,498	-	-	-	-	(2,498)	-	-
Match	2,498	-	-	-	-	(2,498)	-	-

<sup>1</sup> During the period, an administrative error was identified where an LTRP participant had been offered rights in Grant 4b and Grant 5b however the rights had not been issued. The rights were issued during the period as disclosed in the granted column.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### LONG TERM RETENTION PLAN (CONTINUED)

2020	BALANCE AT START OF THE YEAR		DURING THE YEAR				BALANCE AT END OF THE YEAR	
	VESTED AND EXERCISABLE NUMBER	UNVESTED NUMBER	GRANTED NUMBER	FORFEITED NUMBER	VESTED NUMBER	EXERCISED NUMBER	VESTED AND EXERCISABLE NUMBER	UNVESTED NUMBER
<b>Grant 5</b>								
Base	-	-	74,754	(6,914)	-	-	-	67,840
Match	-	-	74,754	(6,914)	-	-	-	67,840
<b>Grant 5b</b>								
Base	-	-	4,289	-	-	-	-	4,289
Match	-	-	4,289	-	-	-	-	4,289
<b>Grant 4</b>								
Base	-	63,183	-	(5,321)	1,282	(1,282)	-	56,580
Match	-	51,676	-	(3,833)	-	-	-	47,843
<b>Grant 4b</b>								
Base	-	5,481	-	-	-	-	-	5,481
Match	-	5,481	-	(1,488)	-	-	-	3,993
<b>Grant 3</b>								
Base	49,024	-	-	-	-	(47,333)	1,691	-
Match	-	57,161	-	(2,098)	55,063	(53,372)	1,691	-
<b>Grant 2</b>								
Base	67,153	6,135	-	-	6,135	(70,947)	2,341	-
Match	-	73,602	-	(2,574)	71,028	(68,687)	2,341	-
<b>Grant 1</b>								
Base	56,178	-	-	-	-	(53,680)	2,498	-
Match	-	64,417	-	(2,203)	62,214	(59,716)	2,498	-

### POST-COVID-19 RETENTION PLAN

#### GENERAL TERMS

Invited participants are granted one-off base rights, for no consideration, with vesting conditions based upon continued service. When these base rights are granted, participants are also granted a corresponding number of one-off matched rights in two separate tranches for no consideration (one matched right for each base right granted).

Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary FLT share.

The plan's rules stipulate that the number of shares resulting from exercising all unexercised rights cannot exceed 5% of the company's issued capital (currently less than 1%).

#### VESTING REQUIREMENTS

Base rights granted to participants will vest on the base rights' vesting date as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date).

Matched rights granted to participants for each tranche will vest on the matched rights' vesting dates as noted in the table below, subject to the service condition being satisfied (participants remain employed by the company at the vesting date) and for Tranche 1 matched rights that the base rights (or shares) in respect of the respective grant continue to be held, and for Tranche 2 matched rights that the Tranche 1 matched rights (or shares) continue to be held.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### POST-COVID-19 RETENTION PLAN (CONTINUED)

#### METHOD OF SETTLEMENT

The base rights and matched rights may be issued by FLT, purchased on-market or allocated from treasury shares.

#### VALUATION

The fair value of base and matched rights under the plan is estimated at the date of grant using the Black-Scholes option pricing model. The fair value is allocated equally over the period from grant date to vesting date, and is included in the remuneration report compensation tables.

GRANT NUMBER	GRANT DATE	BASE RIGHTS		
		DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE
Grant 1	29 June 2020	August 2022	1 July 2031	\$9.66
		MATCHING RIGHTS - TRANCHE 1		
		DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE
		August 2023	1 July 2031	\$9.25
		MATCHING RIGHTS - TRANCHE 2		
		DATE/YEAR VESTED AND EXERCISABLE <sup>1</sup>	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE
		August 2024	1 July 2031	\$8.83

<sup>1</sup> The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.

The weighted average contractual remaining life (until expiry date) is 10 years.

The PCRP rights held by executives, including those KMP separately disclosed in the remuneration report, is set out below:

	BALANCE AT START OF THE YEAR		DURING THE YEAR				BALANCE AT END OF THE YEAR	
	VESTED AND EXERCISABLE NUMBER	UNVESTED NUMBER	GRANTED NUMBER	FORFEITED NUMBER	VESTED NUMBER	EXERCISED NUMBER	VESTED AND EXERCISABLE NUMBER	UNVESTED NUMBER
<b>2021</b>								
Grant 1								
Base	-	-	590,338	-	-	-	-	590,338
Match 1	-	-	295,169	-	-	-	-	295,169
Match 2	-	-	295,169	-	-	-	-	295,169
<b>2020</b>								
Grant 1								
Base	-	-	-	-	-	-	-	-
Match 1	-	-	-	-	-	-	-	-
Match 2	-	-	-	-	-	-	-	-

### GLOBAL RECOVERY RIGHTS (GRR)

The GRR has identical objectives to the PCRP but is a broader program targeted at FLT's global workforce (excluding PCRP participants and directors).

The GRR was granted on 25 June 2021, however the program is still in the acceptance process with offers closing on 27 August 2021.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### EMPLOYEE SHARE PLAN

#### GENERAL TERMS

Eligible employees are granted a conditional right to one matched share for every two shares purchased (for cash consideration), subject to vesting conditions.

Employees are eligible to participate if they have been employed full time or permanent part-time for at least three months.

#### VESTING REQUIREMENTS

A participant must hold the acquired shares for a period of two years and one month and still be employed with FLT at the end of that time. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

#### METHOD OF SETTLEMENT

A participant who satisfies the vesting conditions will become entitled to the matched shares on the last day of the vesting period.

The matched shares may be newly issued by FLT, purchased on-market or allocated from treasury shares.

#### VALUATION – ACQUIRED SHARES

The market value of shares issued under the plan, measured as the weighted average price at which FLT's shares are traded on the ASX during the five days following the date on which the contributions are paid, is recognised in the balance sheet as an issue of shares in the period the shares are acquired by the employee.

#### VALUATION – MATCHED SHARES

The fair value of matched shares allocated (but not issued) under the plan is estimated at the date of grant using the Black-Scholes option pricing model which takes into account the rights' term, the rights' non-tradeable nature, the expected dividend yield and risk-free rate over the rights' term and is recognised in the balance sheet as part of reserves over the period that the matched share vests with a corresponding expense recognised in the employee benefits costs.

NUMBER OF MATCHED SHARES:	NOTES	2021	2020
Issued under the plan to participating employees	D4	31,840	3,977
Allocated from the share trust to participating employees	D4	-	27,350
Purchased on-market under the plan to participating employees		11,370	9,305
		<b>43,210</b>	<b>40,632</b>
Weighted average market price of matched shares:			
Issued	D4	\$0.00	\$0.00
Allocated from share trust	D4	-	\$35.72
Purchased on-market		\$12.63	\$35.57

### TRANSFORMATION INCENTIVE PLAN

In March 2018, a long term incentive plan was approved by the Board. The TIP was designed to drive sustainable growth across the Group and remunerate key talent based on the Group's five year growth targets, with performance hurdles aligned to the group transformation targets of 7% TTV cumulative annual growth rate (CAGR) and return to net margin of 2% by 2020-2022.

With the exception of the new KMP J. Kavanagh, C. Leiss and S. Norris who were participants of the TIP from its inception, the KMP and directors did not participate in the TIP.

During the period it was determined that there was a low probability that the performance conditions would be satisfied due to the current environment. As such, the value of the TIP previously expensed was written back and the associated reserve reversed. No TIP rights were exercised during the period and no TIP rights were vested or exercisable at the end of the year.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### TRANSFORMATION INCENTIVE PLAN (CONTINUED)

#### MOVEMENTS DURING THE YEAR

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	DURING THE YEAR			BALANCE AT END OF THE YEAR	VALUE PER RIGHT AT GRANT DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
		UNVESTED BALANCE NUMBER	GRANTED NUMBER	FORFEITED NUMBER	VESTED NUMBER	UNVESTED NUMBER		
2021								
Grant 1								
31/03/2018	30/06/2022	307,500	-	(30,000)	-	277,500	\$46.70	1 year
2020								
Grant 1								
31/03/2018	30/06/2022	307,500	-	-	-	307,500	\$46.70	2 years

## D4 CONTRIBUTED EQUITY AND TREASURY SHARES

### OVERVIEW

During the prior period, FLT announced a fully underwritten equity capital raising, comprising a Placement and an Entitlement Offer to strengthen its balance sheet and liquidity position as part of its response to the financial impacts brought about by COVID-19. The Placement and Entitlement offer resulted in the issue of 97.4 million new fully paid ordinary shares (\$701,400,000) in FLT representing 49% of existing FLT shares on issue.

Historically, movements in contributed equity have related to shares issued under the ESP, which reinforced the importance that FLT places on ownership to drive business improvement and overall results. Where shares in FLT have been acquired by on-market purchases of shares prior to settling the vested entitlement, the cost of the acquired shares is carried as treasury shares and deducted from equity.

### RECONCILIATION OF ORDINARY SHARE CAPITAL:

The following reconciliation summarises the movements in authorised and issued capital during the year.

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	NOTES	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE	\$'000
Opening Balance 1 July 2019		101,108,842	-	405,626
ESP		436,764	\$6.70	2,926
ESP matched shares		3,977	\$0.00	-
Entitlement Offer		97,418,973	\$7.20	701,417
Equity raising transaction costs		-	-	(22,678)
Deferred tax on equity raising transaction costs	F12	-	-	6,804
Closing Balance 30 June 2020		198,968,556		1,094,095
ESP		342,101	\$14.50	4,961
ESP matched shares		31,840	-	-
LTRP		4,996	-	-
Closing Balance 30 June 2021		199,347,493		1,099,056

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D4 CONTRIBUTED EQUITY AND TREASURY SHARES (CONTINUED)

### RECONCILIATION OF TREASURY SHARES:

To preserve Company cash, there were no purchases of shares by the share trust during the period, and all shares in the share trust were allocated to the ESP and LTRP during the prior period. There are no shares held in the share trust for future allocation to the ESP and LTRP at the end of the year.

The following reconciliation summarises the movements in treasury shares during the period.

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

DETAILS	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	\$'000
Opening Balance 1 July 2019	(215,079)		(11,993)
Purchase of shares by share trust	74,050	\$43.31	3,207
Allocation of shares to ESP matched shares	27,350	\$35.72	977
Allocation of shares to LTRP	113,679	\$13.41	1,525
Gain/(loss) in equity on allocation of shares			6,284
Closing Balance 30 June 2020	-		-
Allocation of shares to ESP	-	-	-
Allocation of shares to ESP matched shares	-	-	-
Allocation of shares to LTRP	-	-	-
Gain/(loss) in equity on allocation of shares			-
Closing Balance 30 June 2021	-		-

## **E RELATED PARTIES**

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

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

## **E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

### **OVERVIEW**

#### **ASSOCIATES**

On 23 April 2021, FLT divested its investment in Biblos America LLC for nil consideration bringing FLT's ownership to nil.

FLT continues to hold its investments in associates as follows:

- A 25% investment in The Upside Travel Company (Upside). Upside is a Washington DC -based, technology-driven business. FLT is Upside's largest individual shareholder. The investment gave FLT access to a travel technology platform and software development resources to enhance its already strong small to medium-sized (SME) corporate sector offering. The investment in Upside has been fully impaired (\$47,126,000 in the year ended 30 June 2020) due to COVID-19 impacts on this start-up travel technology development company.
- A 21.7% interest in TP Connects Technologies LLC (TP Connects), a Dubai based, technology-driven business. The investment gave FLT access to next generation New Distribution Capability (NDC), Global Distribution System (GDS) and One Order based travel technology platform and software development resources.

The contractual arrangements in place do not provide FLT with control nor joint control over the operating and financing decisions of the entities.

#### **JOINT VENTURES**

On 10 July 2020, FLT divested its investment in Go Vacation Vietnam Company Limited for \$169,000 bringing FLT's ownership to nil.

FLT holds investments in joint ventures as follows:

- A 46.6% shareholding in Pedal Group Pty Ltd (2020: 48.8%). During the period, Pedal Group issued additional shares to its employees, diluting FLT's and other joint venture partners' holdings. FLT continues to have joint control. Significant shareholdings in Pedal Group include a 100% shareholding in 99 Bikes Pty Ltd and 99 Bikes NZ Limited, a Brisbane and Auckland based national chain of retail bike stores, and a 100% shareholding in Advance Traders (Australia) Pty Ltd and Advance Traders (New Zealand) Limited, Brisbane and Auckland based wholesale bike companies and a 100% shareholding in PGP Co Pty Ltd, a Brisbane based property purchasing company for 99 Bikes leases.

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



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## E1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### SHARE OF JOINT VENTURE AND ASSOCIATES CARRYING VALUE AND RESULTS

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

	2021 \$'000	2020 \$'000
Interest in joint ventures	37,542	21,853
Interest in associates	11,504	12,907
<b>Total</b>	<b>49,046</b>	<b>34,760</b>

	2021 \$'000	2020 \$'000
<b>SHARE OF RESULTS</b>		
Profit from joint ventures	17,773	6,211
(Loss) / profit from associates	(302)	(11,258)
<b>Total comprehensive income / (loss)</b>	<b>17,471</b>	<b>(5,047)</b>

Joint venture results include share of profit from Pedal Group of \$17,840,000 (2020: \$6,326,000). In addition, during the period FLT received a dividend of \$3,110,000 of which 50% (\$1,555,000) was received as shares as part of the Pedal dividend reinvestment plan. During the period, Pedal Group issued additional shares to its employees, diluting FLT's and the other joint venture partners' holdings.

