# ASX ANNOUNCEMENT

## FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)



**25 August 2022**

### FY22 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 2022; and
- 2022 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 2022 $'000 | JUNE 2021 $'000 | CHANGE $'000 | CHANGE[3] % |
|---|---|---|---|---|
| Total transaction value (TTV)[1] | 10,340,407 | 3,945,184 | 6,395,223 | 162.1% |
| Revenue | 1,007,485 | 395,907 | 611,578 | 154.5% |
| | | | | |
| EBITDA[2] | (200,031) | (432,336) | 232,305 | (53.7%) |
| | | | | |
| **Statutory loss before income tax** | **(377,786)** | **(601,710)** | **223,924** | **(37.2%)** |
| Statutory loss after income tax | (287,182) | (433,456) | 146,274 | (33.7%) |
| Statutory loss attributable to company owners | (286,651) | (433,129) | 146,478 | (33.8%) |
| | | | | |
| Underlying EBITDA[2] | (183,124) | (337,758) | 154,634 | (45.8%) |
| **Underlying loss before tax[2]** | **(360,879)** | **(507,132)** | **146,253** | **(28.8%)** |
| Underlying loss after tax[2] | (272,630) | (364,009) | 91,379 | (25.1%) |

*1 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.*

*2 EBITDA, Underlying EBITDA, Underlying (loss) / profit before tax (PBT) and Underlying (loss) / profit after tax (PAT) are unaudited, non-IFRS measures. Refer to table below for reconciliation of statutory to underlying results.*

*3 FLT is currently in a loss position in both current and prior years, therefore the % change movement relating to the improved performance (i.e. reduced loss) displays as a negative % change.*

| DIVIDENDS | AMOUNT PER SECURITY CENTS | 100% FRANKED AMOUNT CENTS |
|---|---|---|
| **30 JUNE 2022** | | |
| Interim dividend | — | — |
| Final dividend[1] | — | — |
| | | |
| **30 JUNE 2021** | | |
| Interim dividend | — | — |
| Final dividend | — | — |

*1 Since year-end the directors have determined not to pay a final dividend for 30 June 2022 given that the Company is in a recovery phase following the COVID-19 pandemic.*

| NET TANGIBLE ASSETS | JUNE 2022 $ | JUNE 2021 $ |
|---|---|---|
| Net tangible asset backing per ordinary security[1] | (2.04) | (0.31) |

*1 The current year and prior year net tangible asset backing per ordinary security balances include the value of leased assets as recognised under AASB 16 Leases.*

## DETAILS OF JOINT VENTURES AND ASSOCIATES

| INVESTMENTS IN JOINT VENTURES | 2022 | 2021 |
|---|---|---|
| Pedal Group Pty Ltd | 46.5 % | 46.6 % |

| INVESTMENTS IN ASSOCIATES | 2022 | 2021 |
|---|---|---|
| The Upside Travel Company (Upside) | 25.0 % | 25.0 % |
| Travel Technology FZ LLC | — % | 21.7 % |

On 13 April 2022, FLT acquired an additional 47.5% interest in Travel Technology FZ LLC and its subsidiaries (TP Connects), a Dubai based, technology-driven business, bringing FLT's shareholding to 70%. As a result of this change in control TP Connects is now accounted for as a subsidiary (refer to note A6) and is no longer recognised as an investment in associate.

## UNDERLYING ADJUSTMENTS

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

| | JUNE 2022 $'000 | JUNE 2021 $'000 |
|---|---|---|
| **EBITDA[1]** | **(200,031)** | **(432,336)** |
| Depreciation and amortisation | (125,929) | (137,973) |
| Interest income | 6,001 | 5,709 |
| Interest expense | (57,827) | (37,110) |
| **Statutory loss before income tax** | **(377,786)** | **(601,710)** |
| Fair value gain on TP Connects | (4,245) | — |
| Gain on sale of St Kilda building | — | (32,982) |
| Employee retention plans | 21,920 | 4,613 |
| COVID-19 one off costs and other non-cash items[2] | (768) | 122,947 |
| **Total underlying adjustments** | **16,907** | **94,578** |
| **Underlying EBITDA[1]** | **(183,124)** | **(337,758)** |
| | | |
| **Underlying loss before tax[1]** | **(360,879)** | **(507,132)** |
| Statutory income tax credit | 90,604 | 168,254 |
| Underlying adjustments associated tax effect | (2,355) | (25,131) |
| **Underlying loss after tax[1]** | **(272,630)** | **(364,009)** |

*1 EBITDA, Underlying EBITDA, Underlying (loss) / profit before tax (PBT) and Underlying (loss) / profit after tax (PAT) are unaudited, non-IFRS measures.*

*2 The current year relates to one-off non-cash items, including gain on disposal of right-of-use assets and systems decommissioning. The prior year includes COVID-19 one off costs (redundancies, lease related and IT) and loss on disposal of head office and store assets. Refer to note A1 Segment Information for further details.*

## 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:

G.F. Turner
Director

25 August 2022

FLIGHT CENTRE TRAVEL GROUP™

# FLT 2022 ANNUAL REPORT

# OUR PHILOSOPHIES

For FLT to survive, grow, and prosper, for generations, we must live by our Company Purpose, Vision and our Philosophies. Our culture must be celebrated and protected, while being robust and independent, with the ability to outlive our current and future leaders.

### Our People

We care for our people's health and wellbeing, their personal and professional development, and their financial security.

We believe that work should be challenging and fun for everyone.

### Our Customers

Our customers always have a choice, and we care about personally delivering amazing travel experiences to them, whatever it takes.

## Our Values

### Brightness of future

Our supportive work community provides an inspiring and challenging career path for committed people. Promotion and transfers from within will always be our first choice and will give people the exciting opportunity to move globally across our company.

### Taking responsibility

We take full responsibility for our successes or failures. We do not externalise. We accept that we have total ownership and responsibility, but not always control.

### Egalitarianism & Unity

We believe that every individual is equally important and has access to the same opportunities and rights. We work as a community with accessible leaders and we embrace diverse cultures, backgrounds and perspectives. We have an irreverent culture of taking our business seriously but not ourselves.

**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 Purpose:** To open up the world for those who want to see.

### Ownership

We treat the business as our own and have the opportunity to share in our company's financial success with access to shares programs, outcome based incentives and profit shares.

### Reward & Recognition

We recognise and celebrate our individual and collective successes with recognition and rewards which are based on measurable outcome based quantitative KPIs. What gets rewarded gets done is our basic principle and we reward outcomes not behaviour.

## Our Business Model

### One best way

In each of our businesses there is 'one best way' to operate globally. We value common sense over conventional wisdom in running our business. We foster entrepreneurial thinking to continuously find better ways to innovate and improve.

### Family, village, tribe

Our structure is simple, lean, flat and transparent, with accessible leaders and minimal layers between the customer and the CEO. Everyone belongs to a family (team), which is the most important group at FCTG, who are supported by a 'self-help' village, and a tribe.

### Profit we are proud of

A fair margin resulting in a business profit we can be proud of, is the key measure of whether we really are providing our customers with an amazing experience, amazing product and a caring and respectful service - an experience customers genuinely value.

## 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 St, South Brisbane QLD 4101
+61 7 3083 0088
ABN 25 003 377 188

### 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 listing

FLT shares are listed on the Australian Securities Exchange.

### Website address

www.fctgl.com

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 25 August 2022. 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



## KEY DATES 2022/23

| | |
|---|---|
| August 25, 2022 | 2021/22 full year results released |
| September 26, 2022 | Director nomination deadline |
| November 14, 2022 | Annual General Meeting |
| February 22, 2023* | 2022/23 half year results released |

** Date is subject to change*

# CHAIRMAN'S MESSAGE

## Gary Smith

ON behalf of FLT's directors, welcome to your company's annual report for the 12 months to June 30, 2022, the year we celebrate our 40th birthday.

After two incredibly challenging years dealing with the COVID-19 pandemic, I am pleased to present this report to you in a vastly improved trading environment.

This improvement has, of course, been fuelled predominantly by the long-awaited removal of most travel restrictions throughout the world as societies have started to live with the virus. Effectively, this has allowed – in most cases – international and domestic travel to awaken after a painful period of enforced hibernation.

Since restrictions were relaxed or removed, demand has increased globally across both the leisure and corporate sectors as travellers have sought to reconnect with friends, family and key business contacts or to simply make up for lost travel time.

While it would be incorrect to assume the market overall has recovered to pre-pandemic levels, we have:

- Taken positive early steps on the path to recovery
- Made strong progress towards achieving our longer-term strategic objectives; and
- Positioned our business to capitalise on the opportunities we have identified

In this column, I will highlight our key 2022 fiscal year (FY22) achievements, while also providing additional details on our enhanced efforts in the increasingly important area of ESG (environment, social and governance), our board composition and other crucial areas.

You will find more detailed commentary on our FY22 results, corporate, leisure and supply strategies and outlook in the following pages in columns by:

- Adam Campbell, our chief financial officer
- Chris Galanty, our global corporate chief executive officer (CEO)
- James Kavanagh, our global leisure CEO
- Melanie Waters-Ryan, our global supply CEO; and
- Skroo, our global managing director

### POSITIVE EARLY STEPS ON THE PATH TO RECOVERY

The response from travellers to date has exceeded our initial expectations, helping us return to underlying EBITDA profit late in the year and prompting an upgrade to our FY22 market guidance. We ultimately recorded an $183.1million underlying EBITDA loss for the year, which was well within our upgraded range of $180million to $190million.

Our FY22 underlying loss was also broadly in line with the loss incurred during the FY22 first half ($184.1million), meaning we generated a modest profit during the second half (2H) despite the Omicron strain's significant impacts early in the period.

In both the corporate and leisure sectors, we achieved our return to profitability timeframes, which fuelled a very solid fourth quarter (4Q), with total transaction value (TTV) for the three months to June 30 alone topping TTV for the entire 2021 fiscal year.

FY22 TTV exceeded $10billion and was weighted towards corporate, as outlined in Adam Campbell's column, although both the leisure and corporate businesses recovered solidly later in the year.

Importantly, we returned to a positive operating cash flow position in March and maintained that position for the 4Q, which helped ensure we maintained a strong liquidity position. Our liquidity position was also enhanced in November 2021 via a $400million Convertible Note issue, which gave us additional flexibility as we worked through the challenges posed by COVID-19.

## ACHIEVING STRATEGIC OBJECTIVES

We have started FY23 with a healthy balance sheet, which was one of our strategic priorities during the pandemic.

Another priority was maintaining cost discipline, while also preparing for rapid recovery and growth post pandemic.

As those who followed our company closely during the past two-and-a-half years would know, we significantly reduced our cost base. In doing this, we balanced the need to adjust to the prevailing market conditions against the need to retain and strengthen key assets for the future.

Had we made more significant cost cuts, we could potentially have returned to profit sooner, but we would have jeopardised our ability to capitalise on what is (hopefully) a one-off growth opportunity during the post-pandemic rebound.

Costs over FY22 were circa 50% lower than costs during FY19, but included significant investments in people, products and technology.

In the corporate sector in particular, we have effectively invested to establish the foundations to service both:

- Increased activity from current clients and large volume from contracted accounts that have just been won; and
- Increased demand for human assistance in a more complex travel environment

Our corporate business, which is built around the FCM and Corporate Traveller brands, again consolidated its position as a global leader in the sector during FY22, securing a string of high-profile new accounts – with a total annualised spend of circa $2.5billion – while retaining a very high percentage of its existing clients (see Chris Galanty's column).

This business, fuelled by organic growth, is gaining market-share globally and outpacing industry recovery, with gross TTV returning to pre-COVID levels in June 2022 and transaction volumes reaching 89%. We also generated healthy 4Q profit and an underlying EBITDA profit for the year.

In the leisure sector, our market-share is increasing in our key Southern Hemisphere markets of Australia and New Zealand. Our shops remain our major sales generator, but we are also capturing an increased share of TTV from new and emerging channels, which has been one of our key strategic objectives.

Productivity is at an all-time high and we are actively and successfully recruiting in a very tight labour market – just as we always did pre-COVID – to meet current and anticipated future demand.

We are also developing true omni-channel capabilities for Flight Centre brand customers, as highlighted in James Kavanagh's column.

## STRATEGIC ACQUISITIONS TO COMPLEMENT ORGANIC GROWTH

To ensure our people and customers have access to the widest choice of airfares, we increased our investment in Dubai-based TP Connects from 22.5% to 70% during FY22.

As outlined in Melanie Waters-Ryan's column, TP Connects is a sophisticated airfare aggregation tool that will be integral to our response to developments in airline's NDC (New Distribution Capability) offerings, which will become increasingly important in the distribution of air product.

In addition to TP Connects, we also acquired or invested in:

- A corporate travel business in Japan, which has given us a future organic growth platform in the world's fourth largest business travel market
- The Link Travel Group, another start-up. Link was launched in Australia late in FY22 as a buying group focussed on premium and corporate travel
- Shep, a browser extension that helps corporate customers enforce travel policies
- Grasshopper, an Asia-based cycle tour business that has now been integrated into our Discova destination management company; and
- Organic corporate travel start-ups to service existing clients in both Greece and Spain

We will continue to be strategic in our approach to M&A – generally as a means to enter new geographies, gain scale, secure new products or access new business models – rather than using it purely as a means to grow TTV, which we are typically able to do organically.

## POSITIONING OUR BUSINESS TO CAPITALISE ON STRONG UPSIDE OPPORTUNITIES

While we are encouraged by our achievements to date, our industry is in the very early stages of recovery, some large and important markets are yet to reopen and there are likely to be ongoing challenges in the months ahead.

We remain comfortable with our longer-term projections of gradual recovery during FY23, followed by a stronger rebound during FY24.

As you will read in Skroo's column, we are encountering supply challenges (particularly airline capacity) early in FY23, along with changing macro-economic conditions.

These challenges and changes do not, as yet, appear to be impacting customer demand in any meaningful way, which underlines the global travel sector's resilience.

Prior to the pandemic, travel typically grew strongly and consistently year-on-year, suggesting it is a discretionary product but one that many customers consider necessary for a wide range of reasons.

While we are already benefiting from pent-up demand, there is large potential upside as the world continues to reopen and as normal travel patterns resume.

In Australia, for example, outbound departures during the FY22 2H tracked at just 35% of pre-COVID levels, peaking at 60% in June. Outbound travel was also heavily weighted towards Visiting Friends and Relatives (48%), rather than higher margin holiday traffic (almost 60% of FY19 departures). (Source: Australian Bureau of Statistics)

Current market conditions also reinforce the value of our expert travel advisors and play to our strengths in both leisure and corporate as our people help their customers navigate a path through this current complexity.

As always, we place very high importance on retaining our most valuable asset, our people, which is a major reason why we are again investing in retention tools like the Global Retention Rights (outlined in the Remuneration Report).

It is appropriate in this forum to acknowledge our people's efforts. They have worked tirelessly – under incredible pressure in this improving but still complex travel environment – to help their customers navigate the turbulence and in so doing have strongly reinforced the value of their service.

## ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

ESG is another increasingly important area that we are investing in.

During FY22, we appointed our first global sustainability officer (GSO) to globalise our approach to ESG to ensure greater impact and consistency of approach throughout our business. We also created a Sustainability Taskforce – consisting of four members of our global Taskforce, our GSO and representatives from various other parts of our business – to ensure sustainability strategies and goals align with the company's overarching business objectives.

From an environmental perspective, we have now committed to the Science-based target initiative (SBTi).

The SBTi provides a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered science-based if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

We have engaged external expertise to help us undertake our materiality assessment, which was recently completed. This will guide us in developing an emissions reduction target and, from there, help us formulate our vision and strategy.

Our purpose is to open up the world for those who want to see and as one of the world's largest travel retailers and corporate travel managers, we recognise our responsibility to preserve the places we love while enriching our people, destinations and communities.

The world is changing, and our industry must change with it. This means addressing the impacts of travel head-on while delivering unique travel experiences for generations to come. We will leverage our platforms, people and partnerships to facilitate informed choices, helping customers reduce their impact and ensuring our actions benefit our people, destinations and communities.

Our people are very committed and engaged with us on this journey.

We are also working with our customers to help them achieve their ESG objectives.

In the corporate sector, for example, both FCM and Corporate Traveller brands offer very extensive carbon and emissions reporting. Customers can select from several different calculation methodologies and apply travel policies and approval flows that can be based on emissions rules.

## BOARD COMPOSITION

We have also strengthened our board.

Just after we released our FY22 results on August 25, we appointed Kirsty Rankin as a non-executive director.

She has vast global experience in areas that are critical to the future of our business, specifically developing capacity in data-driven customer insights, managing digital transformation and developing and implementing customer loyalty programs.

Kirsty was CEO of Pinpoint Pty Ltd, an organisation which specialised in cultivating customer loyalty and engagement, prior to its sale to Mastercard and subsequently served as a global executive for Mastercard in the USA. She is also a non-executive director of Azupay, a privately- owned, real-time payments platform, Stone & Chalk, a leading innovation start-up and scale-up hub, and Skyfii Limited, an ASX-listed omni-data intelligence company.

Kirsty will be a great addition to our board.

## CONCLUSION

For the first time since FY20, your company has started a new fiscal year with solid momentum, following the rebound experienced late in FY22.

While there will inevitably be new issues to address during the post-pandemic period, FLT is well placed to overcome the foreseeable challenges given its:

- Size and diversity across both the leisure and corporate sectors
- Ongoing relevance and heightened importance to customers and suppliers in a more complex environment
- Commitment to retaining and investing in key assets during the downturn
- Ongoing financial strength; and
- Ability to retain a highly skilled and experienced management team and broader workforce

On behalf of our board, I thank-you for your support of the company through very challenging times and look forward to updating you on our achievements as we emerge into the post pandemic era.

# FY22 RESULTS & OVERVIEW


## ADAM CAMPBELL

CHIEF FINANCIAL OFFICER


IT is with mixed emotions that I find myself writing this column at the start of FY23.

On a very positive note, I am pleased to report that we delivered both a return to profitability during the FY22 fourth quarter and a modest overall profit during the 2H from an underlying EBITDA perspective.

While these are significant milestones after the challenges of the past two-and-a-half years, any celebrations are, of course, tempered by our reflections on the profound impacts the pandemic had on our business, our people, our industry and our shareholders. We and many other companies incurred significant losses from March 2020 to February 2022 as our industry was battered by COVID-19 and, specifically, the travel restrictions that governments imposed to slow its spread.

To overcome the challenges we faced after the world locked down with very little advance warning, we moved quickly to significantly reduce our cost base to a sustainable level, given the trading climate and our desire to retain key assets for the future, and raised in the order of $1.5billion, initially via the market and subsequently via two convertible notes.

After this extraordinarily difficult period, we have emerged in a strong position in both the corporate and leisure sectors.

Once again, I would like to thank you – our shareholders – for your support and understanding as we weathered this never-before-seen challenge and took our first steps on the path towards full recovery.

## FY22 FINANCIAL RESULTS

FLT achieved an underlying EBITDA loss of $183.1million during the 12 months to June 30, 2022.

This result was in line with the upgraded guidance issued in July 2022 (underlying EBITDA loss between $180million and $190million) and represented a 46% improvement on the $337.8million underlying EBITDA loss recorded during FY21.

| 5 YEAR RESULTS SUMMARY | FY22 | FY21 | FY20 | FY19 | FY18 |
|---|---|---|---|---|---|
| TTV[2] | $10,340m | $3,945m | $15,303m | $23,728m | $21,818m |
| Revenue Margin[2] | 9.7 % | 10.0 % | 12.4 % | 12.9 % | 13.4 % |
| EBITDA[2] | $(200.0)m | $(432.3)m | $(594.3)m | $427.3m | $442.2m |
| Underlying EBITDA[2] | $(183.1)m | $(337.8)m | $(406.6)m | $427.0m | $462.7m |
| **Profit/(loss) before income tax** | **$(377.8)m** | **$(601.7)m** | **$(848.6)m** | **$343.5m** | **$364.3m** |
| Underlying profit/(loss) before income tax[1 2] | $(360.9)m | $(507.1)m | $(509.2)m | $343.1m | $384.7m |
| Profit/(loss) after tax | $(287.2)m | $(433.5)m | $(662.2)m | $264.2m | $264.8m |
| | | | | | |
| Earnings/(loss) per share (basic) | (143.7c) | (217.5c) | (552.2c) | 224.2c | 261.6c |
| Dividends per share[3] | — | — | — | 158.0c | 167.0c |
| Special dividends per share[3] | — | — | — | 149.0c | — |
| ROE | (36.9%) | (45.3%) | (48.7%) | 18.1% | 17.0% |

*1 Refer to note A1 segment information for reconciliation of statutory to underlying loss before tax.*

*2 Underlying PBT, TTV, revenue margin, EBITDA and underlying EBITDA are non-IFRS measures and are unaudited.*

*3 Dividends per share exclude special dividends paid.*

The company recorded a modest underlying EBITDA profit during the 2H and delivered solid fourth quarter underlying EBITDA profits. Recovery during this period was driven by a rebound in TTV across both the leisure and corporate travel sectors after Omicron concerns abated and as borders globally reopened at pace.

Over the full year, TTV reached $10.3billion, 162% growth on FY21 but less than half the record $23.7billion result delivered during FY19.

By year-end however, various businesses were tracking at or near pre-COVID gross TTV levels as a result of both:

- The uplift in demand after borders reopened; and
- Higher than normal airfare prices, linked to limited capacity, particularly on international routes

Corporate TTV increased 158% to $5.6billion and was slightly above pre-COVID levels in June 2022 on a gross basis, meaning the FY22 June result was a record for the month.

As outlined in Chris Galanty's column, while we do not anticipate a full recovery in global business travel spend in the near-term, we expect our corporate business to comfortably surpass pre-COVID TTV during FY23, given the volume of account wins secured during the pandemic and the size and diversity of our pre-COVID client book. A continuation of the business's 4Q TTV run-rate - $2.3billion – throughout FY23 would deliver a record full year result.

The global corporate business was profitable from an underlying EBITDA perspective during FY22, along with the EMEA geographic segment. The Americas geographic segment also had a profitable underlying EBITDA during the 2H and ANZ had profitable underlying EBITDA over the final 4 months of the year.

In the leisure sector, TTV increased 197% to $4.1billion.

Company-wide, revenue increased 155% during FY22 to $1.0billion, compared to $395.9million during FY21.

Revenue margin (revenue as a percentage of TTV) was fairly stable compared to the prior year at 9.7% (FY21: 10.0%). Revenue margin is expected to remain below pre-COVID levels in the near-term because of cyclical factors (including higher airfare prices and lack of capacity), planned business mix changes (growth in lower margin channels and businesses) and changes to supplier arrangements, specifically front-end commission reductions from some airlines in Australia and New Zealand.

Underlying loss before tax for the year was $360.9million, compared to $507.1million during FY21, and statutory losses were $377.8million (FY21: $601.7million).

Adjustments between underlying and statutory results have been included in note A1 segment information.

## COSTS AND CASH GENERATION

Our company now operates with a structurally lower cost base, with underlying expenses for FY22 reaching $1.4billion and averaging circa $120million per month. This compares to a monthly pre-COVID cost base of $230million.

In our initial response to this crisis, we focused on cost control and cash generation. While we have retained this focus, over time, we have also turned our attention to investing in key growth drivers with a view to capitalising during the recovery phase.

Expenses are, therefore, expected to increase as we invest in:

- Our leisure and corporate products and systems to enhance our already compelling customer offerings across both sectors
- People – while we will be able to service pre-COVID TTV with a smaller workforce, we are recruiting now to meet the demand we are seeing during the recovery and while travel is more complex; and
- Marketing to generate further enquiry

Employee benefits expense increased year-on-year, as expected, as the company strengthened its workforce and as a result of the strong TTV growth achieved, which led to higher incentive payments. FLT's incentive model partially shields it from the wage inflation that many other companies are now experiencing because its people automatically earn more in the current climate.

Capital expenditure for FY22 was $40.4million and was predominantly directed towards investment in customer-facing and productivity-enhancing technology across both our leisure and corporate businesses.

We have also maintained a strong liquidity position, which amounted to almost $700million at year-end after deducting all working capital assets and liabilities and client creditor liabilities.

As outlined in our May market announcement, we generated a $2million operating cash inflow in March 2022. This has continued to improve, as expected, given the improved bottom-line results achieved during the FY22 fourth quarter.

## ASSESSING FUTURE CAPITAL REQUIREMENTS

In that May announcement, we also confirmed that we had fully repaid the GBP115million short-term loan that was made available to us in the United Kingdom under the government's COVID Corporate Financing Facility (CCFF).

This means that we now have circa $370million in remaining bank debt, in addition to the convertible notes (which are considered equity, rather than debt).

As we take our first steps on the path to recovery and as we start to accumulate cash more rapidly, we are evaluating our anticipated capital requirements.

As part of this evaluation, we will consider:

- The company's needs to fund future growth, predominantly organically but also via mergers and acquisitions
- Optimal debt structures; and
- Shareholder returns – pre-COVID, the directors sought to return 50-60% of net profit to shareholders via fully franked dividend payments

As we return to profit, we also have the opportunity to utilise the significant tax losses that were incurred during the past two years, which will see a higher profit-to-cash conversion given reduced tax liabilities required to be paid on profits generated.

## TARGETING FURTHER RECOVERY DURING FY23

While the trends we are seeing are positive, we are of course at a fairly early stage on the path to recovery.

As expected, there has been some industry turbulence and teething problems.

Airlines, airports and other suppliers and industry participants globally are facing significant challenges in reactivating their workforces to service current demand, which is causing disruptions to normal services. The temporary loss of staff to illness also continues to play a part.

As has always been the case, we expect gradual recovery during the year ahead with a probable escalation in activity during the second half, as capacity ramps up, suppliers address these teething problems and conditions normalise.

We do, of course, continue to monitor macro-economic conditions across our key markets.

While interest rate increases and inflation will obviously impact household savings, they have not historically had a noticeable impact on outbound travel.

In countries like Australia, outbound departures increased consistently year-on-year prior to COVID – regardless of the economic cycle.

We believe we are well placed to capture more than our share of a market that is recovering and likely to reach pre-COVID levels in 2024.

## CONCLUSION

In summary, your company starts the new fiscal year with solid momentum after the recovery in both sales and revenue late in FY22.

FLT is already benefiting in both the leisure and corporate travel sectors and is well placed to capitalise further given its scale and diversity, the investments made during the pandemic to fortify its key assets and its continued balance sheet strength.

Thank-you again for your support.

# CORPORATE UPDATE

**CHRIS GALANTY**

**CEO OF CORPORATE**



THE global business travel sector may be some years away from full recovery, but FLT's corporate business is taxiing down a runway to growth and poised for a rapid take-off.

The business continues to successfully weather ongoing industry turbulence and is now firmly entrenched as a leading player in the sector globally and an alternative to both the large legacy players and tech-only companies.

This enduring success is built on two winning brands, FCM and Corporate Traveller, with compelling customer and supplier value propositions that lay the foundations for strong and ongoing organic growth.

Corporate Traveller is the TMC that is fanatical about SMEs and start-ups and delivers Care Uplifted to its clients through the power of its people and technology.

FCM is the alternative TMC for multi-national corporates and has a flexible offering based around customers' specific requirements.

Both brands have strong customer service commitments and leading proprietary customer technology.

Corporate Traveller's Melon digital platform is built with the SME customer in mind, while the FCM Platform offers customers best-in-market technology, seamlessly integrated into one place, giving you – the customer – greater choice.

## SUCCESSFULLY EXECUTING KEY STRATEGIES - GROWING TO WIN

Since the start of the pandemic, the corporate businesses have been working towards a global Grow To Win strategy.

Grow To Win was geared towards focussing our people on our key growth drivers – retaining customers and winning new accounts – and was implemented at a time of great uncertainty as the world entered lockdown and as virtually all travel activity stopped.

While some competitors – perhaps understandably – responded by hibernating or significantly downsizing their businesses, we took a longer-term view and invested in people, products and systems to enhance our capabilities and our future growth prospects.

I am pleased to report that this strategy has been executed very successfully during the past two years and has now started to deliver tangible benefits.

This is evidenced by our business's return to pre-COVID monthly gross TTV levels in June 2022, some six months ahead of our initial expectations and well ahead of the overall industry recovery.

We are now set to gain scale benefits during the near-term recovery phase as transactions take off and our efficiencies deliver a lower cost per transaction.

Some of these benefits have already started to flow through, which helped the business deliver an underlying EBITDA profit in the order of $39million during the FY22 4Q.

TTV during this period accelerated to $2.3billion, a run rate that would deliver a record full-year in excess of the $9.0billion result achieved during FY19.

Over the full year, corporate TTV reached $5.6billion, about 54% of the group total for FY22.

About 30% was generated in each of our three largest regions – Australia-New Zealand, the Americas and EMEA – with the balance coming from our Asia business.

This underlines our business's diversity.

While we maintain very high corporate market-share in Australia and continue to win high profile new accounts, our corporate business is now becoming more heavily leveraged towards the Americas and Europe, the Middle East and Africa (EMEA) – regions where we have very strong future growth prospects given their comparative sizes and our small but growing market-share.

As you have read elsewhere in this report, we secured new accounts with annual spends in the order of $2.5billion during FY22, while continuing to retain a very high percentage of our existing customer base. This has taken our accumulated account wins during the pandemic to circa $6.0billion and has delivered a strong TTV runway into FY23 and future years.