On 10 July 2020, FLT sold Go Vacation Vietnam Company Limited, an immaterial joint venture entity that formed part of the Discova Asia business for cash proceeds of \$169,000 bringing FLT's ownership to nil.

### CONTRACTUAL COMMITMENTS

FLT has no commitments in relation to its joint venture and associate entities at 30 June 2021 (2020: nil) except as outlined below:

#### TP CONNECTS

- FLT subscribed for \$9,196,000 of convertible bonds in TP Connects on 29 February 2020.
- The total subscription amount is to be paid over three tranches and is recognised in debt securities at fair value through profit or loss in the balance sheet:
  - Tranche one of \$3,065,000 was paid on 29 February 2020.
  - Tranches two and three of \$2,395,000 each are due upon completion of future technology milestones. Tranches two and three have been reduced by \$1,341,000 in total to reflect amounts prepaid to TP Connects. Payment of tranches two and three are dependent upon reaching future technology milestones. Payment of tranche two occurred in August 2020.
- Additionally, FLT has entered into three Call Options and one Put Option with TP Connects:
  - The three Call Options can be exercised between 31 March 2022 and 31 March 2024
  - The Put Option can only be exercised by TP Connects if Call Options one and two are exercised by FLT.

## E2 RELATED PARTY TRANSACTIONS

### PARENT ENTITY

FLT is the ultimate parent entity within the group.

### SUBSIDIARIES AND JOINT VENTURES

Interests in subsidiaries are set out in note G1 and interests in joint ventures and associate are set out in note E1.

Transactions between FLT and Ignite in the prior year are disclosed as related party transactions up until 18 September 2019, after which it became a subsidiary, and as such is no longer included in the below disclosures as all transactions eliminate on consolidation.

FLT is a joint venture (JV) partner in Pedal Group Pty Ltd. The other JV partners are related parties, namely Graham Turner's family company, Gainsdale Pty Ltd 21.73% (2020: 21.97%), and Graham Turner's son, Matthew Turner's family company Hootie Blowfish Pty Ltd 15.44% (2020: 15.48%) and his direct employee share plan holdings of 0.41% (2020: 0.20%). The remaining 15.82% (2020: 13.54%) is held by other minor parties including Pedal Group employees who are not considered related parties.

### KMP COMPENSATION AND OTHER TRANSACTIONS

KMP disclosures are set out in note D1.

### TRANSACTIONS WITH RELATED PARTIES

	2021 \$	2020 \$
<b>Income from joint venture &amp; associate-related parties</b>		
Management fees	8,475	7,260
Travel and conference	38,714	100,726
Override income	-	629,221
Consulting fees	-	1,220,745
Other	511,346	86,748
<b>Expenses to joint venture &amp; associate-related parties</b>		
Overrides	-	190,061
<b>Income from director-related entities</b>		
Travel and conference	1,347,180	961,481
<b>Expenses to director-related entities</b>		
Conference expense	35,093	94,146
Membership expense	250,140	-

From time to time, related entities may enter into transactions with FLT. These transactions are on the same terms and conditions as those entered into by other FLT subsidiaries or customers.

Joint venture and associate related parties can choose to use FLT group purchasing ability and any costs incurred are passed directly through. These transactions are included in the disclosure above.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## E2 RELATED PARTY TRANSACTIONS (CONTINUED)

### OUTSTANDING BALANCES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2021 \$	2020 \$
<b>Joint ventures &amp; associates</b>		
Current receivables	4,592	550
<b>Director-related entities</b>		
Current receivables	1,210,818	171,276

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expenses have been recognised in respect of bad or doubtful debts due from related parties.

### LOANS TO RELATED PARTIES

There were no loans provided to KMP, joint venture and associate related parties during the current year.

In the prior year, a loan was provided to C. Galanty, a KMP, at UK commercial interest rate of 1.2%. The loan was repaid during the prior year.

	2021 \$	2020 \$
<b>Loans to key management personnel</b>		
Beginning of the year	-	361,646
Loans advanced	-	-
Loans repaid	-	(379,767)
Interest charged	-	3,733
Foreign exchange movement	-	14,388
<b>End-of-year</b>	-	-

No amounts were provided for or written off during the period.

### GUARANTEES

FLT has provided company guarantees to the suppliers of Pedal Group joint venture for \$7,973,000 (2020: \$13,078,000). The JV partners, Gainsdale Pty Ltd and Hootie Blowfish Pty Ltd provide full indemnity to FLT up to their respective Pedal Group shareholding percentages. No liability was recognised as the guarantee's fair values are immaterial.

### TERMS AND CONDITIONS

All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

## F OTHER INFORMATION

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

F1	Employee benefits expense
F2	Earnings per share
F3	Trade and other receivables
F4	Contract assets
F5	Other assets
F6	Property, plant and equipment
F7	Leases
F8	Trade and other payables
F9	Contract liabilities
F10	Provisions
F11	Reserves
F12	Tax
F13	Auditor's remuneration
F14	Seasonality

### F1 EMPLOYEE BENEFITS EXPENSE

#### EMPLOYEE BENEFITS EXPENSE

	2021 \$'000	2020 \$'000
Defined contribution superannuation expense	29,369	68,294
Other employee benefits expense	780,841	1,423,161
<b>Total employee benefits expense</b>	<b>810,210</b>	<b>1,491,455</b>
Staff numbers (full-time equivalents)	8,947	10,615

In addition to the employee benefits expense disclosed above, 'Tour & hotel operations - Cost of sales' in the income statement includes \$nil (2020: \$2,978,000) relating to employee costs directly attributable to the delivery of tour and hotel services.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F2 EARNINGS PER SHARE

### OVERVIEW

Statutory earnings per share (EPS) was a loss of 217.5 cents (2020<sup>1</sup> loss 552.2 cents), an improvement of 60.6% on the prior comparative period. At an underlying level<sup>3</sup>, EPS increased 42.1% to a loss of 182.8 cents (2020<sup>1</sup> loss 315.5 cents).

	2021 CENTS	2020 CENTS RESTATED <sup>1</sup>
<b>Basic earnings / (loss) per share</b>		
(Loss) / profit attributable to the company's ordinary equity holders	(217.5)	(552.2)
<b>Diluted earnings / (loss) per share</b>		
(Loss)/ profit attributable to the company's ordinary equity holders <sup>2</sup>	(217.5)	(552.2)
<b>Reconciliations of earnings used in calculating EPS</b>	<b>\$'000</b>	<b>\$'000</b>
(Loss) / profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	(433,129)	(662,285)
<b>Weighted average number of shares used as the denominator</b>	<b>NUMBER</b>	<b>NUMBER</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share <sup>4</sup>	199,168,073	119,937,925

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

<sup>2</sup> Diluted earnings per share is the same as basic earnings per share at 30 June 2021 given the Group has recorded a loss for the period.

<sup>3</sup> Underlying EPS are un-audited, non-IFRS measures. Refer to note A1 for breakdown of underlying NPAT used in the calculation of underlying EPS.

<sup>4</sup> The basic EPS denominator is the aggregate of the weighted average number of ordinary shares.

### INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

#### LTRP, PCRP, ESP & TIP

Rights granted under the LTRP and PCRP and entitlements to matched shares under the ESP are considered contingently issuable ordinary shares as at 30 June 2021. They are included in the determination of diluted earnings per share to the extent to which they are dilutive, based on the number of shares that would be issuable if the end of the period were the end of the contingency period.

Rights granted under the TIP are considered contingently issuable ordinary shares if the performance condition is satisfied at the balance sheet date. They are included in the determination of diluted earnings per share to the extent to which they are dilutive. At 30 June 2021, the performance conditions are not satisfied and as such are not included as part of the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.

The rights are not included in the determination of basic earnings per share. Details of the incentive plans are set out in note D3.

## F3 TRADE AND OTHER RECEIVABLES

	2021 \$'000	2020 \$'000
Trade receivables	305,329	312,045
Government grant receivables	8,719	50,350
Less: Provision for impairment of receivables	(34,749)	(42,799)
<b>Total trade and other receivables</b>	<b>279,299</b>	<b>319,596</b>

### ACCOUNTING POLICY

FLT has applied the simplified approach for provisioning for expected credit losses prescribed by AASB 9. Additional information on trade and other receivables accounting policies is included in note I(a) and I(m).

### FINANCIAL RISK MANAGEMENT

#### MARKET RISK

##### Interest rate risk

Receivables are generally non-interest bearing and are not, therefore, subject to interest rate risk. The exception is other receivables, which generally arise from transactions outside the group's usual operating activities. Interest may be charged at commercial rates where the repayment terms exceed six months. Collateral is not normally obtained.

##### Foreign exchange risk

The group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies.

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and, where appropriate, uses forward exchange contracts to reduce foreign currency risk. All contracts expire within 12 months.

The group's exposure to foreign currency risk at the end of the reporting period is set out below in Australian dollars:

<b>TRADE RECEIVABLES</b>	2021 \$'000	2020 \$'000
Euro	6,112	986
South African Rand	4,426	69
NZ Dollars	3,821	231
US Dollars	2,967	4,370
Great Britain Pounds	2,286	670
Other	1,683	2,773

Foreign exchange risk on trade payables is set out in note F8.

#### FAIR VALUE

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

#### CREDIT RISK

Credit risk arises from exposure to corporate, leisure and other customers as an agent, including outstanding receivables and committed transactions. The maximum exposure to credit risk at the reporting period's end is the receivables carrying amount. The group does not hold collateral as security. Credit risk exposure is monitored regularly as per below:

##### Corporate

1. Corporate clients' credit quality is assessed by analysing external credit ratings and financial position where appropriate. Individual risk limits are established for all corporate customers, in accordance with corporate credit policy, with regular monitoring and reporting to management.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F3 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Leisure

- Agency and principal sales to end-consumers are typically settled in cash or via major credit cards at time of booking, reducing trade receivables balances and mitigating credit risk.

### Product suppliers

- Receivables are due from suppliers in relation to commissions, refunds and other revenue streams.
- Suppliers' credit quality is assessed and the provisions increased based on assumptions around the deterioration in ageing, known or expected financial difficulty of customers and individual customer credit risk assessment with reference to external rating agencies and industry.

### Other

- Exposure to credit risk for receivables from government agencies is considered low.
- The concentration of risk in respect to the remaining receivables is considered low, with customers located in many locations, industries and markets.

### PROVISION FOR IMPAIRMENT OF RECEIVABLES

Movements in the provision for impairment of receivables are as follows:	NOTES	2021 \$'000	2020 \$'000
At 1 July 2020		42,799	13,520
Bad debts expense <sup>1</sup>	A4	(1,033)	36,213
Changes due to foreign exchange translation		(256)	514
Receivables written off during the year as uncollectible or reversed due to collectability		(6,761)	(7,448)
At 30 June 2021		34,749	42,799

<sup>1</sup> The creation and release of the provision for impairment of receivables is included in other expenses (refer note A4) in the statement of profit or loss.

### Impact of COVID-19

The duration of the COVID-19 pandemic is uncertain and difficult to predict. The pandemic continues to impede global economic activity with border closures and travel restrictions continuing to be in place in many countries and easing in others, resulting in suppliers scaling back operations for unknown periods of time. Whilst the industry is entering a recovery phase, it is difficult to predict the long-term effects on economic factors such as disposable income, unemployment, or consumer confidence, all of which could significantly reduce discretionary spending by consumers and businesses on travel.

In addition to the standard credit risk assessment as noted above, FLT has performed additional analysis and changed provisions based on assumptions around the deterioration in ageing, known or expected financial difficulty of customers and individual customer credit risk assessment with reference to external rating agencies and industry.

The judgments and assumptions used to estimate the allowance for expected credit losses on trade receivables may change in future periods as the pandemic continues to unfold and impact the business prospects and financial condition of customers and FLT's ability to collect the trade receivables.



## F4 CONTRACT ASSETS

	2021 \$'000	2020 \$'000
Volume incentive receivables	63,011	95,246
Accrued revenue	17,923	34,015
Loss allowance	(30,561)	(32,746)
<b>Total contract assets</b>	<b>50,373</b>	<b>96,515</b>

### ACCOUNTING POLICY

A contract asset is the right to consideration in relation to volume incentive payments received from suppliers for achieving annual targets and other services transferred to the customer (under AASB 15) in advance of payment. If services are transferred to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Refer to note A2 for accounting policy on recognition of volume incentive receivables.

### SIGNIFICANT CHANGES IN CONTRACT ASSETS

The movement in contract assets each period is dependent on the contract period, volume, tier levels, rebate rates and payment terms as negotiated with each individual supplier.

Refer below for impact of COVID-19 on credit risk.

### FINANCIAL RISK MANAGEMENT

#### MARKET RISK

##### Interest rate risk

Contract assets are generally non-interest bearing and are not, therefore, subject to interest rate risk. Collateral is not normally obtained.

##### Foreign exchange risk

The group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies.