Our client book is also large and diverse, which means we do not rely on any one sector.

We have, however, increased our presence in the government sector during the pandemic and now service accounts in the UK, Australia, Singapore and France.

## OUT-PERFORMING THE SECTOR'S RECOVERY - WINNING ORGANICALLY AND GROWING MARKET-SHARE

Our return to monthly pre-COVID gross TTV levels in June 2022 was driven by an uplift in volume and higher airfare prices.

Ticket volumes at year-end were tracking at 89% of pre-pandemic levels, well above the 75-80% industry average.

This level of activity industry-wide highlights the corporate sector's resilience, given the disruptions that have been taking place and the issues that have arisen in terms of higher prices, cancelled services, illness and lost luggage.

This disruption and added complexity has only reinforced both the value of expert travel managers and advisors and the ongoing need to invest in people and customer-friendly technology.

We have "pre-invested" in our people network to service current and anticipated future levels of demand. In terms of attracting people at a time of very low unemployment, we have a competitive advantage in that we have been able to draw on the competencies of our parent company, FLT, in recruiting, training and developing talented individuals who can hit the ground running.

## INVESTMENT IN SUSTAINABILITY

As Gary Smith alluded to in his column, we are also investing in sustainability and ESG both within our business and within our platforms.

For clients, FCM now offers:

- Emissions tracking in the FCM Platform and on FCM Mobile for upcoming and past trips
- Comparative emissions statistics to change behaviour – for example, this trip will use the same amount of carbon as planting 20 trees
- FCM Extension integration to Thrust Carbon to do environmental and emissions alerting on third party online booking sites; and
- Offset programs with South Pole and Trees4Travel

Corporate Traveller offers:

- Emissions data on the Melon digital platform during the search and book process that is powered by Thrust Carbon; and
- An offset program with Trees4Travel

## OUTLOOK

Our expectations for FY23 are not based on corporate travel spend recovering to pre-COVID levels. We believe full recovery is unlikely in the short to medium-term and are instead focused on market-share, which we are successfully growing.

Within our larger established countries of Australia, the United States, the UK, Canada and South Africa, we estimate that our market-share has increased from 6.3% during the FY19 2H to 7% during the FY22 2H.

Assuming average customer spend returns to circa 70% of pre-COVID levels, our business is likely to comfortably exceed pre-COVID TTV levels on a monthly basis, given the large volume of new customers who are now trading or in the final stages of implementation.

In fairly broad terms, our priorities over the next 18 months are to:

- Accelerate customer growth through the Grow To Win strategy, technology roll-outs and investment in new customer segments and geographies
- Leverage new market dynamics by owning and controlling content capabilities (TP Connects) and tapping into new airline and hotel retailing opportunities; and
- Accelerate service model productivity through automation, digitisation and cost structures

# LEISURE UPDATE

**BY JAMES KAVANAGH**

**CEO OF LEISURE**



LEISURE travel is back on the map.

While it will inevitably take some time for normal travel patterns to resume after an extended period of never-before-seen disruption, customers are very much in need of a holiday and keen to rediscover what the world has to offer.

The good news is that many parts of the world are now restriction-free, although vaccinations are still required in some locations.

It can also be a challenge to secure a seat, particularly if you're travelling at short notice, given that international capacity from Australia and New Zealand has so far only returned to about half of its pre-COVID (PC) level.

About half of our customers currently require extra help with their bookings because of changes and disruption, compared to 25% pre-COVID.

This more complex environment is fuelling what we are referring to as a "renaissance of the expert travel advisor", as our people help the travelling public chart a path through this temporary turbulence.

## KEY TRENDS

It is, of course, early days in the recovery, but we are starting to see some positive and interesting trends.

Our leisure sales accelerated during the 2H of FY22 as pent-up demand and enquiry once again turned into travel bookings, despite the well-publicised airline capacity challenges, disruptions and rising prices.

We are seeing the upside of this recovery with broad appeal from consumers turning into market-share growth in our major markets in the Southern Hemisphere.

Industry data points to healthy market-share growth in both Australia and New Zealand, which together generate about 70% of our leisure TTV, while our South Africa business is delivering very promising results.

Generally, our customers are:

- Keen but cautious
- Booking closer to departure – average booking windows are now circa 70 days prior to travel compared to 90 days PC; and
- Starting to plan and book holidays, rather than travelling to visit friends and relatives (VFR) which typically involves flights only. Since borders reopened, VFR has been the main driver of overseas travel, with almost half of Australia's outbound travel market during FY22 citing VFR as the reason for taking off (Source: Australian Bureau of Statistics). Holidaymakers are now starting to take off in greater numbers.

While uncertainty is the new certainty in the travel industry, we are seeing a renaissance of the expert travel advisor, as I touched upon earlier. A high percentage of customers are new to Flight Centre and our brands are appealing to a wider audience, which is evident from the purchase intent of younger travellers increasing from 16% to 25%.

## RESULT SNAPSHOT

During FY22, our leisure and experiences segment generated $4.1billion in TTV, a 197% increase on the $1.4billion FY21 result.

TTV was heavily 2H weighted, with $3.1billion in TTV generated during the six months to June 30, 2022.

Globally, the leisure and experiences businesses lost $180.4million on an underlying EBITDA basis, a significant improvement on the $262.2million FY21 loss, which also included a $70million benefit from government subsidies.

FY22 2H losses decreased to $25.4million, with the segment overall delivering a $10million 4Q profit.

Gross leisure TTV rebounded strongly during the 2H and was tracking about 68% of monthly PC levels at the end of June 2022, compared to 22% at the end of the 1H, when the Omicron strain was spreading rapidly and large parts of the world remained heavily locked down.

FLT's global shop network now includes 469 stores, including Travel Money kiosks, with an additional 43 (38 Flight Centre and five Travel Money outlets) set to reopen by the end of the 1H.

In line with our strategic objectives, leisure TTV is shifting between traditional and new growth channels, with FLT's complementary and independent agent businesses capturing almost 30% of leisure TTV during FY22.

The company's leisure online businesses generated almost $750million in gross TTV, including a record contribution from flightcentre.com.au with the website capturing almost 20% of Flight Centre brand's gross turnover in Australia over the year. Our online youth travel market, StudentUniverse, is also currently tracking at record TTV levels.

Work continues on Flight Centre brand's evolution from a multi-channel travel agent to a modern omni-channel retailer with connected offerings that allow customers to move seamlessly between the in-store, online, app and phone channels.

Holiday packages will be the first products launched, followed by experiences, flights, accommodation and other products.

## STRATEGIC OBJECTIVES

Our main leisure objectives are to:

- Differentiate and grow Flight Centre's market-leading position in Australia, New Zealand and South Africa, and fast-track plans in the UK and Canada with our omni-channel growth strategy
- Rapid global expansion in the growth categories of premium/luxury travel and the independent agent community as an important channel; and
- Accelerate investment in our portfolio of complementary product specialist travel brands (see below), which will collectively make up a quarter of our portfolio. We will continue to seed future investments and opportunities that complement our strategy in our core markets

## OUR PORTFOLIO OF BRANDS

Our value proposition to our customers is to present the widest range of products, services and value in travel across a diverse portfolio of brands. This in turn gives our supply chain access to the most valuable and diverse range of customers.

In the B2C segments of the industry, we have three distinct business streams:

- Our flagship mass market Flight Centre brand, which is famous for flights and now offers an expanded range of value focused holidays
- Travel Associates, our offering in the premium/luxury travel category and a brand that exclusively focuses on designing one-of-a-kind travel experiences for discerning and luxury travellers, plus
- A selection of targeted travel product brands that specialise in the ready-made holiday segment (Myholidays), student and youth travel (StudentUniverse) and foreign exchange (Travel Money), to name just a few.

During the pandemic, we re-shaped our retail property network to be within five kilometres' reach of 95% of our customers in Australia.

To reach a broader range of customers, we have also invested in the independent agent community. A few months ago, we expanded our offering to member groups and announced a JV in Australia with Spencer and Goldman Travel, forming Link Travel Group.

This complements our member models such as Travel Managers Group in New Zealand and means we are well positioned to grow globally in this category with the diversity of our group.

While we expect Flight Centre to continue to grow, it will be complemented by these new models.

Together, they will represent about 50% of our business in time and they are already starting to capture a meaningful share of TTV.

Travel Associates, Ignite Group (MyHolidays) and our Independent divisions are all now more profitable than pre-COVID based on Q4/22 trading results.

As the market recovers, the key areas of investment include:

- Global Expansion of brands, networks, models and people in our six core markets
- Digitising the Customer Experience: we didn't waste this crisis and have invested heavily in digital customer solutions. Flight Centre's Omni Channel program is on track to enable customers to shop seamlessly across our online, app, call centre and instore channels through their shopping cart, with packages and experiences live this quarter. Our data capability is evolving with Annie the artificial intelligence (AI) bot providing data insights that allows us to present product offers to customers when they are most likely to buy

- Product: Our product designers are expanding and creating new ranges to attract more customers, with exclusive packages, new one-of-a kind hosted tours, luxury and expedition cruises and specific eco-tourism products/ sustainability ranges. These complement the unique service packages that we offer such as Flight Centre's Captain's Package and Travel Associates' purple ribbon service; and
- Simplifying the business: During the past two years, we have consolidated and retired a number of legacy systems with the launch of Helio resulting in improved workflows and productivity for our sales consultants. Within Flight Centre, productivity has doubled, with new starters out-performing our network-wide averages pre-COVID

## IGNITE - SHINING BRIGHTLY

In finishing, I'd like to briefly highlight the achievements of Ignite and its range of MyHolidays brands.

These businesses have grown strongly and delivered consistent profits throughout the pandemic, despite the widespread domestic and international border closures.

The MyHolidays products are now promoted in Australia via the Flight Centre retail network and online, with MyCruises now the leading dedicated retail cruise brand in Australia.

We have also expanded into New Zealand, with the launch of MyCruises and MyQueensland, and should more than double our sales this year.

Further international expansion is also planned.

## OUR PEOPLE AND CUSTOMERS

I've always believed that anyone can book travel on "sunny days" if they have time. It's when the unpredictable happens that you need a true expert by your side. I would like to thank all of our returning and new customers who are taking to the skies once more. We are delighted to service you and appreciate your business. To our people, who have, and continue to be nothing short of outstanding in putting our customers first, you make it all worthwhile every day and we are fortunate you have come along for the ride.

# SUPPLY UPDATE

## BY MELANIE WATERS-RYAN

CEO OF SUPPLY



FLT's global supply area was established as FLT's third core business pillar during FY22.

Supply sits alongside the global leisure and corporate businesses and encompasses three key areas:

- A Leisure and Corporate Supply Mart – ensuring breadth and depth of content, simplified access and distribution and commercial returns for all FLT corporate and leisure brands and businesses
- In-destination – currently destination management companies (DMCs), hotels and touring businesses – and AVMIN, our air charter business; and
- External distribution predominantly via The Travel Junction business

### LEISURE AND CORPORATE SUPPLY

This important area is critical to the business's success, given that it delivers and oversees all product and supply-related services including supplier partnerships and negotiations, content management and connectivity, pricing and revenue management capability, fulfilment and supply support, consultant support and strategic travel product development.

Within these areas, current priorities include:

- Content – globally and locally ensuring breadth and depth of all content requirements and delivering unique and differentiated product on behalf of our brands
- Supplier/partner relationship management – fostering best-in-market supply partnerships
- Distribution efficiency – embedding new technology and creating a one-door entry to all brands and businesses for our supply partners
- New Distribution Capability (NDC) access and distribution – integration of the TP Connects platform across all brands and businesses and full globalisation of our air capability
- Data and analytics – sales performance, trends, insights, predictions and opportunities; and
- Combining and streamlining all consultant sales support models to enable greater levels of robotics and artificial intelligence (AI)

The supply teams are also working closely with those airlines in Australia and New Zealand that are reducing front-end commission payments to deliver alternative revenue streams. Elsewhere in the world and in other travel sectors, supplier margins are stable.

### IN-DESTINATION BUSINESSES

FLT's in-destination businesses strengthen its position as a diversified global travel company, while providing core products that deliver unique selling propositions that align with and reinforce our leisure and corporate brands' positioning at superior margins and profitability. This area includes:

- The Topdeck and Back-Roads Touring businesses, which are now both back on the road with reduced 2022 schedules ahead of a larger scale return for the 2023 touring season

- The Discova destination management businesses, which are based in Asia and the Americas. The Americas business recovered quickly during 2022, while the Asia business was slower to recover due to extended lockdowns, but is now experiencing unprecedented growth as key destinations reopen and as we onboard numerous new account wins secured during the pandemic; and
- Cross Hotels & Resorts, our hotel management business in Thailand, Vietnam, Japan and Indonesia. Cross experienced strong growth towards the back-end of FY22 as markets reopened, while continuing to expand its portfolio of hotels with six new properties signed during the past year

The Discova offering was bolstered during FY22 by the acquisition of Grasshopper Adventures, an Asia-based cycle tour specialist, which is now being integrated into the business.

Grasshopper has expanded the Discova experiential range, along with the under-construction Kaura eco-friendly tented accommodation project in Bali's Manggis village.

Both of these new ventures build upon the Discova commitment to creating and distributing sustainable travel options.

## AVMIN

AVMIN offers an innovative charter concierge service and works with a worldwide database of partner operators to land its clients at any airport in the world. Clients include sporting teams, movie productions, high net-worth individuals, the mining and construction sectors and governments. The charter business has performed solidly throughout COVID, delivering record profits.

## EXTERNAL DISTRIBUTION

The external distribution area of supply leverages FLT's products and technology systems to service external customers.

Currently small, this area includes wholesale businesses The Travel Junction, which is based in Australia, and GoGo, which operates in the United States.

## TP CONNECTS

FLTs equity investment in TP Connects was increased from 22.5% to 70% during FY22 to give the company greater control over the TP Connects development roadmap.

The business, which is based in Dubai, aggregates air content from multiple sources, including GDSs, low-cost carriers and airline's NDC offerings.

Airlines globally are investing heavily in NDC and are now starting to look for returns on this investment by shifting volume onto the new channels.

FLT is well placed to capitalise to this shift, given its ownership of a specialist aggregator.

# OUTLOOK

**BY GRAHAM TURNER**

**CHIEF EXECUTIVE OFFICER**

AS Gary noted in his introduction to this report, FLT has started the new fiscal year with solid momentum, following the positive finish to FY22 after governments allowed borders to reopen and effectively cleared international travel for take-off.

Naturally, these re-openings led to a sharp rebound in demand across both the leisure and corporate sectors as travellers wasted little time dusting off their passports and locking in holidays or business travel plans. In the leisure sector, VFR customers – travellers taking off to visit friends and relatives after the extended period of enforced separation – generally led the initial rebound, as expected, followed by holidaymakers.

While demand remains strong, it is appropriate to put some historical context around the scale of the rebound to date.

Travel is at a relatively early stage on the path to recovery.

Globally, there is considerable pent-up demand for travel that is not yet fully translating to bookings, which means there is also considerable upside potential.

This pent-up demand is likely to gradually release as the year progresses as travellers readjust to the new normal of the post-COVID world and finalise their plans.

Our expectations for FY23 are unchanged – we believe this will be a year of gradual recovery for the industry overall, ahead of a larger scale recovery during FY24.

## POST-COVID TRAVEL TEETHING PROBLEMS GRADUALLY BEING ADDRESSED

Inevitably, there has been some turbulence in the months since travel resumed. This turbulence has, in most instances, arisen as a direct result of the industry-wide disruption encountered during the past two years.

The challenges are well documented and include lack of airline capacity, particularly on international routes, lost luggage, delays in transiting through airports and general staff shortages, which is sometimes leading to flight cancellations.

Lack of airline capacity is also impacting airfare pricing, particularly in premium cabins.

We are confident that these teething issues are being addressed and that the pain points that travellers are experiencing right now will be alleviated as the year progresses.

## MONITORING MACRO-ECONOMIC CONDITIONS

As is always the case, we continue to monitor broader economic conditions and evaluate their possible impacts on our business.

While interest rate increases and inflation have the potential to impact discretionary spending, recent increases have not noticeably impacted demand to date.

Indeed, rises and falls have not historically altered travel patterns in any noticeable way.

Globally, travel has tended to increase year-on-year. Downturns have tended to be short-lived and have generally been followed by steep uplifts in demand.

Looking at Australia, outbound travel – our leisure business's core product – grew strongly and consistently year-on-year pre-COVID.

Solid growth was achieved throughout the economic cycle and at significantly higher interest rates than today's, supporting our long-standing view that travel is not generally considered discretionary and is often regarded as a necessity.

Very low unemployment rates globally are also a positive lead indicator for the leisure business, given that workers tend to have the financial means and the desire to make the most of their limited holiday time.

## FOCUSING ON TTV GROWTH, MARKET-SHARE, REVENUE AND COST MANAGEMENT

Regardless of the extent of the rebound this year, our overall priority is to capitalise by capturing TTV and growing market-share during this recovery phase.

The building blocks for current and future success are in place in both the leisure and corporate sectors.

Our global corporate business is a major success story.

Throughout the pandemic, it has focused on its Grow to Win strategy and it has now surpassed monthly pre-COVID gross TTV levels, which highlights both the sheer volume of accounts won during the past two years and the business's success in retaining customers.

In the leisure sector, our offerings are now built around a diverse range of brands and channels that complement the traditional Flight Centre shop network.

While Flight Centre continues to generate the bulk of our leisure TTV, we are seeing solid returns on our investments in lower cost and highly scalable models that are earmarked as future growth engines.

Examples include the Ignite (MyHolidays) call centre business, our websites and the independent contractor (B2B) businesses, which are all trading near or above record levels in recent months.

Within Flight Centre brand and many of our other businesses, consultant productivity is currently tracking at all-time high levels as we service a growing pool of customers from a smaller footprint.

As outlined elsewhere in this report, we are now actively expanding our people networks to meet the current and anticipated future demand and to improve the customer experience at a time when human assistance and expertise is in strong demand.

## TOO EARLY TO PROVIDE FY23 PROFIT GUIDANCE

Given that we are at a very early stage of recovery, it is impossible to provide profit guidance for FY23 at this time.

As mentioned previously, we expect gradual recovery in demand this year, with more rapid improvement during the second half, which is traditionally a seasonally stronger trading period.

Assuming governments do not resort to lockdowns to curb any future virus COVID outbreaks, we expect to build on our progress during the FY22 second half and during the fourth quarter in particular.

## CONCLUSION - WELL PLACED TO BENEFIT

FLT is re-emerging from the pandemic with a solid balance sheet and with its key assets intact and, in some cases, strengthened.

The company sells a discretionary product that customers re-invest in every year and is successfully expanding its leisure and corporate workforce to service current and anticipated future demand.

In expanding its workforce, the company is drawing on its proven skills in the areas of recruitment, training and developing people to strengthen its people network. Tech platforms have also been enhanced to improve consultant productivity and the customer experience.

The company aspires to be one of the world's largest and most successful diversified travel companies and is well placed to benefit from the anticipated recovery in the years ahead.

# 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 2022.

## 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, Leisure Update, Supply Update and Outlook columns within this report.

## DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

The directors have determined it is prudent to not pay a final dividend for the year ended 30 June 2022 given that the Company is in a recovery phase following the COVID-19 pandemic.

Neither interim nor final dividends were declared during the current or prior year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No material matters have arisen since 30 June 2022.

## 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 2022/23 are included on pages 2 to 16 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<br>BCom, FCA, FAICD<br>Age: 62 | 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 Chartered Accountants Australia and New Zealand. 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<br>Remuneration & nomination committee member<br>Audit and risk committee member | 23,621 |
| J.A. Eales<br>BA, GAICD<br>Age: 52 | 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 Limited (from Jul-17), Executive Health Solutions (from Jun-15) and FUJIFILM Data Management Solutions Pty Ltd (from Jan-14). | Independent non-executive director<br>Remuneration & nomination committee chairman<br>Audit and risk committee member | 11,875 |
| R.A. Baker<br>FCA, GAICD<br>BBus (Accountancy)<br>Age: 64 | 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) and Goodman Private Wealth Ltd (from Oct-14). Board member of Apollo Tourism & Leisure Limited (from Jan-19) and Director of Ozcare (from Jan 22). 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<br>Remuneration & nomination committee member<br>Audit and risk committee chairman | 6,457 |
| C.M.Garnsey<br>OAM<br>Age: 62 | FLT Director since Feb-18. Chairman of Laser Clinics Australia (previously non-executive director from 2020) and non-executive director of Seven West Media (from Dec-18) and Magellan Financial Group Ltd (from Nov-20). 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. | Independent non-executive director<br>Remuneration & nomination committee member<br>Audit and risk committee member | 7,136 |
| G.F. Turner<br>BVSc<br>Age: 73 | 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 (2021: nil).

Kirsty Rankin was appointed as a non-executive director on 25 August 2022.

## 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 23 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 2022 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 | 17 | 17 | 4 | 4 | 2 | 2 |
| J.A. Eales | 17 | 17 | 3 | 4 | 2 | 2 |
| R.A. Baker | 16 | 17 | 4 | 4 | 2 | 2 |
| C.M. Garnsey | 17 | 17 | 4 | 4 | 2 | 2 |
| G.F. Turner | 17 | 17 | * | * | * | * |

*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

## BY JOHN EALES, REMUNERATION AND NOMINATION COMMITTEE CHAIRMAN

AS FLT's RNC chairman, I present your company's FY22 Remuneration Report.

After more than two years of incredible turmoil and turbulence, it is pleasing to write this column in a significantly improved trading climate as we launch into FY23.

The never-before-seen travel restrictions that were applied to help bring the COVID-19 pandemic under control have now been lifted in most countries and demand has started to rebound rapidly as leisure and corporate customers have sought to make up for lost travel time.

Within this improving climate, our people have again been working tirelessly to help customers satisfy their thirst for what has been dubbed "revenge travel", while also helping leisure and corporate customers navigate the added complexities of travel in the post-COVID world.

People remain our most important asset and now – more than ever – they are highlighting their expertise and dedication.

Within this column, I want to highlight the focus we are putting on both retention and attraction in this highly competitive labour market, outline our purpose-built remuneration framework and provide some colour around our FY23 expectations.

### CONTINUED STRATEGIC FOCUS ON RETENTION

We are determined to retain our people in both sales and support roles and continue to refine our remuneration structures to ensure these structures align with our overarching objectives in this volatile climate.

This is why we extended the GRR program for a second year. This program, which was approved by shareholders at our FY21 AGM, was initially intended to be a one-off, but we elected to offer it again during FY23 to help address the challenge of cost-effectively retaining people.

### 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 directors

**NEDs**: Non-executive directors

**PBT**: Profit before tax

**PCRP**: 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

We also expanded the LTRP during FY22 to include a larger pool of senior leaders.

This program is, of course, a retention tool and it has been hugely successful to date, which is why we have expanded its scope to help ensure we retain both our senior executives, the people who were traditionally included in the LTRP, and our next generation leaders, those who were added to the program during FY22.

## EXPANDING OUR WORKFORCE TO MEET CURRENT AND FUTURE DEMAND

While retention is a key focus, we are also actively recruiting in most countries to meet the strong demand we're currently seeing as travel returns and to relieve some of the pressure on our people, given that productivity is at never-before-seen levels that are unsustainable in the longer term.

In Australia alone, we typically welcome 250-300 people to our ranks each month as we rebuild our workforce.

As outlined in previous columns, during the pandemic, we have maintained close contact with those who have moved on through the alumni program that our People & Culture area has championed. I am pleased to report that more than 1250 people globally have now rejoined our company via this program.

Naturally, we hope to welcome back more ex-Flighties when further vacancies arise in the future.

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

| EXECUTIVE | AGE | TENURE | FIRST FLT ROLE | CURRENT FLT ROLE |
|---|---|---|---|---|
| Graham Turner | 73 | 41 years | CEO, Founder | CEO, Founder |
| Adam Campbell | 47 | 15 years | Risk & Audit | CFO |
| Chris Galanty | 48 | 25 years | Flight Centre Putney (UK) | CEO - Corporate |
| Melanie Waters-Ryan | 55 | 35 years | Flight Centre Queen Street (QLD) | CEO - Supply |
| James Kavanagh | 44 | 18 years | Campus Travel account manager | CEO - Leisure |
| Charlene Leiss | 52 | 26 years | Sales administrator (Garber Travel) | MD - The Americas |
| Steven Norris | 45 | 20 years | Flight Centre Uxbridge (UK) | MD - EMEA |

## A COMMON-SENSE REMUNERATION 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 that is aligned to our strategic objectives and 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 the following page.

## OVER-ARCHING REMUNERATION OBJECTIVES RETAINED

Within this report, we have outlined our traditional remuneration model - which has generally been reinstated for FY23- while also outlining some of the temporary alterations that were made during both FY21 and FY22.

This should again help shareholders understand both the:

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

Importantly, our over-arching objectives remain 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 outlined 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 the opportunity for our people 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.

We regularly engage with industry bodies, special interest groups and other stakeholders to ensure they understand our remuneration structures and to ensure these structures remain fit-for-purpose.

Generally, shareholders have responded positively to our remuneration system and the policies, beliefs and governance structures which underpin it, as evidenced by the strong endorsement that this report has traditionally received at our Annual General Meetings.

During the past three years, the average vote against our remuneration report represented just 2.3% of our issued capital. The largest vote against our report was 5.85% in 2007.

## 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 and can earn additional stretch STIs (above and beyond targeted packages) if they exceed their KPIs.

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

The company's main LTI for KMP and senior executives, 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.

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

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

### 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.

## FY22 OUTCOMES AND FY23 EXPECTATIONS

Executive earnings increased year-on-year during FY22, as expected, given that KMP elected to be paid beneath the floor in their targeted packages during FY21.

During FY22, executives were paid 90% of their targeted packages (the floor) for the nine months to March 31, 2022. Generally speaking, they then received 95% of their targeted packages during the fourth quarter, when trading conditions improved significantly.

Fees to NEDs returned to normal levels during FY22 and were, therefore, higher than FY21 given that directors also accepted reduced fees during the prior year.

At this stage, normal incentive structures will be in place for FY23, meaning that executives will be eligible to earn targeted and stretch STIs for the first time since FY20.

We have, however, made a slight adjustment to reflect the current trading climate.

This adjustment will see executives initially work towards December 31 targets. These will then be revisited at the half year and new targets will be implemented for the full year.

It is, of course, very difficult to set realistic 12-month profit targets at this fairly early stage of recovery.

By adopting this game-of-two-halves approach, we:

1. Ensure targets for our key executives remain relevant throughout the year; and
2. Remove the risk of STI payments reaching abnormally high levels if FLT achieves extraordinary year-on-year profit growth in what may be vastly superior trading conditions compared to FY22

## TABLE 3: KEY EXECUTIVE TARGETED REMUNERATION FOR FY22

| | | | | | ACTUAL REMUNERATION | |
|---|---|---|---|---|---|---|
| KMP | TARGETED REMUNERATION | TARGETED FIXED PAY COMPONENT[1] | TARGETED STI COMPONENT | ESTIMATED STI EARNED | PAID[1] | % |
| Graham Turner | A$750,000 | A$675,000 | A$75,000 | A$9,375 | A$684,375 | 91.25 |
| Melanie Waters-Ryan | A$1,350,000 | A$1,215,000 | A$135,000 | A$16,875 | A$1,231,875 | 91.25 |
| Adam Campbell | A$1,085,000 | A$976,500 | A$108,500 | A$13,563 | A$990,063 | 91.25 |
| James Kavanagh | A$807,609 | A$726,848 | A$80,761 | A$10,095 | A$736,943 | 91.25 |
| Chris Galanty | £700,000 | £630,000 | £70,000 | £8,750 | £638,750 | 91.25 |
| Steven Norris | £434,783 | £391,305 | £43,478 | £5,435 | £396,739 | 91.25 |
| Charlene Leiss | US$609,000 | US$549,000 | US$60,000 | — | US$548,100 | 90.00 |

*1 Executives elected to forgo STIs for the nine months to March 31, 2022 and were, therefore paid at their floor in their targeted packages for the period. Most executives were then paid at 95% for the fourth quarter of the year. As illustrated in the last column above, executives earned 91.25% of targeted remuneration during FY22, with the exception of C. Leiss who earned 90.00%.*

## CONCLUSION

After an incredibly challenging period, our company is well positioned for recovery.

During the pandemic, we refined our remuneration structures and offerings to meet the short-term challenges brought about by border closures and measures that effectively grounded travel and severely limited our peoples' earning capacity, while continuing to ensure these structures were aligned with our short and longer-term strategic objectives.

We worked to retain critical IP within our shops, leadership and support ranks while keeping tight controls over costs, challenges which we proactively addressed within our remuneration structures through initiatives like the extended GRR and expanded LTRP programs.

Through these purpose-built programs, we have increased employee ownership to strengthen the ties between the interests of our people and our shareholders.

As we enter a new fiscal year, we look forward to returning to many of our traditional remuneration structures.

Thank-you for your ongoing support of our company.

## REMUNERATION REPORT – AUDITED

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 (Q&A) 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 implemented in response to COVID-19 have been outlined as part of the applicable Q&A sections.