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and, where appropriate, uses forward exchange contracts to reduce foreign currency risk. All contracts expire within 12 months.

The group's exposure to foreign currency risk at the end of the reporting period is set out below in Australian dollars:

<b>CONTRACT ASSETS</b>	2021 \$'000	2020 \$'000
US Dollars	16,363	32,254
Swiss Franc	1,724	-
Euro	1,271	1,036
Great Britain Pounds	162	600
Other	63	1,526

### FAIR VALUE

Due to the short-term nature of these assets, their carrying amount is assumed to approximate their fair value.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F4 CONTRACT ASSETS (CONTINUED)

### CREDIT RISK

Credit risk arises from exposure to suppliers, corporate and retail customers, including outstanding receivables and committed transactions.

Credit risk management assesses supplier and corporate clients' credit quality by analysing external credit ratings and financial position where appropriate. Individual risk limits are established for all supplier and corporate customers, in accordance with corporate credit policy, with regular monitoring and reporting to management. Sales to retail customers are settled in cash or via major credit cards, mitigating credit risk.

The maximum exposure to credit risk at the reporting period's end is the contract assets carrying amount. The group does not hold collateral as security.

### IMPACT OF COVID-19

The duration of the COVID-19 pandemic is uncertain and difficult to predict. The pandemic continues to impede global economic activity with border closures and travel restrictions continuing to be in place in many countries and easing in others, resulting in suppliers scaling back operations for unknown periods of time. Whilst the industry is entering a recovery phase, it is difficult to predict the long-term effects on economic factors such as disposable income, unemployment, or consumer confidence, all of which could significantly reduce discretionary spending by consumers and businesses on travel.

In addition to the standard credit risk assessment as noted above, FLT has performed additional analysis and changed provisions based on assumptions around the deterioration in ageing, known or expected financial difficulty of customers, individual customer credit risk assessment with reference to external rating agencies and industry. The judgments and assumptions used to estimate the allowance for expected credit losses on contract assets may change in future periods as the pandemic continues to unfold and impact the business prospects and financial condition of customers and FLT's ability to collect the contract asset.

### LOSS ALLOWANCE OF CONTRACT ASSETS

Movements in the loss allowance of contract assets are as follows:	NOTES	2021 \$'000	2020 \$'000
At 1 July		32,746	4,636
Loss allowance expense	A4	-	27,979
Changes due to foreign exchange translation		57	131
Contract assets written off during the year as uncollectible or reversed due to collectability		(2,242)	-
At 30 June		30,561	32,746

FLT has reduced the loss allowance provision for FY21 based on supplier payments being received. At risk suppliers were provided for in FY20 and continue to be provided for in FY21 unless payments have been received. During FY20 FLT recorded a significant increase in the loss allowance provision which included \$21,568,000 related to the Virgin Australia voluntary administration. This was recognised as a bad debts expense and disclosed separately in the supplier exposure expense line (note A4).

## F5 OTHER ASSETS

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
GST / service tax receivable		6,067	-
Inventories		11,837	12,127
Prepayments		21,332	23,414
Fulfilment assets		4,242	3,702
<b>Total current other assets</b>		<b>43,478</b>	<b>39,243</b>
Assets held for sale	F6	-	20,850
<b>Total assets held for sale</b>		<b>-</b>	<b>20,850</b>
Fulfilment assets		8,557	11,582
<b>Total non-current other assets</b>		<b>8,557</b>	<b>11,582</b>

### FULFILMENT ASSETS

Contract costs may be eligible for capitalisation as fulfilment assets and are amortised over the contract period, refer note A2.

### ACCOUNTING POLICY

FLT classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use. These are measured at the lower of carrying amount and fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Plant & equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liability classified as held for sale are presented as current items in the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F6 PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICY

#### USEFUL LIVES

Land is not depreciated. For other assets, depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 30 years
- Plant and equipment 2 - 8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting period's end.

Additional information on property, plant and equipment accounting policies is included in note I(n).

### SIGNIFICANT MATTERS

- Due to COVID-19 there has been an increased level of disposal relating to furniture & fittings due to store closures.

	NOTES	FREEHOLD LAND & BUILDINGS \$'000	PLANT & EQUIPMENT \$'000	TOTAL \$'000
<b>OPENING BALANCE AT 1 JULY 2019</b>				
Cost		33,611	592,360	625,971
Accumulated depreciation		(9,765)	(376,338)	(386,103)
<b>Net book amount at 1 July 2019</b>		<b>23,846</b>	<b>216,022</b>	<b>239,868</b>
Additions	B8	313	42,350	42,663
Acquisitions		-	449	449
Disposals <sup>1</sup>		(334)	(36,488)	(36,822)
Assets classified as held for sale	F5	(18,770)	(2,080)	(20,850)
Depreciation expense	B8	(859)	(66,182)	(67,041)
Impairment		(301)	(3,175)	(3,476)
Exchange differences		(645)	(754)	(1,399)
<b>Net book amount at 30 June 2020</b>		<b>3,250</b>	<b>150,142</b>	<b>153,392</b>
<b>OPENING BALANCE AT 1 JULY 2020</b>				
Cost		5,671	451,969	457,640
Accumulated depreciation		(2,421)	(301,827)	(304,248)
<b>Net book amount at 1 July 2020</b>		<b>3,250</b>	<b>150,142</b>	<b>153,392</b>
Additions	B8	-	3,376	3,376
Acquisitions		-	-	-
Disposals <sup>1</sup>		(34)	(24,630)	(24,664)
Assets classified as held for sale	F5	-	-	-
Depreciation expense	B8	(129)	(37,118)	(37,247)
Impairment		-	(2,727)	(2,727)
Exchange differences		341	(2,492)	(2,151)
<b>Net book amount at 30 June 2021</b>		<b>3,428</b>	<b>86,551</b>	<b>89,979</b>
<b>AT 30 JUNE 2021</b>				
Cost		5,584	315,789	321,373
Accumulated depreciation		(2,156)	(229,238)	(231,394)
<b>Net book amount at 30 June 2021</b>		<b>3,428</b>	<b>86,551</b>	<b>89,979</b>

<sup>1</sup> Balances shown net of accumulated depreciation.

## F7 LEASES

This note provides information for leases where the group is a lessee.

### AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

	NOTES	2021 \$'000	2020 \$'000
Rent income from sub-leasing of right-of-use asset	A3	6,012	4,250
Interest expense on lease liabilities	A4	(12,507)	(17,134)
Rental expense relating to short-term and low-value leases	A4	(6,028)	(29,863)
Depreciation/amortisation expense of right-of-use assets		(75,219)	(134,511)
<b>Total</b>		<b>(87,742)</b>	<b>(177,258)</b>

### AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The balance sheet shows the following amounts relating to leases:

	RIGHT OF USE ASSETS					LEASE LIABILITIES
	PROPERTY \$'000	VEHICLES \$'000	OFFICE EQUIPMENT \$'000	SOFTWARE \$'000	TOTAL \$'000	TOTAL \$'000
<b>Balance at 1 July 2019 (transition)</b>	<b>530,884</b>	<b>-</b>	<b>122</b>	<b>1,934</b>	<b>532,940</b>	<b>594,884</b>
Additions	64,739	1,109	250	974	67,072	67,072
Acquired through business combination	2,558	-	-	-	2,558	2,558
Disposals	(25,012)	-	-	-	(25,012)	(26,567)
Depreciation and amortisation expense	(133,267)	(106)	(128)	(1,010)	(134,511)	-
Impairment	(74,901)	(125)	(15)	-	(75,041)	-
COVID-19 practical expedient	(7,745)	-	-	-	(7,745)	(7,745)
Lease modifications	9,675	-	-	-	9,675	9,675
Interest expense	-	-	-	-	-	17,134
Lease liability repayment	-	-	-	-	-	(130,954)
Exchange differences	1,469	-	(14)	-	1,455	604
<b>Balance as at 30 June 2020</b>	<b>368,400</b>	<b>878</b>	<b>215</b>	<b>1,898</b>	<b>371,391</b>	<b>526,661</b>
<b>Balance at 1 July 2020</b>	<b>368,400</b>	<b>878</b>	<b>215</b>	<b>1,898</b>	<b>371,391</b>	<b>526,661</b>
Additions	33,905	-	62	-	33,967	42,045
Acquired through business combination	-	-	-	-	-	-
Disposals	(44,242)	(581)	(120)	-	(44,943)	(100,303)
Depreciation and amortisation expense	(73,963)	(296)	(32)	(928)	(75,219)	-
Impairment	(35,709)	-	-	-	(35,709)	-
COVID-19 practical expedient	(1,964)	-	-	(207)	(2,171)	(2,171)
Lease modifications	(1,302)	-	-	-	(1,302)	(1,668)
Interest expense	-	-	-	-	-	12,507
Lease liability repayment	-	-	-	-	-	(103,538)
Exchange differences	(2,676)	(54)	(62)	468	(2,324)	(5,080)
<b>Balance as at 30 June 2021</b>	<b>242,449</b>	<b>(53)</b>	<b>63</b>	<b>1,231</b>	<b>243,690</b>	<b>368,453</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F7 LEASES (CONTINUED)

### CURRENT AND NON-CURRENT CLASSIFICATIONS

	2021 \$'000	2020 \$'000
Current	100,783	134,219
Non-current	267,670	392,442
<b>Total lease liabilities</b>	<b>368,453</b>	<b>526,661</b>

Refer to note C1 for contractual undiscounted cashflows and maturity analysis.

### AMOUNTS RECOGNISED IN THE STATEMENT OF CASHFLOW

	2021 \$'000	2020 \$'000
Operating - payments of interest	(12,507)	(17,134)
Financing - payments of principal	(91,031)	(113,820)
Financing - lease surrender payments	(54,285)	-
<b>Total cash (outflow) relating to leases</b>	<b>(157,823)</b>	<b>(130,954)</b>

### ACCOUNTING POLICY

FLT leases various offices, retail stores, equipment, vehicles and software. Rental contracts are typically made for fixed periods of 1 year to 6 years.

Contracts may contain both lease and non-lease components. For leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by FLT, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

FLT is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## F7 LEASES (CONTINUED)

### ACCOUNTING POLICY (CONTINUED)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with a value less than US\$5,000 (AUD \$7,500).

FLT has also adopted AASB issued AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions. The amendment allowed for the lessee to remeasure its lease liabilities from renegotiated leases as a direct consequence of COVID-19, with the corresponding adjustment to the right-of-use asset.

A sale and leaseback is one where FLT sells an asset and immediately reacquires the use of the asset or a portion of the asset by entering into a lease with the buyer. The gain is recognised immediately in other income in the statement of profit or loss. The right-of-use asset is measured as a proportion of the previous carrying amount of the underlying asset, reflecting the rights retained under the leaseback.

### SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Majority of FLT's leases are renegotiated, therefore the renewal options are not exercised.

### IMPAIRMENT

The impairment expense of \$35,709,000 in the current period relates to the impairment of right-of-use assets due to the decision to exit an additional number of retail stores and due to reductions in required head office space in response to COVID-19.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F8 TRADE AND OTHER PAYABLES

CURRENT	2021 \$'000	2020 \$'000
Trade payables	322,754	444,524
Client creditors	415,699	639,138
Other trade creditors	61,962	69,208
GST / service tax payable	5,237	7,111
Annual leave	37,530	43,029
<b>Total current trade payables</b>	<b>843,182</b>	<b>1,203,010</b>

## FINANCIAL RISK MANAGEMENT

### MARKET RISK

#### Foreign exchange risk

The group's exposure to foreign currency risk on trade and other payables at the end of the reporting period is set out below:

	2021 \$'000	2020 \$'000
US Dollars	70,021	61,179
Hong Kong Dollars	21,091	16,275
NZ Dollars	5,561	4,115
Euro	2,230	262
Great Britain Pounds	1,692	2,476
Singapore Dollars	1,652	1,563
Canadian Dollars	728	1,282
French Polynesian Franc	368	823
Thai Baht	196	1,479
Fijian Dollars	139	5,451
UAE Dirham	8	71
Japanese Yen	-	29
Other	1,533	1,787

Refer to note F3 for the group's approach to foreign exchange risk and the group's exposure to foreign currency risk on trade and other receivables.

### FAIR VALUE

The trade and other payables' carrying amounts are assumed to approximate their fair values given their short term nature.

## F9 CONTRACT LIABILITIES

CURRENT	2021 \$'000	2020 \$'000
Deferred revenue	38,983	66,174
Revenue constraint	15,553	169,588
<b>Total contract liabilities</b>	<b>54,536</b>	<b>235,762</b>
NON-CURRENT		
Deferred revenue	34,945	40,597
<b>Total contract liabilities</b>	<b>34,945</b>	<b>40,597</b>

### ACCOUNTING POLICY

#### DEFERRED REVENUE

Deferred revenue is a contract liability that typically relates to revenue for tours and lump sum payments from suppliers. It represents revenue received in advance of the completion of the performance obligation under the contract. It is recognised when the consideration is received or is due (whichever is earlier).

Deferred revenue is released to the statement of profit or loss over time as the performance obligation is met.

#### REVENUE CONSTRAINT

FLT has recognised a contract liability which recognises the uncertainty that the travel may be cancelled prior to departure. This is calculated using booking volumes and margins, known or anticipated travel restrictions and cancellation probability rate based on COVID-19 trading patterns.

This constraint of revenue will unwind when the uncertainty is removed. Either the end consumer will travel, in which case FLT will recognise the revenue in the statement of profit or loss. Or if the travel does not proceed, this contract liability will be settled via payment to the end-consumer.

Refer to note A2 for further details.

### SIGNIFICANT CHANGES IN CONTRACT LIABILITIES

The movement in deferred revenue is dependent on timing and volume of tours at each reporting period and any significant lump sum payments received within a contract period.

Revenue released from opening deferred revenue to the statement of profit or loss during the year was \$23,053,000 (2020: \$93,390,000).

The revenue constraint liability was raised in the prior year in response to COVID-19. The amount has reduced in the current year as refunds have been paid to the end consumer during the year.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F10 PROVISIONS

CURRENT	NOTES	2021 \$'000	2020 \$'000
Employee benefits - long service leave		27,047	45,025
Employee benefits - BOS Multiplier	D2	15,455	15,047
Make good provision		771	5,384
<b>Total current provisions</b>		<b>43,273</b>	<b>65,456</b>
<b>NON-CURRENT</b>			
Employee benefits - long service leave		11,580	20,822
Employee benefits		1,719	1,087
Make good provision		16,563	21,811
<b>Total non-current provisions</b>		<b>29,862</b>	<b>43,720</b>

### MOVEMENTS IN PROVISIONS

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

	NOTES	MAKE GOOD PROVISION \$'000
Carrying amount at 1 July 2020		27,195
Additional provisions recognised		497
(Decrease) / increase in discounted amount arising from passage of time and discount rate adjustments	A4	216
Utilised		(10,537)
Other changes		(37)
<b>Carrying amount at 30 June 2021</b>		<b>17,334</b>

### LONG SERVICE LEAVE (LSL)

#### AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN 12 MONTHS

The current portion of the LSL provision represents the amount where the group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, as the employees have completed the required service period and also certain circumstances where employees are entitled to pro-rata payments. However, based on past experience, the group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect this leave that is not expected to be taken or paid within the next 12 months:

	2021 \$'000	2020 \$'000
Long service leave obligations expected to be settled after 12 months	21,225	32,466

## F11 RESERVES

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Cashflow hedge reserve		309	150
Financial assets at FVOCI reserve		-	-
Share-based payments reserve		34,487	21,368
Acquisition Reserve		(39,291)	(39,291)
Foreign currency translation reserve		2,179	29,016
Equity component of convertible note	B5	37,930	-
<b>Total reserves</b>		<b>35,614</b>	<b>11,243</b>

Total reserves in the prior year includes \$67,000 attributable to non-controlling interests as outlined in the statement of comprehensive income and statement of contributed equity.

### MOVEMENTS IN RESERVES:

#### A. CASH FLOW HEDGE RESERVE

<b>Balance 1 July</b>		<b>150</b>	<b>82</b>
Gains/(losses) on FEC cash flow hedges		173	29,291
Reclassified to profit or loss		(109)	(29,553)
Deferred tax	F12	(19)	135
Gains/(losses) on CCIRS cash flow hedges		163	278
Deferred tax	F12	(49)	(83)
<b>Balance 30 June</b>		<b>309</b>	<b>150</b>

FLT apply hedge accounting under AASB 9 Financial Instruments. See note C2 for further details.

The cash flow hedge reserve is used to record gains or losses on hedging instruments on a cash flow hedge that are recorded as other comprehensive income. Amounts are reclassified to the statement of profit or loss in accordance with our hedging policy as described in note C2.

Ineffectiveness of \$Nil (2020: \$126,000) has been recognised in the statement of profit or loss.

#### B. FINANCIAL ASSETS AT FVOCI REVALUATION RESERVE

<b>Balance 1 July</b>		<b>-</b>	<b>321</b>
Revaluation gross		-	-
Reclassified to profit or loss		-	(321)
Deferred tax	F12	-	-
<b>Balance 30 June</b>		<b>-</b>	<b>-</b>

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at FVOCI are recognised in other comprehensive income, as described in note I(k), and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F11 RESERVES (CONTINUED)

### C. SHARE-BASED PAYMENTS RESERVE

	NOTES	2021 \$'000	2020 \$'000
Balance 1 July		21,368	25,532
Share-based payments expense		13,119	4,622
Treasury share transactions		-	(8,786)
Deferred tax	F12	-	-
<b>Balance 30 June</b>		<b>34,487</b>	<b>21,368</b>

The share-based payments reserve is used to recognise the fair value of rights issued under the LTRP, PCRP, ESP and TIP as they vest over the vesting period.

### D. ACQUISITION RESERVE

Balance 1 July		(39,291)	(39,291)
Pull/Call options entered into as a result of business combinations		-	-
Gain on change in interest ownership of NCI		-	-
Derecognition of NCI on acquisition		-	-
<b>Balance 30 June</b>		<b>(39,291)</b>	<b>(39,291)</b>

The acquisition reserve is used to record the initial Put/Call Options that occur through business combinations in relation to non-controlling interests. Gains/(losses) on change in interest ownership of NCI must be recognised in equity, FLT has elected to recognise this in the acquisition reserve.

### E. FOREIGN CURRENCY TRANSLATION RESERVE

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Balance 1 July		29,016	28,812
(Losses) /gains on net investment hedge		3,204	(1,456)
Deferred tax	F12	(961)	437
Non-controlling interest disposal of subsidiary		(65)	-
Reclassified to profit or loss		(152)	-
Net exchange differences on translation of foreign operations		(28,863)	1,223
<b>Balance 30 June</b>		<b>2,179</b>	<b>29,016</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

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

## F12 TAX

### (A) INCOME TAX EXPENSE

#### I. INCOME TAX (CREDIT) / EXPENSE

	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Current tax	(50,088)	(35,839)
Deferred tax	(116,519)	(152,966)
Adjustments for current tax of prior periods	(1,647)	2,447
<b>Income tax (credit) / expense</b>	<b>(168,254)</b>	<b>(186,358)</b>
Deferred income tax (benefit) / expense included in income tax comprises:		
(Increase) / decrease in deferred tax assets	(89,499)	(156,630)
Increase / (decrease) in deferred tax liabilities	(27,020)	3,664
	<b>(116,519)</b>	<b>(152,966)</b>
<b>Numerical reconciliation of income tax to prima facie tax (receivable) / payable</b>		
(Loss) / Profit before income tax (credit) / expense	(601,710)	(848,586)
<b>Tax at the Australian tax rate of 30% (2020 - 30%)</b>	<b>(180,513)</b>	<b>(254,576)</b>
Tax effect of amounts in calculating taxable income:		
Non-deductible / (assessable) amounts	60,766	12,051
Deductible / non-assessable amounts	(67,774)	(2,508)
Intangibles	(113)	19,433
Investments	985	13,385
Share based payments	(4,401)	3,252
Property, plant and equipment	5,146	201
Changes in tax rate	314	136
Other amounts	(7,303)	(6,653)
	<b>(192,893)</b>	<b>(215,279)</b>
Tax losses not recognised	9,477	10,549
Tax losses recognised	(2,438)	-
Effect of different tax rates on overseas income	19,247	15,925
Under / (over) provision of prior year's income tax	(1,647)	2,447
	<b>24,639</b>	<b>28,921</b>
<b>Income tax (credit) / expense</b>	<b>(168,254)</b>	<b>(186,358)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F12 TAX (CONTINUED)

### II. AMOUNTS RECOGNISED DIRECTLY IN EQUITY

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income is directly debited or credited to equity.

	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>Net deferred tax - (credited) / debited directly to equity</b>			
Capital raising	D4	-	(6,804)
Equity component of convertible note	B5	16,255	-

### III. TAX EXPENSE / (INCOME) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME

Cash flow hedges	F11	68	(52)
Net investment hedge	F11	961	(437)
Total tax (credit) / expense relating to items of other comprehensive income		1,029	(489)

### IV. UNRECOGNISED POTENTIAL DEFERRED TAX ASSETS

Unused tax losses for which no deferred tax asset has been recognised (non-capital)		80,006	46,183
Temporary differences relating to brand name impairment (capital) and other intangibles		41,919	48,871
Investments		46,590	48,512
Lease & decommissioning		605	8,926
Other		3,556	4,958
		<b>172,676</b>	<b>157,450</b>
Potential tax benefit at 30% (2020 - 30%)		<b>51,803</b>	<b>47,235</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details.



## F12 TAX (CONTINUED)

### KEY ESTIMATES & JUDGEMENTS - IMPACT OF COVID-19

The duration of the COVID-19 pandemic is uncertain and difficult to predict. The pandemic continues to impede global economic activity with border closures and travel restrictions continuing to be in place in many countries and easing in others, resulting in suppliers scaling back operations for unknown periods of time. Whilst the industry is entering a recovery phase, it is difficult to predict the long-term effects on economic factors such as disposable income, unemployment, or consumer confidence, all of which could significantly reduce discretionary spending by consumers and businesses on travel.

In most cases, the unused tax losses have no expiry date. Therefore while there is uncertainty in the market assumptions have been made to support carrying the tax losses. Where the tax losses could not be supported by future operating profits in the near term or losses were incurred in jurisdictions with restrictions on their use, FLT have not recognised the tax losses.

Unrecognised tax losses in 2021 were incurred by entities in Australia, Canada, Costa Rica, Denmark, Dominican Republic, Finland, Germany, Hong Kong, Indonesia, Malaysia, Mexico, Norway, Singapore, Sweden, Thailand, USA and Vietnam (2020: Indonesia, Sweden, Germany, Thailand, Mexico, Dominican Republic, Vietnam, Costa Rica and Norway). These losses have varying expiry dates from 2022 through to indefinite carry forward.

The judgements and assumptions used to support the recoverability of the tax losses may change in future periods as the pandemic continues to unfold and the impact on the utilisation of tax losses is known.

### (B) DEFERRED TAX ASSETS (DTA)

	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>The balance comprises temporary differences attributable to:</b>		
Employee benefits	21,349	30,232
Property, plant and equipment and intangibles	36,652	24,044
Lease & decommissioning	92,701	128,068
Accruals	7,646	54,618
Tax losses	228,580	84,202
Other	42,376	60,751
	<b>429,304</b>	<b>381,915</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(98,213)	(139,700)
Net deferred tax assets	<b>331,091</b>	<b>242,215</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

All movements in DTA were recognised in the statement of profit or loss and other comprehensive income, with the exception of items stated in note A6, F11, F12 (a)(ii) and (iii).

### (C) DEFERRED TAX LIABILITIES (DTL)

	2021 \$'000	2020 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Trade and other receivables	13,968	25,776
Property, plant and equipment and intangibles	17,958	10,886
Intangibles	10,576	22,839
Lease & decommissioning	65,053	94,692
Other	1,127	5,539
	<b>108,682</b>	<b>159,732</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(98,213)	(139,700)
Net deferred tax liabilities	<b>10,469</b>	<b>20,032</b>

All movements in DTL were recognised in the statement of profit or loss and other comprehensive income, with the exception of items stated in note F12 (a)(ii) and (iii).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F13 AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the Lead Auditor of the consolidated entity, its related practices and non-related audit firms:

	2021 \$	2020 \$ RESTATED <sup>1</sup>
<b>FEES TO ERNST &amp; YOUNG (AUSTRALIA)</b>		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	1,778,308	1,748,389
Fees for assurance services that are required by legislation to be provided by the auditor	-	75,920
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	228,000	517,310
Fees for other services	151,917	649,291
- Tax compliance	-	69,691
- Others	-	-
	2,158,225	3,060,601
<b>FEES TO OTHER OVERSEAS MEMBER FIRMS OF ERNST &amp; YOUNG (AUSTRALIA)</b>		
Fees for auditing the financial report of any controlled entities	1,529,026	1,391,830
Fees for assurance services that are required by legislation to be provided by the auditor	-	6,897
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	50,938	-
Fees for other services	394,343	378,757
- Tax compliance	14,509	40,530
- Others	-	-
	1,988,816	1,818,014
	4,147,041	4,878,615
<b>FEES TO NON LEAD AUDITOR AUDIT FIRMS FOR:</b>		
Fees for auditing the financial report of any controlled entities	98,545	159,991
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	18,617	-
Fees for other services	206,844	158,388
- Tax compliance	84,749	172,036
- Others	-	-
	408,755	490,415

<sup>1</sup> Restated to conform with current year presentation.

## F14 SEASONALITY

Due to the financial impacts of COVID-19, the seasonal nature of the FLT business where higher revenues and operating profits are expected in the second half of the year compared with the first six months has not specifically been observed this year.

For further details on FLT's outlook, please refer to the Outlook column on pages 12 to 13.

## G GROUP STRUCTURE

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

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

## G1 SUBSIDIARIES

### MATERIAL SUBSIDIARIES

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

Subsidiaries that sell travel or travel related services and contribute to more than 10% of the group's underlying net profit or loss before tax or 10% of the group's net assets are considered material to the group.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES/ OWNERSHIP	EQUITY HOLDING	
			2021 %	2020 %
Australian OpCo Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	100	100
Flight Centre Travel Group (USA) Inc	USA	Ordinary	100	100

<sup>1</sup> This controlled entity has been granted relief from the requirement to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note G2.

There are no significant restrictions on the entities' ability to access or use the assets and settle the liabilities of the group.