### 1 I) 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 objective is to align with market practice by being:

- Competitive, which allows the company to attract and retain high calibre people. This is particularly important in the current trading climate, given low unemployment rates in key markets and keen competition for talent at a time when the travel industry's post-COVID recovery is in its infancy
- Aligned with participants' interests, reflecting responsibilities and rewarding achievement in creating short and long-term shareholder value
- Acceptable to and strongly aligned with the interests of shareholders
- 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 FLT's belief in the importance of providing its people with ownership opportunities and the chance "to share in the company's success through outcome-based incentives, profit share, BOS and Employee Share Plans".

Accordingly, ownership opportunities are built 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.

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

In a normal year, all executives earn a combination of fixed pay, variable STIs; and LTIs which predominantly includes share-based compensation.

Pre-COVID, various KMP also received returns on their investments in the BOS, a 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 were temporarily suspended during the pandemic, but have been outlined below in Table 1, along with other areas of KMP remuneration.

## 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.

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.

### 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 executives are targeted to earn STIs as part of their targeted remuneration packages. These STIs can be categorised in two ways:

1. Targeted STIs, which are structured in a way that will see executives earn their targeted salary packages if they achieve the KPIs that are in place; and
2. Stretch STIs, additional payments that executives will earn if the pre-determined targets or KPIs are exceeded

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 means that the company does not guarantee the annual salary packages they 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. In return for this investment, BOS participants received a variable return that was tied to the individual business's performance.

In basic terms, BOS participants who invested in a 10% interest in their businesses were entitled to 10% of the business's profit as a return on the investment. Each participating executive was exposed to the business's risks, as neither FLT nor any of its group companies guaranteed 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. The BOS program has been reinitiated for FY23 in the Travel Associates leisure brand in Australia. Further resumptions in both the BOS and BOS Multiplier programs are expected as the year progresses.

### 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 20 countries; and
2. The LTRP and the one-off PCRP, which have become critical retention tools and were offered to various senior executives globally (refer section 4).

### HOW ARE EXECUTIVE SALARIES STRUCTURED?

Executives are offered a targeted annual remuneration package which includes:

- A fixed pay component representing 90% of their targeted remuneration packages, 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 their targeted remuneration packages 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, executives will not earn 100% of their targeted remuneration packages 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, executives will earn more than 100% of their targeted remuneration packages.

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 FY21.

During FY22, FLT's executives elected to forgo STIs for the nine months to March 31, 2022 and were, therefore paid at the floor in their targeted packages for the period. Most executives were then paid at 95% for the fourth quarter of the year. Executives earned 91.25% of targeted remuneration during FY22, with the exception of C. Leiss who earned 90%.

### WHAT WERE THE MOST RECENT 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). Based on these comparisons, all FLT executives earned below the median and most were paid below the 25th percentile. LTRP earnings were factored into the benchmarking, which was undertaken before the one-off PCRP was implemented.

## 1 II) 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 and were rewarded with 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 did not achieve their targeted packages for the year, as outlined above. Table 2 below illustrates FLT's achievements in the areas that drive shareholder wealth during the past five years:

### TABLE 2: KEY MEASURES

| | FY22 | FY21 | FY20 | FY19 | FY18 |
|---|---|---|---|---|---|
| **Profit / (loss) before income tax** | ($377.8m) | ($601.7m) | ($848.6m) | $343.5m | $364.3m |
| Underlying profit / (loss) before income tax[1] | ($360.9m) | ($507.1m) | ($509.2m) | $343.1m | $384.7m |
| Profit / (loss) after income tax | ($287.2m) | ($433.5m) | ($662.2m) | $264.2m | $264.8m |
| Interim dividend | — | — | — | 60.0c | 60.0c |
| Final dividend | — | — | — | 98.0c | 107.0c |
| Special dividend | — | — | — | 149.0c | — |
| Earnings / (loss) per share (basic) | (143.7c) | (217.5c) | (552.2c) | 224.2c | 261.6c |
| Share price at 30 June[2] | $17.36 | $14.85 | $11.12 | $41.55 | $63.65 |
| Increase / (decrease) in share price % | 17 % | 34% | (73%) | (35%) | 66% |

*1 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.*

*2 The share price at 30 June 2017 was $38.30.*

During the past two years, when FLT's results were heavily impacted by COVID-19 and the company recorded significant losses, executives accepted temporary pay reductions and did not, therefore, earn their targeted packages.

### 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 (future years will be tied to EBITDA/PBT).

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 executives 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 executives did not earn their targeted STIs because profits and ultimately shareholder returns were below expectations and executives did not achieve their 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
- Ownership is encouraged and structures are built into the remuneration model to deliver a high degree of employee investment in the business
- 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 clear alignment between employee interests and those of shareholders, given high levels of staff ownership
- A focus on sustained growth in shareholder wealth, as outlined above; and
- The ability to attract and retain high calibre executives

## 1 III) DIRECTOR REMUNERATION

### HOW ARE NEDs REMUNERATED?

To preserve their independence, NEDs receive fixed fees that reflect the positions' demands and responsibilities. They are not eligible to participate in the ESP or BOS program, are not included in LTI programs and do not receive additional fees for their membership of any relevant Board Committees, including the audit and risk committee or the RNC.

The fees, which the RNC reviews annually, 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.

During FY22, FLT's NEDs were each paid $170,000, while the chairman received $250,000. These fees were set when the company was a member of the ASX 100 but were broadly in line with the median for ASX 100-150 companies during FY21, which CGI Glass Lewis listed as $143,300 and $260,000 respectively.

### 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.

## 1 IV) EXECUTIVE KMP REMUNERATION STRUCTURES

### WHAT ARE KMP STIs BASED ON?

After two years of modified pay structures, FLT currently expects to return to its traditional STI structure for its executives during FY23.

This will see STIs:

- Tied exclusively to FLT's global profit (EBITDA) for Graham Turner (CEO), Adam Campbell (CFO) and Melanie Waters-Ryan (CEO - Supply); and
- Tied 70% to divisional profit (PBT) and 30% to FLT's global profit (EBITDA) for other executives, specifically Chris Galanty (CEO - Corporate), James Kavanagh (CEO - Leisure), Charlene Leiss (MD - The Americas) and Steven Norris (MD - EMEA)

Given the difficulties in setting longer term growth targets in the current trading climate, KMP KPIs will be initially tied to 1H profits and then reviewed at the half year to ensure appropriate full year targets are in place.

FLT's traditional STI structure is outlined in Table 4 below.

### TABLE 4: STI SUMMARY – KMP

| | |
|---|---|
| Participants: | All executives are targeted to earn performance-based STIs as part of their targeted remuneration packages |
| Award Type: | Cash payments 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/EBITDA or the PBT/ EBITDA achieved within its key geographic divisions. |
| Structure: | KMP receive a small percentage of the company's profit and, in some cases, the profit 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 profit 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. Given the possibility of FLT achieving abnormally strong year-on-year profit growth in a recovering market during FY23, KMP STIs have initially been tied to 1H results and will then be reset towards an appropriate full year target. |
| Deferral: | Not applicable. |
| Clawback: | Adjustments can be made to claw-back over-payments or to top-up under-payments. |
| FY22 Outcomes: | KMP (excluding Charlene Leiss) were paid 90% of their targeted packages (the floor) for the nine months to March 31 and 95% for the three months to June 30 |

### WHAT PERCENTAGE OF 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).

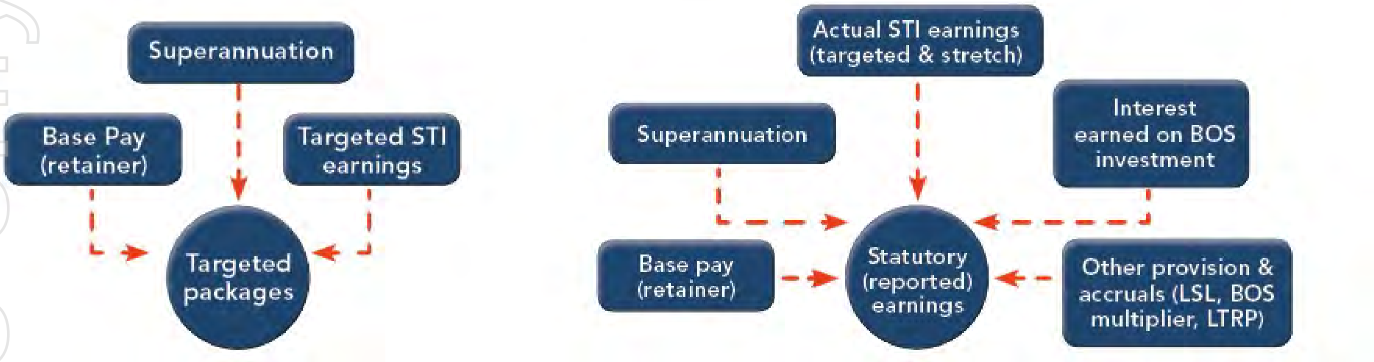
As outlined in previous sections, an executive may, however, earn more or less than the targeted amount of 10% because STIs are tied to actual results achieved.

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.

During FY22, FLT's executives elected to forgo STIs for the nine months to March 31, 2022 and were, therefore paid at their floor in their targeted packages for the period. Most executives were then paid at 95% for the fourth quarter of the year. As outlined previously, executives earned 91.25% of targeted remuneration during FY22, with the exception of C. Leiss who earned 90%.

## 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?

While FLT does not currently and has not traditionally tied KMP incentives to non-financial KPIs, the company may 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 executive STI earnings are theoretically 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.

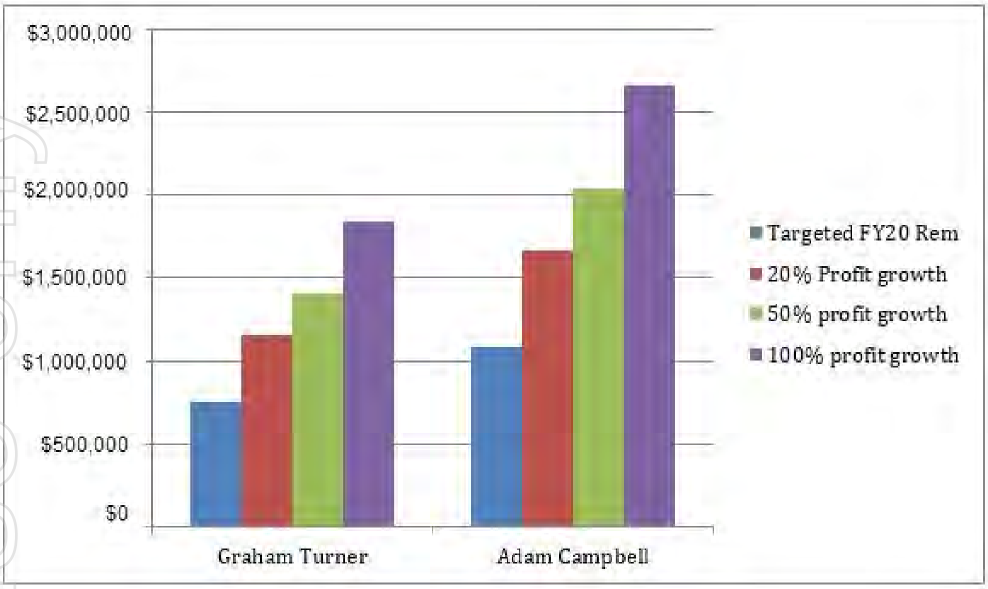
If the company significantly exceeds its profit goal and an executive reaches "stretch" targets, decelerator mechanisms will kick-in to slow the executive's earnings growth. During FY23, two decelerators will apply to the global portion of STIs. The first will apply if an executive earns 130% of his or her targeted remuneration package and the second will apply at 150%.

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. As outlined previously, an additional safeguard is in place for FY23 to reflect both the uncertainty around trading conditions and the prospect of abnormally strong year-on-year growth being achieved, with executive STIs based on a first half target and an additional second half target, which will be set later in the year, rather than on a single full year target; 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. This is illustrated 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 abnormal pay structures were in place during FY21 and FY22.

# DIRECTORS' REPORT CONTINUED

### GRAPH: FIXED PAY AND STIs




As illustrated in the table above, had FLT doubled its profit, 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) at that time. Adam Campbell would have earned in the order of $2.6million for his contribution towards FLT doubling its profit.

The RNC also reviews incentive payments and structures 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 (established during FY16) is an equity-based tool that is aligned with FLT's longer term strategic objectives, and aims to:

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

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

## LTRP SUMMARY

| | |
|---|---|
| Participants: | Key executives and other senior leaders 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: | 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.<br>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.<br>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).<br>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.<br>The vesting of Matched Rights is conditional on:<br>• 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<br>• The executive remaining employed within FLT<br>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. |
| Limits: | Participants receive a percentage of their targeted remuneration package (typically 20 or 30%) divided equally between Base and Matched Rights under the plan |
| Voting and dividend rights | 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. |
| Other key terms | Participants can receive up to 12 annual share grants through to 2027.<br>Shares can be bought on-market or issued, as is the case for the ESP.<br>Provisions are in place for a change of control or other material changes in company structure. |
| 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. |
| FY22 Outcomes: | The board invited 148 key executives globally to participate in the expanded LTRP program during FY22. Of those invited, 98% (FY21: 98%) 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.

Given this success, the program was expanded during FY22 to include a larger pool of senior executives.

FLT also believes that its program gives executives a stronger sense of ownership and alignment with shareholders than other commonly used 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 as other shareholders (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, participating executives become entitled to a one-off BOS return multiplier payment upon the BOS note's redemption if they remain in their role, or an equivalent or more senior position, for the relevant tenure period.

FLT temporarily suspended the BOS and BOS Multiplier programs during the pandemic, but reintroduced BOS in the Travel Associates brand in Australia late in FY22 and the BOS multiplier program during FY23.

During FY21, the company formally introduced the PCRP, which was available to all KMP apart from directors, 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 (approved by shareholders at FLT's 2021 AGM) were a strategic response to the profound impacts that COVID-19 restrictions had on the business and its people and were developed to ensure people who would be crucial to FLT's recovery were retained while the business recovered and during the rebuilding phase.

The one-off PCRP program focused on key members of FLT's global leadership team, whose skills easily translated to industries and sectors that were not as heavily impacted by the pandemic and who were, 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) were included in the PCRP, which was 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). It was initially intended to be a one-off program, but the company elected to extend it for a second year as a strategic response to current market conditions globally. 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 PCRP participants are required to:

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

This program has helped lock in these key people, while they have developed and deployed strategies designed to fast-track recovery.

PCRP participants 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 ongoing LTRP.

The PCRP provides critical employees with additional incentive to continue their careers with FLT in a tight labour market and during what is likely to be a rebuilding phase with earnings likely to be lower than normal. It also aligns with another strategic objective - minimising cash outflows - while the company's recovery gains momentum.