### NON-CONTROLLING INTERESTS

During the period, FLT sold Thien Minh Transportation Company Limited, an immaterial subsidiary in Vietnam that formed part of the Discova Asia business.

Prior to the sale FLT held a 49% interest and had control over the entity's economic activities, hence it was recognised as a subsidiary. The remaining 51% holding was recognised as a non-controlling interest.

Since the disposal of this subsidiary, the group has no other material non-controlling interests.

## G2 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Instrument), which came into effect on 17 December 2016, the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

To obtain relief, the Instrument requires FLT and each of its relevant wholly owned subsidiaries to enter into a Deed of Cross Guarantee in a proscribed form. The effect of the Current Deed (described below) is that FLT guarantees each creditor payment in full of any debt if any of the relevant wholly owned subsidiaries (that are party to the Current Deed described below) are wound up under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, FLT will only be liable in the event that after six months any creditor has not been paid in full. The relevant wholly owned subsidiaries (that are a party to the Current Deed described below) have also given similar guarantees in the event that FLT is wound up.

There is one Deed of Cross Guarantee currently in effect dated 8 June 2021. The group entities to the deed are Flight Centre Travel Group Limited (holding entity and trustee), Australian OpCo Pty Ltd, P4 Finance Pty Ltd, Travel Services Corporation Pty Ltd, Flight Centre Technology Pty Ltd, Ignite Travel Group Pty Ltd, Ignite Holidays Pty Ltd, and Flight Centre (China) Pty Ltd (as a group entity and alternative trustee) (Current Deed).

An earlier deed of cross guarantee dated 28 June 2002 (which preceded the Current Deed) as between Flight Centre Travel Group Limited (holding entity and trustee), Flight Centre (China) Pty Ltd (as alternative trustee), Australian OpCo Pty Ltd, P4 Finance Pty Ltd, Travel Services Corporation Pty Ltd, Flight Centre Technology Pty Ltd, Ignite Travel Group Pty Ltd and Ignite Holidays Pty Ltd was revoked by Deed of Revocation dated 7 June 2021 and replaced with the Current Deed.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## G2 DEED OF CROSS GUARANTEE (CONTINUED)

The parties to the Current Deed represent a Closed Group for the purposes of the Instrument and, as there are no other parties to the Current Deed that are controlled by FLT, they also represent the Extended Closed Group.

In order to disclose consistent and comparable information, FY20 has been restated to include Ignite Travel Group Pty Ltd, Ignite Holidays Pty Ltd and Flight Centre (China) Pty Ltd, the new group entities to the Current Deed.

Set out below is the consolidated statement of profit or loss and statement of other comprehensive income, consolidated balance sheet and a summary of movements in consolidated retained earnings for the company and the subsidiaries listed on page 119.

	FOR THE YEAR ENDED 30 JUNE	
	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Revenue	236,962	792,376
Fair value gain/(loss) on change in control	-	(3,138)
Other income	155,076	123,411
Share of profit/(loss) of joint ventures and associates	17,841	6,510
<b>EXPENSES</b>		
Employee benefits	(402,800)	(693,625)
Sales and marketing	(13,580)	(110,823)
Amortisation and depreciation	(69,361)	(108,869)
Finance costs	(25,656)	(18,251)
Impairment charge	(5,703)	(223,400)
Other expenses	(184,006)	(292,217)
<b>(Loss) / Profit before income tax expense</b>	<b>(291,227)</b>	<b>(528,026)</b>
Income tax expense	104,022	119,583
<b>(Loss) / Profit after income tax expense</b>	<b>(187,205)</b>	<b>(408,443)</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>Items that have been reclassified to profit or loss:</b>		
Hedging gains reclassified to profit or loss	35,502	11,293
<b>Items that may be reclassified to profit or loss:</b>		
Changes in the fair value of financial assets at FVOCI	-	(321)
Changes in the fair value of cash flow hedges	64	(647)
Income tax credit /(expense) on items of other comprehensive income	45	(102)
<b>Total other comprehensive income</b>	<b>35,611</b>	<b>10,223</b>
<b>Total comprehensive income for the year</b>	<b>(151,594)</b>	<b>(398,220)</b>
<b>SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS</b>		
Retained profits at the beginning of the financial year	6,782	544,178
Accounting policy change - AASB16	-	(1,415)
Accounting policy change - cloud computing	-	(28,441)
(Loss) / Profit from ordinary activities after income tax	(187,205)	(408,443)
Dividends provided for and paid	-	(99,097)
<b>Retained profits at the end of the financial year</b>	<b>(180,423)</b>	<b>6,782</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note I(b) for details. Also restated to include the new parties to the Deed.

## G2 DEED OF CROSS GUARANTEE (CONTINUED)

	AS AT 30 JUNE	
	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	836,064	1,267,882
Financial asset investments	59,182	3,502
Trade receivables	178,955	170,130
Contract assets	48,460	75,614
Other assets	21,097	24,504
Other financial assets	358	7,686
Current tax receivables	47,592	25,148
Derivative financial instruments	5,015	3,288
<b>Total current assets</b>	<b>1,196,723</b>	<b>1,577,754</b>
<b>Non-current assets</b>		
Property, plant and equipment	46,617	72,005
Intangible assets	106,836	60,086
Right of use asset	143,756	189,107
Other assets	5,059	6,061
Other financial assets	256,803	261,565
Investments in subsidiaries, joint ventures and associates	851,686	893,328
Deferred tax assets	235,225	183,045
Derivative financial instruments	2,189	278
<b>Total non-current assets</b>	<b>1,648,171</b>	<b>1,665,475</b>
<b>Total assets</b>	<b>2,844,894</b>	<b>3,243,229</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	437,161	727,888
Contract liabilities	21,748	135,972
Contingent consideration	2,784	1,683
Lease liability	62,245	84,210
Borrowings	-	199,976
Provisions	30,658	53,243
Derivative financial instruments	1,659	2,185
<b>Total current liabilities</b>	<b>556,255</b>	<b>1,205,157</b>
<b>Non-current liabilities</b>		
Trade and other payables	420,002	411,441
Contract liabilities	23,813	28,692
Lease liability	140,310	194,398
Borrowings	348,429	250,000
Convertible note	347,239	-
Provisions	22,740	34,990
Derivative financial instruments	-	1,456
<b>Total non-current liabilities</b>	<b>1,302,533</b>	<b>920,977</b>
<b>Total liabilities</b>	<b>1,858,788</b>	<b>2,126,134</b>
<b>Net assets</b>	<b>986,106</b>	<b>1,117,095</b>
<b>EQUITY</b>		
Contributed equity	1,099,056	1,094,095
Reserves	67,473	14,467
Retained profits	(180,423)	8,533
<b>Total equity</b>	<b>986,106</b>	<b>1,117,095</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details. Also restated to include the new parties to the Deed.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## G3 PARENT ENTITY FINANCIAL INFORMATION

### SUMMARY FINANCIAL INFORMATION

The financial information for the parent entity, FLT, has been prepared on the same basis as the consolidated financial statements, except for the investments which are carried at cost.

The individual financial statements for the parent entity show the following aggregate amounts:

	PARENT	
	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Current assets	1,573,452	1,938,819
<b>Total assets</b>	<b>3,207,936</b>	<b>3,580,061</b>
Current liabilities	409,993	1,060,950
<b>Total liabilities</b>	<b>2,407,238</b>	<b>2,716,024</b>
Contributed equity	1,099,056	1,094,095
<b>Reserves</b>		
Cash-flow hedge reserve	309	150
Compound instrument - equity component	37,930	-
Share-based payments reserve	34,487	21,368
Acquisition Reserve	(8,976)	(8,976)
Retained profits	(362,108)	(242,600)
<b>Total shareholders' equity</b>	<b>800,698</b>	<b>864,037</b>
<b>(Loss) / Profit after tax for the year</b>	<b>(119,508)</b>	<b>(342,465)</b>
<b>Total comprehensive (loss) / income</b>	<b>(83,897)</b>	<b>(332,242)</b>

<sup>1</sup> Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to Note 1(b) for details.

### G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

#### GUARANTEES ENTERED INTO BY THE PARENT ENTITY

	PARENT	
	2021 \$'000	2020 \$'000
United Kingdom	64,518	70,520
India	27,101	29,123
China	11,363	11,350
Ireland	7,341	7,577
Hong Kong	6,093	10,235
France	4,436	4,579
New Zealand	4,421	4,434
USA	3,350	-
Sweden	3,567	3,316
Singapore	2,267	4,550
United Arab Emirates	760	237
Other	4,828	3,520
<b>Total</b>	<b>140,045</b>	<b>149,441</b>

FLT, as parent entity, has provided both parent company guarantees and issued letters of credit to beneficiaries. The parent entity is liable to pay any claim, subject to the terms of the parent company guarantee or letter of credit, in the event that obligations are not met.

FLT has also entered into a deed of cross guarantee. Refer to note G2 for terms and parties to the deed.

No liability was recognised by the parent entity or consolidated entity, as the guarantee's fair values are immaterial.

#### CONTINGENT LIABILITIES OF THE PARENT ENTITY

Contingent liabilities of the parent entity at 30 June 2021 have been disclosed in note H2.

#### CONTRACTUAL COMMITMENTS

Except as noted in note E1, there are no other material contractual commitments of the parent entity.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## H UNRECOGNISED ITEMS

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

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

## H1 COMMITMENTS

FLT has commitments in relation to TP connects (refer to note E1).

### AIRTREE

FLT has an agreement with AirTree Ventures 2 Partnership LP to invest \$5,000,000 into the venture capital fund. To date FLT has received capital calls to the value of \$4,320,000 which have been recognised as Equity instruments – Fair value through profit or loss (refer note B2), leaving \$680,000 to be called in the future. The amount to be called has not been recognised as a liability at period end as FLT does not have a present obligation. The obligation only arises upon receipt of the capital call notices.

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

## H2 CONTINGENCIES

### GENERAL CONTINGENCIES

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

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

The group had no other material contingent assets or liabilities.

## H3 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No material matters have arisen since 30 June 2021.

## I SUMMARY OF ACCOUNTING POLICIES

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

## I SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the consolidated financial report's preparation are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of FLT and its subsidiaries.

### (A) BASIS OF PREPARATION

This general purpose financial report has been prepared on a going concern basis (refer note C1) and in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standard Board and the *Corporations Act 2001*. FLT is a for-profit entity for the purpose of preparing the financial statements.

### COMPLIANCE WITH IFRS

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

### EARLY ADOPTIONS OF STANDARDS

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2020.

In the prior period, FLT early adopted AASB issued AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* and AASB 2021-43 *Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions* beyond 30 June 2021. The amendment provides a practical expedient that allows for the lessee to remeasure its lease liabilities from renegotiated leases as a direct consequence of COVID-19 with the corresponding adjustment to the right-of-use asset.

FLT elected to use the practical expedient.

In applying the practical expedient, FLT remeasured its lease liabilities for qualifying leases, with the corresponding adjustment to right-of-use assets. In this approach, the discount rate is not updated to remeasure the lease liability and there is no impact to the statement of profit or loss.

### HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of FVOCI financial assets, revaluation of FVTPL financial assets, derivative financial instruments and contingent consideration.

### ROUNDING OF AMOUNTS

Amounts in the financial statements have been rounded off to the nearest thousand dollars or, in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission's Instrument 2016/191.

### (B) CHANGES IN ACCOUNTING POLICY

#### IFRIC AGENDA DECISION – CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software-as-a-Service (SaaS) arrangement. FLT has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

#### Accounting Policy – Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

A fulfilment asset is recognised for costs which are eligible for capitalisation under AASB 15 *Revenue from Contracts with Customers*.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the amounts provided.

	30 JUNE 2020 AS ORIGINALLY PRESENTED \$'000	IMPACT OF CHANGE IN ACCOUNTING POLICY \$'000	30 JUNE 2020 \$'000 RESTATED
<b>CONSOLIDATED BALANCE SHEET</b>			
<b>Assets</b>			
Intangible assets	761,864	(51,998)	709,866
Deferred tax assets	229,499	12,716	242,215
Fulfilment assets	9,224	6,060	15,284
<b>Total assets</b>	<b>3,999,066</b>	<b>(33,222)</b>	<b>3,965,844</b>
Reserves	11,172	4	11,176
Retained profits	287,717	(33,222)	254,495
<b>Total equity</b>	<b>1,393,186</b>	<b>(33,218)</b>	<b>1,359,968</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>			
Agency revenue from the provision of travel	1,595,816	(813)	1,595,003
Communication & IT	(167,257)	(16,828)	(184,085)
Amortisation and depreciation	(237,027)	6,415	(230,612)
Other expenses	(193,444)	11,924	(181,520)
(Loss) before income tax expense	(849,284)	698	(848,586)
Income tax expense	187,175	(817)	186,358
<b>(Loss) after income tax expense</b>	<b>(662,109)</b>	<b>(119)</b>	<b>(662,228)</b>
<b>Profit after tax attributable to:</b>			
Company owners	(662,166)	(119)	(662,285)
Non-controlling interests	57	-	57
	<b>(662,109)</b>	<b>(119)</b>	<b>(662,228)</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
Payments to suppliers and employees	(2,841,866)	(16,297)	(2,858,163)
<b>Net cash inflow from operating activities</b>	<b>5,654</b>	<b>(16,297)</b>	<b>(10,643)</b>
Payments for intangibles	(67,866)	16,297	(51,569)
<b>Net cash outflow from investing activities</b>	<b>(48,109)</b>	<b>16,297</b>	<b>(31,812)</b>

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

	CENTS	CENTS	CENTS RESTATED
Basic earnings / (loss) per share	(552.1)	(0.1)	(552.2)
Diluted earnings / (loss) per share	(552.1)	(0.1)	(552.2)

	2020 \$'000 RESTATED	2019 \$'000 RESTATED
Opening retained profits 1 July as originally presented	287,717	1,048,980
<b>Impact on:</b>		
Intangible assets	(51,998)	(53,206)
Deferred tax assets	12,716	13,525
Fulfilment assets	6,060	6,578
<b>Opening retained profits 1 July - restated</b>	<b>254,495</b>	<b>1,015,877</b>

### Critical accounting estimates, assumptions and judgements

In the process of applying the above policy, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements.