## 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 was a strategic, one-off response to COVID-19 and was a short-term program focused specifically on retaining a group of executives who were considered crucial to FLT's recovery during the rebuilding phase and who were at heightened risk of being targeted by other companies operating in less affected industries.

## 1 V) 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 profit 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 MD, CFO and HR (People & Culture) leader.

### WITHIN ITS EXECUTIVE REMUNERATION STRUCTURES, HOW DOES THE COMPANY ENSURE THAT KMP ARE FOCUSSED 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 require the business to achieve 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) are 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 introduced the PCRP 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

## 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 2022. 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 - Supply

A. Campbell – CFO

C. Galanty – CEO - Corporate

J. Kavanagh – CEO – Leisure

C. Leiss – MD – The Americas

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. 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 2022. Remuneration amounts are determined in accordance with the *Corporations Act 2001*'s requirements and are set out in the table below and in conjunction with the table on the following page of this report.

| | PAID AND PAYABLE REMUNERATION | | | | |
|---|---|---|---|---|---|
| | SHORT-TERM EMPLOYEE BENEFITS | | | POST EMPLOYMENT BENEFITS[1] | |
| NAME | CASH SALARY AND FEES[2] $ | SHORT TERM INCENTIVE[2] $ | BOS INTEREST[3] $ | SUPERANNUATION $ | TOTAL PAID AND PAYABLE REMUNERATION $ |
| **NON-EXECUTIVE DIRECTORS** | | | | | |
| **G.W. Smith** | | | | | |
| 2022 | 227,273 | — | — | 22,727 | 250,000 |
| 2021 | 238,870 | — | — | 4,880 | 243,750 |
| **J.A. Eales** | | | | | |
| 2022 | 154,545 | — | — | 15,455 | 170,000 |
| 2021 | 151,370 | — | — | 14,380 | 165,750 |
| **R.A. Baker** | | | | | |
| 2022 | 154,545 | — | — | 15,455 | 170,000 |
| 2021 | 151,370 | — | — | 14,380 | 165,750 |
| **C.M. Garnsey** | | | | | |
| 2022 | 154,545 | — | — | 15,455 | 170,000 |
| 2021 | 151,370 | — | — | 14,380 | 165,750 |
| **EXECUTIVE DIRECTORS** | | | | | |
| **G.F. Turner** | | | | | |
| 2022 | 651,432 | 9,375 | — | 23,568 | 684,375 |
| 2021 | 625,181 | — | — | 21,694 | 646,875 |
| **OTHER GROUP KMP** | | | | | |
| **M. Waters-Ryan** | | | | | |
| 2022 | 1,191,432 | 16,875 | — | 23,568 | 1,231,875 |
| 2021 | 1,142,681 | — | — | 21,694 | 1,164,375 |
| **A. Campbell** | | | | | |
| 2022 | 952,932 | 13,563 | — | 23,568 | 990,063 |
| 2021 | 914,119 | — | — | 21,694 | 935,813 |
| **C. Galanty** | | | | | |
| 2022 | 1,165,156 | 16,183 | — | — | 1,181,339 |
| 2021 | 1,086,272 | — | — | — | 1,086,272 |
| **J.Kavanagh** | | | | | |
| 2022 | 703,280 | 10,095 | — | 23,568 | 736,943 |
| 2021 | 674,869 | — | — | 21,694 | 696,563 |
| **C.Leiss** | | | | | |
| 2022 | 751,028 | — | — | — | 751,028 |
| 2021 | 712,451 | — | — | — | 712,451 |
| **S. Norris** | | | | | |
| 2022 | 723,701 | 10,052 | — | — | 733,753 |
| 2021 | 674,703 | — | — | — | 674,703 |
| **TOTAL KMP COMPENSATION (EXCLUDING LONG TERM BENEFITS)** | | | | | |
| **2022** | **6,829,869** | **76,143** | **—** | **163,364** | **7,069,376** |
| **2021** | **6,523,256** | **—** | **—** | **134,796** | **6,658,052** |

*1 No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year (2021: nil).*

*2 For each executive who is classed as KMP, 90% of targeted remuneration package is typically fixed, although executives elected to be paid below this level during FY21.*

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

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.

| | | LONG-TERM EMPLOYEE BENEFITS | | SHARE- BASED PAYMENTS | | |
|---|---|---|---|---|---|---|
| NAME | TOTAL PAID AND PAYABLE REMUNERATION $ | LONG SERVICE LEAVE[1] $ | BOS MULTIPLIER PROVISION[2] $ | EQUITY SETTLED PLANS[3] $ | TOTAL REMUNERATION $ | PERCENTAGE PERFORMANCE RELATED[4] % |
| **TOTAL NON EXECUTIVE DIRECTORS COMPENSATION** | | | | | | |
| 2022 | 760,000 | — | — | — | 760,000 | — % |
| 2021 | 741,000 | — | — | — | 741,000 | — % |
| **EXECUTIVE DIRECTORS** | | | | | | |
| **G.F. Turner** | | | | | | |
| 2022 | 684,375 | 48,513 | — | — | 732,888 | 1 % |
| 2021 | 646,875 | 4,110 | — | — | 650,985 | — % |
| **OTHER GROUP KMP** | | | | | | |
| **M. Waters-Ryan** | | | | | | |
| 2022 | 1,231,875 | 243,010 | — | 759,377 | 2,234,262 | 1 % |
| 2021 | 1,164,375 | 4,299 | — | 738,945 | 1,907,619 | — % |
| **A. Campbell** | | | | | | |
| 2022 | 990,063 | 57,208 | — | 1,023,165 | 2,070,436 | 1 % |
| 2021 | 935,813 | 40,086 | — | 1,023,954 | 1,999,853 | — % |
| **C. Galanty** | | | | | | |
| 2022 | 1,181,339 | — | — | 746,182 | 1,927,521 | 1 % |
| 2021 | 1,086,272 | — | — | 725,750 | 1,812,022 | — % |
| **J.Kavanagh** | | | | | | |
| 2022 | 736,943 | 108,364 | — | 466,069 | 1,311,376 | 1 % |
| 2021 | 696,563 | 12,079 | — | 562,074 | 1,270,716 | — % |
| **C.Leiss** | | | | | | |
| 2022 | 751,028 | — | — | 527,053 | 1,278,081 | — % |
| 2021 | 712,451 | — | — | 497,100 | 1,209,551 | — % |
| **S. Norris** | | | | | | |
| 2022 | 733,753 | — | — | 496,160 | 1,229,913 | 1 % |
| 2021 | 674,703 | — | — | 449,859 | 1,124,562 | — % |
| **TOTAL KMP COMPENSATION** | | | | | | |
| **2022** | **7,069,376** | **457,095** | **—** | **4,018,006** | **11,544,477** | |
| **2021** | **6,658,052** | **60,574** | **—** | **3,997,683** | **10,716,309** | |

*1 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.*

*2 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.*

*3 Share-based payments represent amounts expensed in relation to rights granted under LTRP Grant 2019 (Grant 4 & Grant 4b), LTRP Grant 2020 (Grant 5 & Grant 5b), LTRP Grant 2021 (Grant 6 & Grant 6b), LTRP Grant 2022 (Grant 7) and PCRP (refer section 4). A. Campbell, J. Kavanagh, C. Leiss and S. Norris' include matched rights granted under the ESP (refer section 4).*

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

## DETAILS OF REMUNERATION PAID AND FORFEITED

| | INCENTIVES | |
|---|---|---|
| OTHER GROUP KMP | PAID % | FORFEITED % |
| G.F. Turner | 13 % | 87 % |
| M. Waters-Ryan | 13 % | 87 % |
| C. Galanty | 13 % | 87 % |
| A. Campbell | 13 % | 87 % |
| J. Kavanagh | 12 % | 88 % |
| C. Leiss | 0 % | 100 % |
| S. Norris | 13 % | 87 % |

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 performance criteria is set out above. 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 final redemption). Each BOS was placed into hibernation via a temporary redemption process given effect through variation documents for the following periods:

- Melanie Waters-Ryan BOS (MWR BOS): 1 January 2020 - 31 December 2022; and
- Chris Galanty BOS (CG BOS): 1 January 2020 - 30 June 2022

During the respective hibernation periods, each BOS' face value was repaid to the relevant KMP and entitlements to interest earnings and multiplier payments were suspended (subject to the details below as regarding redemption during the hibernation period).

Under the MWR BOS:

- if it is redeemed after its fifth anniversary but before its ninth anniversary, Ms Waters-Ryan will be entitled to a one-off payment equivalent to the MWR BOS return for FY19 multiplied by five, being the applicable redemption multiple;
- if it is finally redeemed after its ninth but before its fourteenth anniversary, Ms Waters-Ryan will be entitled to a one-off payment equivalent to the MWR BOS Return for the last full financial year before the final redemption date, multiplied by 10, being the applicable redemption multiple; and
- it will reach final maturity at the end of FY29 (when it must then be redeemed) and a final redemption multiple of 15 multiplied by MWR BOS return for the last full financial year will be payable.

Under the CG BOS:

- if it is redeemed after its fifth anniversary but before its tenth anniversary, Mr Galanty will be entitled to a one-off payment equivalent to the CG BOS return for FY19 multiplied by five, being the applicable redemption multiple;
- if it is finally redeemed after its tenth anniversary but before its fifteenth anniversary, Mr Galanty will be entitled to a one-off payment equivalent to the CG BOS return for the last full financial year before the final redemption date, multiplied by 10, being the applicable redemption multiple; and
- it will reach final maturity at the end of FY28 (when it must then be redeemed) and a final redemption multiple of 15 multiplied by CG BOS return for the last full financial year will be payable.

Other key details include:

- the MWR BOS is also able to be redeemed before the end of hibernation on the giving of notice at which time Ms Waters-Ryan will be entitled to a one-off payment of the MWR BOS return for FY19 multiplied by five (being the applicable redemption multiple at the time of the MWR BOS hibernation);
- at the conclusion of any hibernation period, each KMP is entitled to either repay directly the relevant face value or (in the alternative) issue a designation notice to the value of the multiplier funds to which the relevant KMP would have been entitled upon the relevant BOS reaching a tenure of five years; and
- if either the MWR BOS or CG BOS are finally redeemed between five years and the relevant maturity date as a result of either Ms Waters- Ryan and/or Mr Galanty transferring into a comparable or more senior roles within FLT, an affiliate or a related body corporate (collectively the Relevant Actions), then the redemption multiple payable will be either:
  a. if the Relevant Actions occurred during a hibernation period, the FY19 interest earnings multiplied by the tenure of the relevant BOS at the date of the Relevant Action; or
  b. the number of full years the BOS note has been held as at the date of the Relevant Action multiplied by the relevant BOS noteholder's interest earnings for the last full financial year before the redemption date.

The same calculations will apply if a material part of the BOS noteholder's business unit is sold.

## 3 LTIs: BOS RETURN MULTIPLES ON REDEMPTION (CONTINUED)

The BOS's Face Value, being the amount paid by the holder to purchase the BOS, is guaranteed – subject to the issue of a designation notice, 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[1] | MAXIMUM TOTAL BOS RETURN MULTIPLE[1] | BALANCE AT 30 JUNE 2022[2] $ |
| M. Waters-Ryan | 1 July 2012 | 100 % | — | 2018-2029 | 5 times | 15 times | 3,722,964 |
| C. Galanty | 1 July 2010 | 100 % | — | 2016-2028 | 5 times | 15 times | 8,172,127 |
| **Total** | | | | | | | **11,895,091** |

*1 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 (subject to the happening of a Hibernation Redemption or a Post Hibernation Redemption as detailed in the Remuneration Report), neither the minimum nor maximum amount can be reliably estimated until redeemed.*

*2 The balance held for C. Galanty as at 30 June 2022 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 FLTs 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 2%).

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

| | | BASE RIGHTS | | | MATCHING RIGHTS | | |
|---|---|---|---|---|---|---|---|
| GRANT NUMBER | GRANT DATE | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE[2] | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE[2] |
| 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 2021 | 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 |
| 7 | 1 July 2021 | August 2024 | 1 July 2030 | $17.27 | August 2024 | 1 July 2030 | $17.27 |

*1 The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.*

*2 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 was introduced as a one-off strategic response to the profound impacts that COVID-19 restrictions had on the business, with a focus on ensuring key executives who were likely to be crucial to FLT's recovery were retained while the business recovered and during the rebuilding phase.

### General terms

Invited PCRP participants were 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 have been 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 2%).

### 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.

### 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:

| | | BASE RIGHTS | | | MATCHING RIGHTS - TRANCHE 1 | | |
|---|---|---|---|---|---|---|---|
| GRANT NUMBER | GRANT DATE | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE[2] | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE[2] |
| 1 | 29 June 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 |