- Determining whether cloud computing arrangements contain a software licence intangible asset  
The Group evaluates a cloud computing arrangement to determine if it provides a resource that the Group can control. The Group determines that a software licence intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:
  - The Group has the contractual right to take possession of the software during the hosting period without significant penalty.
  - It is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.
- Determination whether configuration and customisation costs provide a distinct service to access to the SaaS  
The Group applies judgement in determining whether costs incurred provide a distinct service, aside from access to the SaaS. Where it is determined that no distinct service is identifiable, the related costs are recognised as expenses over the duration of the service contract.

No other new standards or amendments became effective in the current reporting period that have a material impact on FLT.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (C) PRINCIPLES OF CONSOLIDATION

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2021 and the subsidiaries' results for the year then ended. FLT and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. FLT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the entity's activities. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note I(h) Business Combinations).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the transferred asset's impairment. Subsidiaries' accounting policies have been changed, where necessary, to ensure consistency with the group's policies.

Investments in subsidiaries are accounted for at cost in FLT's individual financial statements.

#### (ii) Joint arrangements & Associates

Investments in joint arrangements are classified as either joint operations or joint ventures (JVs). The classification depends on each investor's contractual rights and obligations, rather than the legal structure of the joint arrangement. FLT only has JVs, which are accounted for in the consolidated financial statements using the equity method. Under the equity method, they are initially recognised at cost by the parent entity and subsequently the share of the JV entity's profit or loss is recognised in the statement of profit or loss and other comprehensive income. The share of post-acquisition movements in reserves is recognised in other comprehensive income. JV details are set out in note E1.

FLT reassesses its interests in joint arrangements and associates for changes in control at least annually or where there has been changes in circumstances including but not limited to changes to shareholdings and shareholder agreements.

Upon gaining control, FLT re-measures its existing investment to fair value with any difference between the carrying amount and its fair value recognised in the profit or loss. The transaction is then accounted for in accordance with the acquisition method of accounting, refer note I(h) Business Combinations.

Upon loss of joint control, FLT measures and recognises its remaining investment at its fair value. The difference between the investment's carrying amount upon loss of joint control and the remaining investment's fair value and proceeds from disposal is recognised in profit or loss.

When the remaining investment constitutes significant influence, it is accounted for as an investment in associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in Associates are also accounted for using the equity method.

#### (iii) Changes in ownership interests

The Group recognises any non-controlling interest, in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with group equity owners. An ownership change will result in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to FLT owners.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a JV or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (C) PRINCIPLES OF CONSOLIDATION (CONTINUED)

#### (iv) Share trusts

FLT has set up a share trust to administer the various employee share schemes it initiates to incentivise and reward employees. The trust holds shares which have been purchased by employees or are fully vested, and from time-to-time treasury shares. The trust is consolidated.

### (D) FOREIGN CURRENCY TRANSLATION

#### (i) Functional and presentation currency

Items included in each of the group entities' financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is FLT's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the prevailing exchange rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exceptions arise if the gains and losses are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rates when the fair value is determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### (iii) Group companies

For foreign operations with different functional currencies to the presentation currency, results and financial position are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate of that balance sheet's date
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on foreign operations' acquisitions are treated as the foreign operations' assets and liabilities and are translated at the closing rate.

### (E) REVENUE

For accounting policies on revenue, refer to note A2.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (F) OTHER INCOME

Specific accounting policies for other income are set out below:

#### (I) LEASE INCOME

Lease income from operating leases is recognised as income on a straightline basis over the lease term.

#### (II) INTEREST INCOME

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the instrument's original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (III) DIVIDENDS

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

#### (IV) ROYALTIES

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

### (G) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are impairment tested annually or more frequently if events or changes in circumstances indicate they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, or value-in-use. To assess impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are independent of the cash inflows from other assets or asset groups (cash-generating units).

Impaired non-financial assets, other than goodwill, are reviewed for the impairment's possible reversal at each reporting date.

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For financial assets, a significant or prolonged decline in the security's fair value below its cost is considered an indicator that the assets are impaired. Impairment is recorded and losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the asset's initial recognition (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

### (H) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for a subsidiary's acquisition comprises the transferred assets' fair values, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes any contingent consideration arrangement's fair value and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at acquisition date. Where equity instruments are issued in an acquisition, the instruments' fair values are their published market prices at the exchange date. Transaction costs arising on equity instruments' issue are recognised directly in equity.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the acquired subsidiary's net identifiable assets and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, future amounts payable are discounted to their present value at the exchange date. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where there are NCIs, these are measured at either the acquisition date fair value or the proportionate share of the net identifiable assets acquired.



## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (H) BUSINESS COMBINATIONS (CONTINUED)

For some acquisitions, Put and Call options over NCIs are entered into simultaneously when business combinations are initially recorded. For these acquisitions, it has been determined that the option does not provide the parent with a present ownership interest in the shares subject to the Put. The NCI is treated as having been acquired when the Put option is granted (i.e. it is de-recognised) and a financial liability at fair value is recorded for the NCI Put. The difference between the liability recorded at fair value and the NCI de-recognised is recorded in the acquisition reserve in equity in accordance with AASB 10. After the initial recognition of the acquisition reserve it is not subsequently re-measured. The financial liability relating to the Put and Call options over NCI is subsequently accounted for under AASB 9 with all changes in the carrying amount recognised in profit or loss until exercise.

### (I) INTANGIBLE ASSETS

#### (I) GOODWILL

Goodwill represents the excess of the acquisition's cost over the fair value of the group's interest in the fair value of the acquired subsidiary or associates net identifiable assets at the acquisition date.

Goodwill on subsidiaries' acquisitions is included in intangible assets. Goodwill is not amortised but is impairment tested annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the entity's disposal include the sold entity's carrying amount of goodwill.

Goodwill is allocated to CGUs for impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

#### (II) BRAND NAMES, LICENCES AND CUSTOMER RELATIONSHIPS

Other intangible assets, such as brand names, licences and customer relationships, are acquired as part of business combinations and are recognised initially at fair value. Where they have an indefinite useful life, such as brand names, they are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate they may be impaired. Key factors taken into account in assessing the useful life of brands are:

- The brands are well established and protected by trademarks across the globe. The trademarks are generally subject to an indefinite number of renewals upon appropriate application; and
- There are currently no legal, technical or commercial obsolescence factors applying to the brands which indicate that the life should be considered limited

#### (III) OTHER INTANGIBLE ASSETS - SOFTWARE

Research costs associated with software development are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the project is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised includes all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

### (J) CASH AND CASH EQUIVALENTS

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (K) FINANCIAL ASSETS

#### (I) CLASSIFICATION

Financial assets are classified in the following categories: financial assets at amortised cost, FVTPL and FVOCI. The classification depends on the purpose for which the assets were acquired.

- Amortised cost - Applies to instruments which are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest
- Fair value through profit and loss (FVTPL) - Applies to instruments which are within a business model where the objective is neither to hold to collect contractual cash flows nor hold to sell.
- Fair value through other comprehensive income (FVOCI) - Applies to instruments which satisfy the requirements of the business model test and contractual cashflow test.

Management classifies its investments at initial recognition and reevaluates this classification each reporting date.

#### (II) RECOGNITION AND DERECOGNITION

Regular purchases and sales of financial assets are recognised on trade-date (the date on which the group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### (III) SUBSEQUENT MEASUREMENT

Financial assets at amortised cost are carried at amortised cost using the effective interest method.

Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise. Income such as interest and dividends from financial assets at FVTPL is recognised separately to gains or losses in the statement of profit or loss and other comprehensive income as part of other income when the group's right to receive payments is established.

Financial assets classified as FVOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in other comprehensive income with the exception of impairment which is recognised in the statement of profit or loss immediately. When securities classified as FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

#### (IV) IMPAIRMENT - EXPECTED CREDIT LOSSES

FLT applies both the general and simplified approach to the measurement of expected credit losses (ECLs).

Under the general approach FLT applies a three stage model for measuring ECLs based on changes in credit quality since initial recognition including

- Stage 1: 12 month ECL - Recognised on "good" exposures where there has not been a significant increase in credit risk since initial recognition, the loss represents the probability of default from events that are possible over the next 12 months and not the cash flows FLT expects to lose over that period.
- Stage 2: Lifetime ECL - Where there has been a significant increase in credit risk since initial recognition however default has not yet occurred, the loss represents the credit losses expected over the remaining life of the asset.
- Stage 3: Lifetime ECL (credit impaired) - Financial asset becomes credit impaired as a result of an event which has had a detrimental impact on future cash flows.

FLT assesses the credit risk and probability of default of financial assets by reference to external rating agencies where available on an asset by asset basis. FLT has determined a financial asset has low credit risk when it is equivalent to an investment grade quality. Where forward looking information is not available, FLT applies the rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due (entry into stage 2: Lifetime ECL) and, when contractual payments are greater than 90 days past due, the asset is credit impaired (entry into stage 3: Lifetime ECL).

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (K) FINANCIAL ASSETS

For trade receivables, contract assets and lease receivables which do not contain a significant financing component, AASB 9 offers a policy choice between the application of the general model, as detailed above, or a simplified approach. Under the simplified approach, the tracking of changes in credit risk is not required, but instead requires the recognition of lifetime ECLs at all times and allows the use of a provision matrix, incorporating the probability of default, as a practical expedient. FLT has elected the simplified approach for trade and override receivables.

### (L) FAIR VALUE MEASUREMENT

FLT measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the group.

An asset or liability's fair value is measured using the assumptions that market participants use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in notes A7, B2 and C2.

### (M) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment in accordance with the simplified approach see note I (k)(iv) above.

The impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The impairment amount is recognised in the statement of profit or loss and other comprehensive income in other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

### (N) PROPERTY, PLANT AND EQUIPMENT

Buildings and other property, plant and equipment are stated at historical cost less depreciation. Land is held at historical cost. Historical cost includes expenditure directly attributable to the item's acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the item's cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note I(g)). A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (O) INVENTORIES

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

### (P) TRADE AND OTHER PAYABLES

These amounts are liabilities for goods and services provided to the group prior to the financial year's end, but not yet paid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (Q) PROVISIONS

Provisions for legal claims and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow relating to any item included in the same class of obligations is small.

To measure provisions at present value at the reporting period's end, management estimates the expenditure required to settle the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Provision increases brought about by the passage of time are recognised as interest expenses.

#### (I) MAKE GOOD PROVISION

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

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

### (R) EMPLOYEE BENEFITS

#### (I) WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for employees' wages and salaries, including non-monetary benefits and annual leave are classified as current and recognised in trade and other payables up to the reporting period's end and represent the amounts expected to be paid when the liabilities are settled. Sick leave is recognised as an expense when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as trade and other payables.

#### (II) PROFIT-SHARING AND BONUS PLANS

A liability for employee benefits in the form of profit-sharing and bonus plans is recognised as payable when there is a contractual obligation or valid expectation that payment will be made. Employee profit-sharing and bonus payments are recognised and paid monthly.

#### (III) LONG SERVICE LEAVE

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in provisions. The liability represents the present value of expected future payments to be made for the services employees provided up to the reporting period's end. The company considers expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments at the reporting period's end are discounted using market yields on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (IV) RETIREMENT BENEFIT OBLIGATIONS

The group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (R) EMPLOYEE BENEFITS (CONTINUED)

#### (V) TERMINATION BENEFITS

Termination benefits may be payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it commits to either terminating a current employee's employment according to a detailed formal plan without the possibility of withdrawal or providing termination benefits following an offer made to encourage voluntary redundancy.

### (S) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on loan facilities' establishment are recognised as loan transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. If there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are recognised as expenses in the period in which they are incurred and include:

- Interest on bank overdrafts and short and long-term borrowings; and
- Unwinding of discount on deferred payables

Borrowings are classified as current liabilities unless the group has an unconditional right to defer the liability's settlement for at least 12 months after the reporting period's end.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

### (T) TAX

#### (I) INCOME TAX

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on each jurisdiction's applicable income tax rate. Adjustments are made for changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses.

The current income tax charge is based on tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns in respect of situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the assets' and liabilities' tax bases and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from an asset or liability's initial recognition in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity controls the timing of the temporary differences' reversals and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity. In these cases, the tax is also recognised in other comprehensive income or directly in equity.

Companies within the group may be entitled to claim tax incentives (eg. the Research and Development Tax Incentive regime in Australia). The effect of this is a reduction to the income tax payable and current tax expense.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (T) TAX (CONTINUED)

#### (I) TAX CONSOLIDATION LEGISLATION

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

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

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

#### (II) NATURE OF THE TAX SHARING ARRANGEMENT

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

#### (III) NATURE OF THE TAX FUNDING AGREEMENT

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

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

### (U) EARNINGS PER SHARE

#### (I) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the company's equity holders, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (II) DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (V) CONTRIBUTED EQUITY

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

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

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

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

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

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (W) DIVIDENDS

Provision is made by the parent entity for any dividend declared, being appropriately authorised and no longer at the entity's discretion on or before the end of the financial year but not distributed at balance date.

### (X) GST / CONSUMPTION TAX

Revenues, expenses, assets and liabilities are recognised net of the amount of associated consumption tax, unless the consumption tax incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the asset acquisition's cost or as part of the expense.

Receivables and payables include consumption taxes receivable or payable. The net amount of consumption tax recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The consumption tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

### (Y) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. The standards are not expected to have a material financial impact on the entity in the current or future reporting periods and on foreseeable future transactions.



# DIRECTORS' DECLARATION

The board declared the following in accordance with a resolution of the directors of Flight Centre Travel Group Limited:

1. In the opinion of the directors:
  - (a) the financial statements and notes of Flight Centre Travel Group Limited for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:
    - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
    - ii. complying with Accounting Standards and the Corporations Regulations 2001;
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
3. Note I(a) to the financial statements contains a statement of compliance with International Financial Reporting Standards
4. At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note G2 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note G2.
5. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and the chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the board



G.F. Turner  
Director  
BRISBANE  
26 August 2021



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

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

Building a better  
working world

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Flight Centre Travel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 30 June 2021, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial statements of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



**Building a better  
working world**

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Liquidity risk and going concern basis of preparation of the financial statements

#### Why significant

The cashflows and financial performance of the Group have been impacted by COVID-19 and there remains uncertainty around the impact that this event will have on the Group and the broader travel industry.

The Group has outlined its management of the liquidity risk as disclosed in Note C1. In doing so, the directors have considered existing cash and working capital balances, borrowing terms including covenants and covenant relief, financing facilities available and due to mature during the next 12 months, and forecast of future cash flows for a period of at least 12 months from the audit report date (forecast cashflows).

As described in Note I(A) to the financial report, the financial statements have been prepared on a going concern basis.

Assessing the appropriateness of the Group's basis of preparation for the financial statements was a key audit matter due to the importance to the financial statements and the level of judgement required in the assessing the Group's forecast cashflows (for a period of at least 12 months from the audit report date).

#### How our audit addressed the key audit matter

Our audit procedures included, but were not limited to:

- ▶ Ensuring the period covered by the Group's going concern assessment is at least 12 months from the date of our auditor's report and all relevant information based on our knowledge of the Group as a result of the audit has been included in the assessment
- ▶ Enquiring of management and the Board of Directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern
- ▶ Assessing the forecast cashflow assumptions based on historical results, cashflow expenditure initiatives undertaken, growth rates and relevant external forecast information for the range of possible scenarios resulting from the ongoing uncertainty associated with COVID-19, consistent with the scenarios considered as part of the Group's impairment testing analysis
- ▶ Reading the terms associated with the Group's financing arrangements, including covenant relief obtained by the Group in relation to its financing facility, and assessing the amount of the facilities available for drawdown over the forecast period
- ▶ Obtaining written representation from management and the Board of Directors regarding their plans for future action and the feasibility of these plans
- ▶ Assessing the adequacy of the Group's going concern basis of preparation disclosures for the financial statements for consistency with Australian Accounting Standards



Building a better  
working world

## Impairment Testing of Cash Generating Units (CGU)

### Why significant

Note A5 discloses the goodwill and other intangible assets allocated to each of the Group's individually significant cash generating units (CGUs).

The annual impairment assessment of the CGUs, including associated intangible assets, performed by the Group was a key audit matter due to the value of intangible assets relative to total assets and the degree of estimation and assumptions involved in the assessment, specifically concerning forecast cash flows given the market downturn experienced as a result of COVID-19.

The key assumptions used in the impairment assessment referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. At 30 June 2021, reasonably possible changes in certain key assumptions can result in significant changes to the Group's estimate of the recoverable amount.

In this situation, the disclosures in the financial report about the assumptions used in impairment testing and sensitivity of recoverable amount to those assumptions is of heightened importance. As such, we consider the impairment assessment and the related disclosures in the financial report to be a key audit matter.

For the same reasons, we draw attention to the information in Note A5.

### How our audit addressed the key audit matter

Our audit considered the requirements of Australian Accounting Standard AASB136 *Impairment of Assets*. Our procedures in relation to the impairment assessment included, amongst others:

- ▶ Assessing the Group's definition of its CGUs for consistency with Australian Accounting Standards, assessing any changes in CGUs, and considering impairment for each of the Group's individually significant CGUs
- ▶ Assessing whether the allocation of assets, including goodwill, to CGUs, was consistent with our knowledge of the Group's operations
- ▶ Developing an understanding of the process undertaken by the Group in the preparation of its discounted cash flow models used to assess the recoverable amount of the Group's CGUs, including how key assumptions used in the cash flow forecasts (summarised in Note A5 to the financial statements), are determined by management
- ▶ Evaluating the reasonability of the Group's cashflow forecast models used to estimate recoverable amount by:
  - Assessing the mathematical accuracy of the cash flow models
  - Considering the historical reliability of the Group's cash flow forecasts
  - Assessing whether the CGUs included a reasonable allocation of corporate overheads
- ▶ Evaluating the Group's forecast recovery path projections through to FY26, by comparison to external economic and industry forecasts
- ▶ Involving our valuation specialists to evaluate the reasonability of the discount rate and terminal growth rates assumptions used by the Group
- ▶ Assessing the sensitivities of the impairment model to reasonably possible changes in assumptions relating to cash flow forecasts, terminal growth rates and discount rates applied
- ▶ Comparing the market capitalisation of the Group to the Group's net assets
- ▶ Assessing the adequacy of impairment and related disclosure in Note A5 to the financial statements



Building a better  
working world

## Revenue Constraint – Travel Cancellations

### Why significant

Global travel restrictions imposed as a result of COVID-19 have impacted consumers' ability to continue with their future travel arrangements. The Group has recognised a contract liability at the 30 June 2021 in accordance with AASB15 *Revenue from Contracts with Customers* to constrain revenue recognised where it is highly probable that a significant reversal will occur in a future period due to cancellation of travel.

We considered the recognition of revenue and variable constraint to be a key audit matter due to its financial significance to the Group's revenue, the judgmental nature of forecasting the level of constraint, based on estimates of the volume of current bookings that may be cancelled in a future period, and the associated disclosure requirements of Australian Accounting Standards.

The significant judgement and estimates associated with the constraint of revenue is disclosed in note A2 of the financial report.

### How our audit addressed the key audit matter

Our audit procedures included, but were not limited to:

- ▶ Developing an understanding of the process undertaken by the Group to identify revenue streams which are subject to material constraint due to COVID-19 travel cancellations
- ▶ Testing underlying data generated to prepare the revenue constraint calculation and determining whether there was adequate support for the assumptions underlying the calculation
- ▶ Assessing the Group's consideration of the sensitivity to a change in key assumptions that either individually or collectively would be required for a material change in the constraint recognised
- ▶ Assessing the completeness of revenue constraint recorded as at 30 June 2021 and for the year then ended and disclosure in Note A2 and F9 to the financial statements

## Capitalisation of software intangible assets

### Why significant

Note A5 discloses the capitalised software intangible assets for the Group.

The Group has had a number of significant IT projects with material costs capitalised in the current and prior years. Many of these projects include elements of cloud computing or software as a service (SaaS) arrangements which interface with various IT applications in the Flight Centre IT network.

In April 2021, the IFRS Interpretations Committee (IFRIC) issued an agenda decision for *Configuration and Customisation Costs in a Cloud Computing Arrangement*. Note I(b) discloses the Group's consideration of the impact of IFRIC agenda decision and the retrospective change required to its accounting policy for configuration and customisation costs incurred in implementing SaaS arrangements.

Due to the financial significance of the costs capitalised for the configuration or customisation of SaaS arrangements and the associated impact of the change in accounting policy on the Group's financial statements, as disclosed in Note I(b) of the financial report, we consider this a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures for capitalised software intangible assets included:

- ▶ Assessing the appropriateness of the accounting policies, as set out in notes A5 and I(b) for compliance with the requirements of Australian Accounting Standards and the IFRIC agenda decision *Configuration or customisation costs in a cloud computing arrangement*
- ▶ Evaluating management's application of the IFRIC agenda decision on cloud computing arrangements including inquiring of IT and legal personnel and review of a sample of the Group's SaaS contractual agreements to determine whether the Group has control over the underlying software and intellectual property
- ▶ Testing a sample of software additions to assess the appropriateness of capitalisation under the requirements of Australian Accounting Standards
- ▶ Assessing the retrospective application of the change in accounting policy in accordance with Australian Accounting Standards and adequacy of disclosure in note I(b) of the financial statements

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Financial Report, other than the financial statements and our auditor's report thereon. We obtained the Directors' report and Tax transparency report (unaudited) that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**Building a better  
working world**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Flight Centre Travel Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Ric Roach'.

Ric Roach  
Partner  
Brisbane  
26 August 2021

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 2 August 2021.

## (A) DISTRIBUTION OF EQUITY SECURITIES

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS
1-1,000	87,049
1,001-5,000	16,095
5,001-10,000	1,810
10,001-100,000	936
100,001 and over	51
	<b>105,941</b>

There were 45 holders of less than a marketable parcel of ordinary shares.

## (B) EQUITY SECURITY HOLDERS

### TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

NAME	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Gainsdale Pty Ltd <sup>1</sup>	16,588,889	8.3%
Gehar Pty Ltd <sup>1</sup>	15,259,740	7.7%
James Management Services Pty Ltd <sup>1</sup>	12,884,195	6.5%
State Street Global Advisors	4,848,096	2.4%
Paradice Investment Mgt	4,245,576	2.1%
Vanguard Group	3,966,401	2.0%
Lazard Asset Mgt	3,813,477	1.9%
Spheria Asset Mgt	3,381,109	1.7%
Fidelity Institutional Asset Mgt	3,140,694	1.6%
Vanguard Investments Australia	3,066,005	1.5%
Yarra Capital Mgt	2,352,049	1.2%
Goldman Sachs Asia	1,945,873	1.0%
Dimensional Fund Advisors	1,911,915	1.0%
Selector Funds Mgt	1,670,613	0.8%
BlackRock Investment Mgt (Australia) - Index	1,558,357	0.8%
Private Clients of LGT Bank in Liechtenstein AG	1,492,121	0.7%
Macquarie Asset Mgt	1,440,902	0.7%
BlackRock Investment Mgt - Index	1,415,210	0.7%
Optar Capital	1,385,193	0.7%
Fidelity Investments	1,374,065	0.7%
	<b>87,740,480</b>	<b>44.0%</b>

<sup>1</sup> Substantial holder (including associate holdings) in the company

### DEED OF PRE-EMPTION

Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd are party to a "deed of pre-emption" initially issued 5 October 1995, amended 19 June 2018 and amended 15 May 2020, which binds each of the parties to give first right of refusal on the purchase of shares in the company. The deed automatically terminates if the parties collectively hold less than 15% (2020: 15%) of the total issued share capital of FLT at any time.

### ORDINARY SHARES VOTING RIGHTS

On a show of hands, every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote. Options and performance rights have no voting rights.

### ON-MARKET BUY-BACKS

FLT does not currently have an on-market buy-back scheme in operation.

# TAX TRANSPARENCY REPORT (UNAUDITED)

As one of the world's largest travel agency groups FLT is committed to being a responsible corporate taxpayer. The Board has therefore chosen to provide additional disclosure of tax information as recommended by the Board of Taxation's Voluntary Tax Transparency Code. FLT is classified as a 'large business' for the purposes of the Tax Transparency Code and has therefore chosen to disclose the following information in this annual report:

- Tax policy, strategy and governance summary
- Reconciliation of accounting profit to tax expense
- Reconciliation of income tax expense and income tax payable
- Identification of material temporary and non-temporary differences
- Accounting effective company tax rates for Australian and global operations
- Tax contribution summary for corporate taxes paid
- Information about international related party dealings

## TAX POLICY, STRATEGY AND GOVERNANCE STATEMENT

### APPROACH TO RISK MANAGEMENT AND GOVERNANCE ARRANGEMENTS

FLT operates under a Tax Risk Management and Governance Policy, which is approved by the Board Audit committee and sets out FLT's commitment to managing its global tax obligations. It is consistent with the Australian Taxation Office (ATO) and the Organisation for Economic Co-operation and Development (OECD)'s recommendations for tax risk management and governance, as well as being consistent with FLT's overarching Risk Management Policy.

FLT's Tax Risk Management and Governance Policy includes formal tax policies and procedures that are reviewed and updated at least annually. FLT has appropriate systems, processes and controls in place to identify, evaluate, mitigate, monitor and report on tax risks.