*1 The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.*

*2 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.*

## 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:

| | BALANCE AT 1 JULY 2021 | | | | | BALANCE AT 30 JUNE 2022 | | |
|---|---|---|---|---|---|---|---|---|
| OTHER GROUP KMP RIGHTS | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | GRANTED NUMBER | VESTED NUMBER | EXERCISED NUMBER | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | VALUE OF RIGHTS GRANTED DURING THE YEAR $ |
| **M. WATERS-RYAN** | | | | | | | | |
| **LTRP Grant 4** | | | | | | | | |
| Base | — | 1,923 | — | 1,923 | — | 1,923 | — | — |
| Match | — | 1,923 | — | 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 | — |
| Match | — | 10,508 | — | — | — | — | 10,508 | — |
| **LTRP Grant 7** | | | | | | | | |
| Base | — | — | 7,820 | — | — | — | 7,820 | 135,000 |
| Match | — | — | 7,820 | — | — | — | 7,820 | 135,000 |
| **PCRP** | | | | | | | | |
| Base | — | 70,000 | — | — | — | — | 70,000 | — |
| Match 1 | — | 35,000 | — | — | — | — | 35,000 | — |
| Match 2 | — | 35,000 | — | — | — | — | 35,000 | — |
| **A. CAMPBELL** | | | | | | | | |
| **LTRP Grant 4** | | | | | | | | |
| Base | — | 4,637 | — | 4,637 | (4,637) | — | — | — |
| Match | — | 4,637 | — | 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 | — |
| Match | — | 21,113 | — | — | — | — | 21,113 | — |
| **LTRP Grant 7** | | | | | | | | |
| Base | — | — | 15,712 | — | — | — | 15,712 | 271,250 |
| Match | — | — | 15,712 | — | — | — | 15,712 | 271,250 |
| **PCRP** | | | | | | | | |
| Base | — | 70,000 | — | — | — | — | 70,000 | — |
| Match 1 | — | 35,000 | — | — | — | — | 35,000 | — |
| Match 2 | — | 35,000 | — | — | — | — | 35,000 | — |
| **C. GALANTY** | | | | | | | | |
| **LTRP Grant 4** | | | | | | | | |
| Base | — | 1,923 | — | 1,923 | (1,923) | — | — | — |
| Match | — | 1,923 | — | 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 | — |
| Match | — | 8,756 | — | — | — | — | 8,756 | — |
| **LTRP Grant 7** | | | | | | | | |
| Base | — | — | 7,820 | — | — | — | 7,820 | 135,000 |
| Match | — | — | 7,820 | — | — | — | 7,820 | 135,000 |
| **PCRP** | | | | | | | | |
| Base | — | 70,000 | — | — | — | — | 70,000 | — |
| Match 1 | — | 35,000 | — | — | — | — | 35,000 | — |
| Match 2 | — | 35,000 | — | — | — | — | 35,000 | — |

| | BALANCE AT 1 JULY 2021 | | | | | BALANCE AT 30 JUNE 2022 | | |
|---|---|---|---|---|---|---|---|---|
| OTHER GROUP KMP RIGHTS | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | GRANTED NUMBER | VESTED NUMBER | EXERCISED NUMBER | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | VALUE OF RIGHTS GRANTED DURING THE YEAR $ |
| **J. KAVANAGH** | | | | | | | | |
| **LTRP Grant 4b** | | | | | | | | |
| Base | — | 1,282 | — | 1,282 | — | 1,282 | — | — |
| Match | — | 1,282 | — | — | — | — | 1,282 | — |
| **LTRP Grant 5b** | | | | | | | | |
| Base | — | 2,569 | — | 2,569 | — | 2,569 | — | — |
| Match | — | 2,569 | — | — | — | — | 2,569 | — |
| **LTRP Grant 6b** | | | | | | | | |
| Base | — | 9,429 | — | 9,429 | — | 9,429 | — | — |
| Match | — | 9,429 | — | — | — | — | 9,429 | — |
| **LTRP Grant 7** | | | | | | | | |
| Base | — | — | 7,017 | — | — | — | 7,017 | 121,141 |
| Match | — | — | 7,017 | — | — | — | 7,017 | 121,141 |
| **PCRP** | | | | | | | | |
| Base | — | 40,000 | — | — | — | — | 40,000 | — |
| Match 1 | — | 20,000 | — | — | — | — | 20,000 | — |
| Match 2 | — | 20,000 | — | — | — | — | 20,000 | — |
| **C. LEISS** | | | | | | | | |
| **LTRP Grant 4** | | | | | | | | |
| Base | — | 1,488 | — | 1,488 | (1,488) | — | — | — |
| Match | — | 1,488 | — | 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 | — |
| Match | — | 9,429 | — | — | — | — | 9,429 | — |
| **LTRP Grant 7** | | | | | | | | |
| Base | — | — | 7,017 | — | — | — | 7,017 | 121,141 |
| Match | — | — | 7,017 | — | — | — | 7,017 | 121,141 |
| **PCRP** | | | | | | | | |
| Base | — | 40,000 | — | — | — | — | 40,000 | — |
| Match 1 | — | 20,000 | — | — | — | — | 20,000 | — |
| Match 2 | — | 20,000 | — | — | — | — | 20,000 | — |
| **S. NORRIS** | | | | | | | | |
| **LTRP Grant 4** | | | | | | | | |
| Base | — | 1,069 | — | 1,069 | (1,069) | — | — | — |
| Match | — | 1,069 | — | 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 | — |
| Match | — | 9,429 | — | — | — | — | 9,429 | — |
| **LTRP Grant 7** | | | | | | | | |
| Base | — | — | 7,017 | — | — | — | 7,017 | 121,141 |
| Match | — | — | 7,017 | — | — | — | 7,017 | 121,141 |
| **PCRP** | | | | | | | | |
| Base | — | 40,000 | — | — | — | — | 40,000 | — |
| Match 1 | — | 20,000 | — | — | — | — | 20,000 | — |
| Match 2 | — | 20,000 | — | — | — | — | 20,000 | — |

The relevant portion of the expense relating to these rights was recognised during the year ended 30 June 2022. Refer to note D3.

# DIRECTORS' REPORT 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:

| 2022<br>FLT DIRECTORS | BALANCE AT THE START OF THE YEAR | RECEIVED ON THE EXERCISE OF RIGHTS | ESP PURCHASED SHARES | ESP MATCHED SHARES VESTED | 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[1] | 5,168 | — | — | — | 1,968 | 7,136 |
| G.F. Turner | 16,639,027 | — | — | — | — | 16,639,027 |
| **OTHER GROUP KMP** | | | | | | |
| M. Waters-Ryan | 60,622 | — | — | — | (5,000) | 55,622 |
| A. Campbell[2] | 6,207 | 9,274 | 830 | 239 | (5,545) | 11,005 |
| C. Galanty | 25,589 | 3,846 | — | — | (13,846) | 15,589 |
| J. Kavanagh[2] | 2,120 | — | 1,658 | — | — | 3,778 |
| C. Leiss[2] | 9,627 | 2,976 | 1,737 | 278 | (658) | 13,960 |
| S. Norris[2] | 647 | 2,138 | 1,197 | — | — | 3,982 |

*1 Other changes includes correction of 718 shares relating to acquisition of ordinary shares as a result of participating in the retail component of the 1 for 1.74 accelerated pro-rata non-renouncable entitlement offer FLT announced to the ASX on 6 April 2020.*

*2 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 642 (2021: 795), J. Kavanagh held 1,843 (2021: 1,015), C. Leiss held 1,291 (2021: 701) and S. Norris held 920 (2021: 323) conditional matched rights that had been granted under the ESP but had not yet vested.*

## 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 (2021: $nil).

# 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 45.

## 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

25 August 2022

Ernst & Young
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# 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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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

Ernst & Young

Ric Roach
Partner
25 August 2022

# STATEMENT OF PROFIT OR LOSS

| | NOTES | FOR THE YEAR ENDED 30 JUNE 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Revenue | A2 | 1,007,485 | 395,907 |
| Fair value gain on change in control | A3 | 4,245 | — |
| Other income | A3 | 57,386 | 280,009 |
| Share of profit of joint ventures and associates | E1 | 11,679 | 17,471 |
| | | | |
| Employee benefits | F1 | (882,268) | (810,210) |
| Sales and marketing | | (60,183) | (24,983) |
| Tour & hotel operations - cost of sales | | (24,579) | (2,331) |
| Amortisation and depreciation | B8 / F7 | (125,929) | (137,973) |
| Finance costs | A4 | (57,827) | (37,110) |
| Impairment reversal / (charge) | F6 / F7 | 8,953 | (35,709) |
| Other expenses | A4 | (316,748) | (246,781) |
| **Loss before income tax** | | **(377,786)** | **(601,710)** |
| | | | |
| Income tax credit | F12 | 90,604 | 168,254 |
| **Loss after income tax** | | **(287,182)** | **(433,456)** |
| | | | |
| Profit attributable to | | | |
| Company owners | | (286,651) | (433,129) |
| Non-controlling interests | | (531) | (327) |
| | | **(287,182)** | **(433,456)** |

Earnings per share for (loss) / profit attributable to the ordinary equity holders of the company:

| | | CENTS | CENTS |
|---|---|---|---|
| Basic loss per share | F2 | (143.7) | (217.5) |
| Diluted loss per share | F2 | (143.7) | (217.5) |

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 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Loss after income tax** | | **(287,182)** | **(433,456)** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that have been reclassified to profit or loss:** | | | |
| Hedging gains reclassified to profit or loss | F11 | — | (109) |
| Net exchange differences on disposal of foreign operations | F11 | (982) | (152) |
| **Items that may be reclassified to profit or loss:** | | | |
| Changes in the fair value of cash flow hedges | F11 | — | 336 |
| Gain on net investment hedges | F11 | 2,501 | 3,204 |
| Net exchange differences on translation of foreign operations | F11 | 19,513 | (28,863) |
| Income tax on items of other comprehensive income | F12 | (750) | (1,029) |
| **Total other comprehensive income / (loss)** | | **20,282** | **(26,613)** |
| **Total other comprehensive loss** | | **(266,900)** | **(460,069)** |
| **Attributable to** | | | |
| Company owners | | (266,369) | (459,740) |
| Non-controlling interests | | (531) | (329) |
| | | **(266,900)** | **(460,069)** |

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 | |
|---|---|---|---|
| | | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | NOTES | $'000 | $'000 |
| Receipts from customers[1] | | 681,396 | 483,776 |
| Payments to suppliers and employees[1] | | (842,057) | (1,683,491) |
| Royalties received | | 168 | — |
| Interest received | | 5,743 | 10,199 |
| Interest paid (non-leases) | | (22,462) | (16,009) |
| Interest paid (leases) | F7 | (8,917) | (12,507) |
| Government subsidies received | | 40,843 | 277,644 |
| Income taxes refunded | | 43,912 | 28,155 |
| **Net cash outflow from operating activities** | B1 | **(101,374)** | **(912,233)** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiaries, net of cash acquired | A6 | (40,180) | (145) |
| Acquisition of non-controlling interests in subsidiaries | | 1,907 | — |
| Proceeds from disposal of non-controlling interests in subsidiaries | | — | 157 |
| Proceeds from disposal of joint ventures and associates | | — | 169 |
| Payments of contingent consideration | | — | (1,634) |
| Proceeds from sale of property, plant and equipment | A3 | — | 62,150 |
| Payments for property, plant and equipment | B8/F6 | (11,150) | (3,376) |
| Payments for intangibles | B8/A5 | (29,221) | (33,978) |
| Payments for the purchase of financial asset investments | | (192,261) | (57,073) |
| Proceeds from financial asset investments | | 187,004 | — |
| Dividends received from joint ventures and associates | E1 | — | 1,555 |
| **Net cash outflow from investing activities** | | **(83,901)** | **(32,175)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | B4 | — | 326,445 |
| Net proceeds from issue of convertible notes | B5 | 392,184 | 392,228 |
| Repayment of borrowings | B4 | (207,426) | (222,408) |
| Payment of principal on lease liabilities | F7 | (93,563) | (91,031) |
| Lease surrender payments | F7 | (2,480) | (54,285) |
| Payments for purchase of shares on market | | — | (180) |
| Proceeds from issue of shares | D4 | 6,655 | 5,111 |
| Payments for purchase of treasury shares | D4 | (2,437) | — |
| **Net cash inflow from financing activities** | | **92,933** | **355,880** |
| | | | |
| **Net decrease in cash held** | | **(92,342)** | **(588,528)** |
| Cash and cash equivalents at the beginning of the financial year | | 1,290,831 | 1,865,797 |
| Effects of exchange rate changes on cash and cash equivalents | | 11,768 | 13,562 |
| **Cash and cash equivalents at end of the financial year** | B1 | **1,210,257** | **1,290,831** |

[1] *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 | |
|---|---|---|---|
| **ASSETS** | | 2022 | 2021 |
| **Current assets** | NOTES | $'000 | $'000 |
| Cash and cash equivalents | B1 | 1,226,904 | 1,290,831 |
| Financial asset investments | B2 | — | 65,142 |
| Trade receivables | F3 | 669,325 | 279,299 |
| Contract assets | F4 | 130,301 | 50,373 |
| Other assets | F5 | 44,487 | 43,478 |
| Other financial assets | C3 | 9,200 | 5,642 |
| Current tax receivables | | 31,007 | 83,567 |
| Derivative financial instruments | C2 | 1,282 | 5,015 |
| **Total current assets** | | **2,112,506** | **1,823,347** |
| **Non-current assets** | | | |
| Financial asset investments | B2 | 58,977 | — |
| Property, plant and equipment | F6 | 73,089 | 89,979 |
| Intangible assets | A5 | 782,293 | 687,512 |
| Right of use asset | F7 | 198,530 | 243,690 |
| Other assets | F5 | 32,290 | 8,557 |
| Other financial assets | C3 | 19,497 | 29,465 |
| Investments in joint ventures and associates | E1 | 49,678 | 49,046 |
| Deferred tax assets | F12 | 403,536 | 331,091 |
| Derivative financial instruments | C2 | 1,691 | 2,189 |
| **Total non-current assets** | | **1,619,581** | **1,441,529** |
| **Total assets** | | **3,732,087** | **3,264,876** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | F8 | 1,402,378 | 843,182 |
| Contract liabilities | F9 | 55,064 | 54,536 |
| Financial liabilities | A7 | 3,683 | 2,784 |
| Lease liability | F7 | 92,424 | 100,783 |
| Borrowings | B4 | 20,238 | 212,167 |
| Provisions | F10 | 43,805 | 43,273 |
| Current tax liabilities | | 615 | 2,546 |
| Derivative financial instruments | C2 | 7,760 | 1,659 |
| **Total current liabilities** | | **1,625,967** | **1,260,930** |
| **Non-current liabilities** | | | |
| Trade and other payables | | 19,810 | 2,041 |
| Contract liabilities | F9 | 30,736 | 34,945 |
| Financial liabilities | A7 | 10,386 | — |
| Lease liability | F7 | 193,627 | 267,670 |
| Borrowings | B4 | 354,000 | 355,684 |
| Convertible notes | B5 | 655,985 | 347,239 |
| Provisions | F10 | 27,671 | 29,862 |
| Deferred tax liabilities | F12 | 4,227 | 10,469 |
| Derivative financial instruments | C2 | 32,216 | — |
| **Total non-current liabilities** | | **1,328,658** | **1,047,910** |
| **Total liabilities** | | **2,954,625** | **2,308,840** |
| **Net assets** | | **777,462** | **956,036** |
| **EQUITY** | | | |
| Contributed equity | D4 | 1,105,711 | 1,099,056 |
| Treasury shares | D4 | (1,055) | — |
| Reserves | F11 | 136,460 | 35,614 |
| Retained profits / (accumulated losses) | | (465,285) | (178,634) |
| **Equity attributable to the Company owners** | | **775,831** | **956,036** |
| Non-controlling interests | | 1,631 | — |
| **Total equity** | | **777,462** | **956,036** |

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

# STATEMENT OF CHANGES IN EQUITY

| | NOTES | FOR THE YEAR ENDED 30 JUNE<br>CONTRIBUTED EQUITY<br>$'000 | TREASURY SHARES<br>$'000 | RESERVES<br>$'000 | RETAINED PROFITS<br>$'000 | TOTAL<br>$'000 | NON-CONTROLLING INTEREST<br>$'000 | TOTAL EQUITY<br>$'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | | **1,094,095** | **—** | **11,176** | **254,495** | **1,359,766** | **202** | **1,359,968** |
| Loss 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)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Non-controlling interest disposal of subsidiary | | — | — | — | — | — | 127 | **127** |
| Employee share-based payments | D4/F11 | 4,961 | — | 13,119 | — | **18,080** | — | **18,080** |
| Equity component of convertible bond, net of tax | B5/F12 | — | — | 37,930 | — | **37,930** | — | **37,930** |
| **Balance at 30 June 2021** | | **1,099,056** | **—** | **35,614** | **(178,634)** | **956,036** | **—** | **956,036** |
| Loss for the year | | — | — | — | (286,651) | **(286,651)** | (531) | **(287,182)** |
| Other comprehensive income | | — | — | 20,282 | — | **20,282** | — | **20,282** |
| **Total comprehensive income for the year** | | **—** | **—** | **20,282** | **(286,651)** | **(266,369)** | **(531)** | **(266,900)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Non-controlling interest recognised | | — | — | — | — | — | 2,162 | **2,162** |
| Acquisition reserve | F11 | — | — | (5,311) | — | **(5,311)** | — | **(5,311)** |
| Other reserves | F11 | — | — | (424) | — | **(424)** | — | **(424)** |
| Employee share-based payments | D4/F11 | 6,655 | — | 32,894 | — | **39,549** | — | **39,549** |
| Treasury shares | D4 | — | (1,055) | — | — | **(1,055)** | — | **(1,055)** |
| Equity component of convertible bond, net of tax | B5/F12 | — | — | 53,405 | — | **53,405** | — | **53,405** |
| **Balance at 30 June 2022** | | **1,105,711** | **(1,055)** | **136,460** | **(465,285)** | **775,831** | **1,631** | **777,462** |

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

# NOTES TO THE FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED



## SIGNIFICANT MATTERS

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

### 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 1 November 2021, the Company issued convertible notes with an aggregate principal amount of $400,000,000 and strike price of $27.30 which mature in November 2028 and have a put date of May 2026.