### ATTITUDE TOWARDS TAX PLANNING AND ACCEPTED LEVEL OF RISK IN RELATION TO TAXATION

FLT takes a conservative approach to tax risk, and the management of tax risk will be balanced with FLT's objective to create and safeguard shareholder value. Where there is a choice between an aggressive tax position and a more conservative position, FLT will take the more conservative approach. That is, FLT aims for certainty on tax positions it adopts but where tax law is unclear or subject to interpretation, written advice or confirmation will be sought as appropriate.

As a global travel business, FLT has entities in many jurisdictions around the world, including some considered low, or no tax according to the OECD. These businesses are purely established to support the ordinary business operations of FLT in those countries.

### APPROACH TO ENGAGEMENT WITH THE ATO AND OTHER REVENUE AUTHORITIES

FLT's tax philosophy is based on an open, co-operative and transparent relationship with the Revenue Authorities. FLT maintains good relationships with the ATO and other revenue authorities. Openness, honesty and transparency is paramount in all dealings with the tax authorities and other relevant bodies, with the aim of minimising the risk of challenge, dispute or damage to FLT's credibility.

FLT is aware of and, where appropriate, effectively uses the services and compliance products offered by the revenue authorities to reduce its tax risks and compliance costs (e.g. private ruling process, electronic lodgement, tax portal etc).

The ATO recently completed a Streamlined Assurance Review of FLT, to obtain confidence that the right amount of tax is being paid by FLT. The ATO's final report was recently issued, confirming that following an open and wholesome review process, no material risks were identified and no further actions will be taken by the ATO. Further, the ATO commended FLT on its voluntary registration as a signatory to the Board of Taxation's voluntary Tax Transparency Code.

# TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

## INCOME TAX EXPENSE

### I. INCOME TAX (CREDIT) / EXPENSE

	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Current tax	(50,088)	(35,839)
Deferred tax	(116,519)	(152,966)
Adjustments for current tax of prior periods	(1,647)	2,447
<b>Income tax (credit) / expense</b>	<b>(168,254)</b>	<b>(186,358)</b>
Deferred income tax (benefit) / expense included in income tax comprises:		
(Increase) / decrease in deferred tax assets	(89,499)	(156,630)
Increase / (decrease) in deferred tax liabilities	(27,020)	3,664
	<b>(116,519)</b>	<b>(152,966)</b>
<b>Numerical reconciliation of income tax to prima facie tax (receivable) / payable</b>		
(Loss) / Profit before income tax (credit) / expense	(601,710)	(848,586)
<b>Tax at the Australian tax rate of 30% (2020 - 30%)</b>	<b>(180,513)</b>	<b>(254,576)</b>
Tax effect of amounts in calculating taxable income:		
Non-deductible / (assessable) amounts	60,766	12,051
Deductible / non-assessable amounts	(67,774)	(2,508)
Intangibles	(113)	19,433
Investments	985	13,385
Share based payments	(4,401)	3,252
Property, plant and equipment	5,146	201
Changes in tax rate	314	136
Other amounts	(7,303)	(6,653)
	<b>(192,893)</b>	<b>(215,279)</b>
Tax losses not recognised	9,477	10,549
Tax losses recognised	(2,438)	-
Effect of different tax rates on overseas income	19,247	15,925
Under / (over) provision of prior year's income tax	(1,647)	2,447
	<b>24,639</b>	<b>28,921</b>
<b>Income tax (credit) / expense</b>	<b>(168,254)</b>	<b>(186,358)</b>

### II. AMOUNTS RECOGNISED DIRECTLY IN EQUITY

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income is directly debited or credited to equity.

#### Net deferred tax - (credited) / debited directly to equity

	NOTE	2021 \$'000	2020 \$'000
Capital raising	D4	-	(6,804)
Equity component of convertible note	B5	16,255	-

## INCOME TAX PAID AND INCOME TAX PAYABLE

III. TAX EXPENSE / (INCOME) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME	NOTES	2021 \$'000	2020 \$'000 RESTATED <sup>1</sup>
Cash flow hedges	F11	68	(52)
Net investment hedge	F11	961	(437)
Total tax (credit) / expense relating to items of other comprehensive income		1,029	(489)

### IV. UNRECOGNISED POTENTIAL DEFERRED TAX ASSETS

Unused tax losses for which no deferred tax asset has been recognised (non-capital)		80,006	46,183
Temporary differences relating to brand name impairment (capital) and other intangibles		41,919	48,871
Investments		46,590	48,512
Lease & decommissioning		605	8,926
Other		3,556	4,958
		172,676	157,450
Potential tax benefit at 30% (2020 - 30%)		51,803	47,235

Unrecognised tax losses in 2021 were incurred by entities in Australia, Canada, Costa Rica, Denmark, Dominican Republic, Finland, Germany, Hong Kong, Indonesia, Malaysia, Mexico, Norway, Singapore, Sweden, Thailand, USA and Vietnam (2020: Indonesia, Sweden, Germany, Thailand, Mexico, Dominican Republic, Vietnam, Costa Rica and Norway). These losses have varying expiry dates from 2022 through to indefinite carry forward.

### I. CALCULATION OF CURRENT TAX EXPENSE

	NOTES	2021 \$'000	2020 \$'000
Current income tax (credit) / expense of current period	F12	(50,088)	(35,839)
Adjustments for current tax of prior periods	F12	(1,647)	2,447
Current income tax (credit) / expense		(51,735)	(33,392)

### II. RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAID AND PAYABLE

Net current tax liability/(receivable) at the beginning of the period		(57,441)	(1,683)
Less income tax received / (paid)		28,155	(22,366)
Current income tax (credit) / expense	(i)	(51,735)	(33,392)
Net current tax liability/(receivable) at the end of the period		(81,021)	(57,441)

# TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

## EFFECTIVE COMPANY TAX RATES

	2021 %	2020 %
Effective tax rate - Australia	37.67%	24.88%
Effective tax rate - Global	27.96%	22.04%

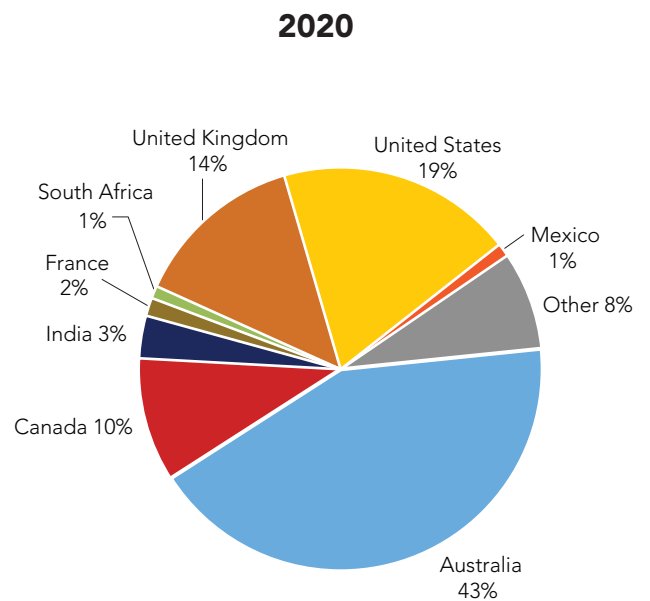
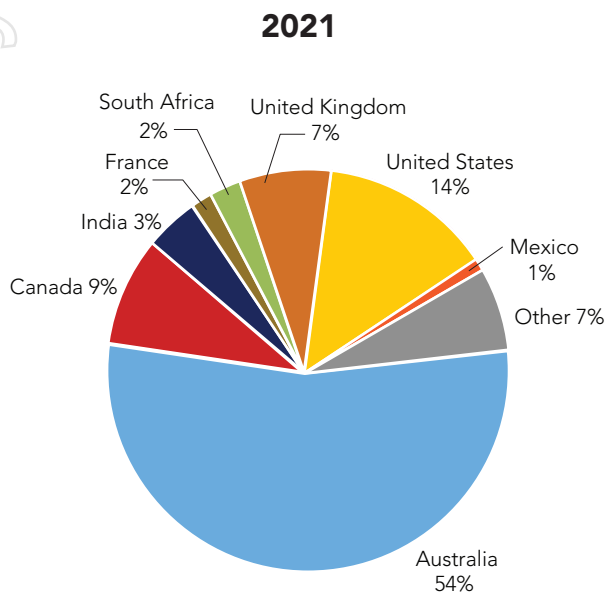
Primarily, the difference between the Australian corporate tax rate of 30% and FLT's effective tax rate is being driven by impairments of investments in subsidiaries and associates, goodwill, software and intangibles. Other main contributors are the effect of global tax rate differences.

## TAX CONTRIBUTION SUMMARY

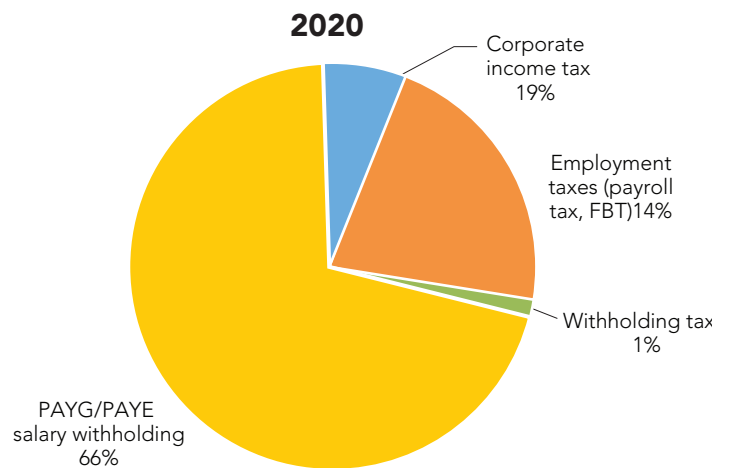
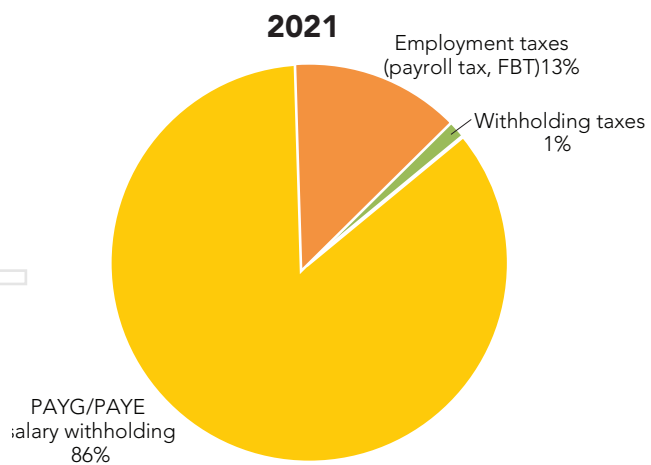
	2021			2020		
	AUSTRALIA	OTHER COUNTRIES	TOTAL	AUSTRALIA	OTHER COUNTRIES	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Taxes paid by/on behalf of FLT</b>						
Corporate income tax	(2,600)	(27,637)	(30,237)	1,000	17,565	18,565
Employment taxes (payroll tax, FBT)	8,889	15,645	24,534	32,270	52,590	84,860
Withholding taxes	876	1,206	2,082	1,896	1,905	3,801
Other taxes	-	(5,087)	(5,087)	-	2,438	2,438
<b>Taxes collected on behalf of others</b>						
GST/VAT (collected and remitted)	12,706	14,880	27,586	36,112	61,870	97,982
GST/VAT (paid but reclaimed)	(24,482)	(16,821)	(41,303)	(52,672)	(54,445)	(107,117)
PAYG/PAYE/salary withholding	77,719	80,027	157,746	142,070	129,529	271,599
<b>Total Tax Contribution</b>	<b>73,108</b>	<b>62,213</b>	<b>135,321</b>	<b>160,676</b>	<b>211,452</b>	<b>372,128</b>

## TAX CONTRIBUTION SUMMARY (CONTINUED)

### TOTAL TAX CONTRIBUTION BY COUNTRY



### TOTAL TAX CONTRIBUTION BY TAX TYPE





# TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

## RELATED PARTY TRANSACTIONS

FLT has international related party dealings with its subsidiaries when it is in the best interests of FLT to do so, these dealings are conducted following the arm's length principle as required by Australian taxation law and international taxation norms. FLT maintains contemporaneous transfer pricing documentation supporting the pricing of related party dealings in accordance with Australian tax legislation and the OECD Transfer Pricing Guidelines.

The key international related party dealings which have a material impact on FLT's Australian taxable income are listed below.

KEY INTERNATIONAL RELATED PARTY DEALINGS	DESCRIPTION
Royalties	FLT licences its brand names, trademarks and other intellectual property to its overseas subsidiaries. FLT subsidiaries may own other brand names, trademarks and intellectual property.
Services	FLT's head office is located in Brisbane, Australia as the company was founded in Australia and its largest operations are in Australia. Accordingly, there are a number of specialist teams located at the FLT headquarters which provide services to the overseas subsidiaries. In addition overseas subsidiaries also provide services to FLT.
Loans	FLT has loans to and from its overseas subsidiaries.
Dividends	FLT receives dividends from overseas subsidiaries.
Group Cost and Income Allocations	FLT and its overseas subsidiaries may enter into global contracts with suppliers and / or customers for which income and / or expenses may be allocated amongst the group.