On 22nd February 2021, FLT entered into a $350,000,000 three year secured syndicated debt facility with its existing bank lenders. FLT will not be required to comply with its existing operating leverage ratio, fixed charges ratio and shareholder funds ratio covenants until 30 June 2023, at which point covenants will be calculated based on the six month period from 1 January 2023 to 30 June 2023. 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 matured in March 2022 and were repaid. On 19 March 2021 FCUK issued a further GBP 50,000,000 of CCFF notes which matured in March 2022 and were repaid. In total, FCUK has issued GBP 115,000,000 (A$211,747,000) of CCFF notes which matured and were repaid in March 2022.

The effects of COVID-19 continues to impact FLT and has given rise to the loss in FY22. The travel industry is in an early recovery phase, and current supply constraints are expected to normalise as the FY23 year progresses ahead of a full industry recovery in late FY24. Given FLT's trading recovery momentum, current cash position 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.

### ACQUISITIONS

#### FCM Travel Standards for Japan Co., Ltd (FCM Japan)

On 2 September 2021, FLT announced plans to launch its leading FCM travel management business in Japan with NSF Engagement Corporation (FCM Japan). The entity is controlled by FLT. Cash was invested into the entity by both parties in December 2021. On 5 January 2022, assets and liabilities were transferred to FCM Japan and operations commenced. Refer to note G1.

#### Compl.ai Inc

On 22 December 2021, FLT acquired 100% of Compl.ai Inc., a Texas based business that has developed an industry first browser extension, Shep, that will be integrated into FLT's flagship FCM travel management business. Refer to note A6.

#### TP Connects

On 13 April 2022, FLT completed its acquisition of an additional 47.5% interest in travel technology business TP Connects.

The transaction was announced on 14 March 2022, when FLT agreed to increase its equity interest from 22.5% to 70% in the Dubai-based software-as-a-service (SaaS) business, which has been at the forefront of ongoing changes to traditional distribution models.

FLT initially invested in TP Connects in February 2020 with a view to supercharging the development of TP Connect's innovative technology platform, which aims to shape the future of travel distribution by aggregating content from multiple sources. Refer to note A6.

Concurrent with the acquisition, FLT through its subsidiary Flight Centre Travel Group (UAE Holdings) Limited entered into a call option over the non-controlling shareholders' 30% interest in TP Connects and the non-controlling shareholders entered into a corresponding put option. Refer to note A7.

### DIVIDENDS

The directors have determined it is not prudent to declare a dividend for the period ended 30 June 2022 due to the ongoing COVID-19 uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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

### (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
- Chief executive officer – Corporate; and
- Chief executive officer – Supply

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

- MD – The Americas; and
- MD – EMEA

While the MD's play a key role in 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.

In March 2022, FLT announced new senior leadership roles across the three core business units of Leisure, Corporate and Supply. For the year ended 30 June 2022, this has no impact on FLT's segment reporting and the disclosable segments remain as Leisure, Corporate and Other.

#### LEISURE

The Leisure segment combines the retail store front and online 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 head office teams, the India Forex business and the share of profits relating to the investment in Pedal Group).

The group consolidation adjustments are also included in this segment.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A1 SEGMENT INFORMATION (CONTINUED)

### (B) MAJOR CUSTOMERS

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

### (C) UNDERSTANDING THE SEGMENT RESULT

Segment information is presented below in the manner in which it is presented to the CODMs and upon which they make their decisions.

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 2021. Refer to note A2 for details of revenue policies.

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

#### *ALTERNATIVE PROFIT MEASURES*

In addition to using profit as a measure of the group and its segments' financial performance, FLT uses EBITDA, underlying EBITDA and underlying PBT as this information is presented and used by the CODMs. These unaudited measures are not defined under IFRS and are, therefore, termed "non-IFRS" measures.

EBITDA is defined as group earnings before net interest, tax, depreciation and amortisation.

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

#### *SEGMENT ASSETS AND LIABILITIES*

The amounts provided to the board and 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 unaudited, non-IFRS financial information and does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations, 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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 2022 and 30 June 2021 is shown in the tables on the following pages.

| 30 JUNE 2022 | LEISURE[3] $'000 | CORPORATE[3] $'000 | OTHER[3] $'000 | TOTAL $'000 |
|---|---|---|---|---|
| **Segment information** | | | | |
| **TTV[1]** | **4,135,222** | **5,587,505** | **617,680** | **10,340,407** |
| Agency revenue from the provision of travel | 409,169 | 511,528 | 7,321 | 928,018 |
| Principal revenue from the provision of travel | 19,071 | 4,764 | 1,054 | 24,889 |
| Revenue from tour & hotel operations | 32,159 | — | — | 32,159 |
| Revenue from other businesses | 2,119 | 8,721 | 11,579 | 22,419 |
| **Total revenue from contracts with customers** | **462,518** | **525,013** | **19,954** | **1,007,485** |
| **EBITDA[1]** | **(196,358)** | **5,589** | **(9,262)** | **(200,031)** |
| Depreciation and amortisation | (79,959) | (32,764) | (13,206) | (125,929) |
| Interest income | 5,967 | 914 | (880) | 6,001 |
| Interest expense | (11,473) | (5,061) | (41,293) | (57,827) |
| **Net (loss) before tax and royalty** | **(281,823)** | **(31,322)** | **(64,641)** | **(377,786)** |
| Royalty | — | (4,288) | 4,288 | — |
| **Net (loss) before tax** | **(281,823)** | **(35,610)** | **(60,353)** | **(377,786)** |
| **Reconciliation of EBITDA to Underlying EBITDA** | | | | |
| **EBITDA[1]** | **(196,358)** | **5,589** | **(9,262)** | **(200,031)** |
| COVID-19 one off costs and other non-cash items[2] | 6,806 | (1,279) | (6,295) | (768) |
| Fair value gain on TP Connects | — | — | (4,245) | (4,245) |
| Employee retention plans | 9,118 | 9,202 | 3,600 | 21,920 |
| **Underlying EBITDA[1]** | **(180,434)** | **13,512** | **(16,202)** | **(183,124)** |
| **Underlying (loss) before tax and royalty** | **(265,899)** | **(23,399)** | **(71,581)** | **(360,879)** |

*1 TTV, EBITDA, underlying EBITDA and underlying PBT are unaudited, non-IFRS measures.*

*2 Relates to one-off non-cash items, including gain on disposal of right-of-use assets and systems decommissioning.*

*3 The results of the new acquisitions made during the period are shown in the following segments: Compl.ai Inc in the Corporate pillar, TP Connects in Other pillar and Grasshopper in the Leisure pillar.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A1 SEGMENT INFORMATION (CONTINUED)

| 30 JUNE 2021 | LEISURE $'000 | CORPORATE $'000 | OTHER $'000 | TOTAL $'000 |
|---|---|---|---|---|
| **Segment information** | | | | |
| **TTV[1]** | **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 |
| **Total revenue from contracts with customers** | **156,400** | **216,536** | **22,971** | **395,907** |
| | | | | |
| **EBITDA[1]** | **(357,363)** | **(99,411)** | **24,438** | **(432,336)** |
| Depreciation and amortisation | (94,162) | (39,498) | (4,313) | (137,973) |
| Interest income | 6,744 | 2,687 | (3,722) | 5,709 |
| Interest expense | (16,834) | (5,168) | (15,108) | (37,110) |
| **Net (loss) before tax and royalty** | **(461,615)** | **(141,390)** | **1,295** | **(601,710)** |
| Royalty | — | (1,027) | 1,027 | — |
| **Net (loss) before tax and after royalty** | **(461,615)** | **(142,417)** | **2,322** | **(601,710)** |
| | | | | |
| **Reconciliation of EBITDA to Underlying EBITDA** | | | | |
| **EBITDA[1]** | **(357,363)** | **(99,411)** | **24,438** | **(432,336)** |
| 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[2] | 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 |
| **Underlying EBITDA[1]** | **(262,218)** | **(79,993)** | **4,453** | **(337,758)** |
| | | | | |
| **Underlying (loss) before tax and royalty** | **(366,470)** | **(121,972)** | **(18,690)** | **(507,132)** |

*1 TTV, EBITDA, underlying EBITDA and underlying PBT are unaudited, non-IFRS measures.*

*2 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) before tax and royalty (PBT) and underlying (loss) 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 2022 | AUSTRALIA & NZ $'000 | AMERICAS $'000 | EMEA $'000 | ASIA $'000 | OTHER SEGMENT[3] $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| **Segment information** | | | | | | |
| **TTV[1]** | **4,536,855** | **2,640,848** | **2,074,142** | **1,030,814** | **57,748** | **10,340,407** |
| | | | | | | |
| Agency revenue from the provision of travel | 392,062 | 268,298 | 232,246 | 31,315 | 4,097 | 928,018 |
| Principal revenue from the provision of travel | 14,450 | 6,813 | 1,441 | 84 | 2,101 | 24,889 |
| Revenue from tour & hotel operations | — | — | — | — | 32,159 | 32,159 |
| Revenue from other businesses | 9,939 | 3,656 | 1,138 | 4,086 | 3,600 | 22,419 |
| **Total revenue from contracts with customers** | **416,451** | **278,767** | **234,825** | **35,485** | **41,957** | **1,007,485** |
| | | | | | | |
| **EBITDA[1]** | **(136,415)** | **(22,013)** | **28,558** | **(18,586)** | **(51,575)** | **(200,031)** |
| Depreciation and amortisation | (67,792) | (18,075) | (20,026) | (3,205) | (16,831) | (125,929) |
| Interest income | 3,921 | 6,807 | 9,803 | 394 | (14,924) | 6,001 |
| Interest expense | (7,209) | (12,117) | (2,874) | (1,431) | (34,196) | (57,827) |
| **Net (loss) before tax and royalty** | **(207,495)** | **(45,398)** | **15,461** | **(22,828)** | **(117,526)** | **(377,786)** |
| Royalty | — | — | (4,288) | — | 4,288 | — |
| **Net (loss) before tax and after royalty** | **(207,495)** | **(45,398)** | **11,173** | **(22,828)** | **(113,238)** | **(377,786)** |
| | | | | | | |
| **Reconciliation of EBITDA to Underlying EBITDA** | | | | | | |
| **EBITDA[1]** | **(136,415)** | **(22,013)** | **28,558** | **(18,586)** | **(51,575)** | **(200,031)** |
| COVID-19 one off costs and other non-cash items[2] | (5,598) | 5,246 | (646) | 25 | 205 | (768) |
| Fair value gain on TP Connects | — | — | — | — | (4,245) | (4,245) |
| Employee retention plans | 7,897 | 3,173 | 4,362 | 1,791 | 4,697 | 21,920 |
| | | | | | | |
| **Underlying EBITDA[1]** | **(134,116)** | **(13,594)** | **32,274** | **(16,770)** | **(50,918)** | **(183,124)** |
| | | | | | | |
| **Underlying (loss) before tax and royalty** | **(205,196)** | **(36,979)** | **19,177** | **(21,012)** | **(116,869)** | **(360,879)** |

*1 TTV, EBITDA, underlying EBITDA and underlying PBT are unaudited, non-IFRS measures.*

*2 Relates to one-off non-cash items, including gain on disposal of right-of-use assets and systems decommissioning.*

*3 The results of the new acquisitions made during the period are shown in the following segments: Compl.ai Inc, TP Connects and Grasshopper in the Other Segment.*

## A1 SEGMENT INFORMATION (CONTINUED)

| 30 JUNE 2021 | AUSTRALIA & NZ $'000 | AMERICAS $'000 | EMEA $'000 | ASIA $'000 | OTHER SEGMENT $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| **Segment information** | | | | | | |
| **TTV[1]** | **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 |
| **Total revenue from contracts with customers** | **176,696** | **110,893** | **79,443** | **14,981** | **13,894** | **395,907** |
| | | | | | | |
| **EBITDA[1]** | **(171,399)** | **(123,319)** | **(52,097)** | **(19,863)** | **(65,658)** | **(432,336)** |
| Depreciation and amortisation | (76,054) | (27,931) | (22,954) | (4,465) | (6,569) | (137,973) |
| Interest income | 5,288 | 8,868 | 7,015 | 1,484 | (16,946) | 5,709 |
| Interest expense | (8,282) | (9,647) | (2,990) | (716) | (15,475) | (37,110) |
| **Net (loss) before tax and royalty** | **(250,447)** | **(152,029)** | **(71,026)** | **(23,560)** | **(104,648)** | **(601,710)** |
| Royalty | — | — | (1,211) | — | 1,211 | — |
| **Net (loss) before tax and after royalty** | **(250,447)** | **(152,029)** | **(72,237)** | **(23,560)** | **(103,437)** | **(601,710)** |
| | | | | | | |
| **Reconciliation of EBITDA to Underlying EBITDA** | | | | | | |
| **EBITDA[1]** | **(171,399)** | **(123,319)** | **(52,097)** | **(19,863)** | **(65,658)** | **(432,336)** |
| 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[2] | 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 |
| **Underlying EBITDA[1]** | **(129,025)** | **(79,311)** | **(53,776)** | **(18,639)** | **(57,007)** | **(337,758)** |
| | | | | | | |
| **Underlying (loss) before tax and royalty** | **(208,073)** | **(108,021)** | **(72,705)** | **(22,336)** | **(95,997)** | **(507,132)** |

*1 TTV, EBITDA, underlying EBITDA and underlying PBT are unaudited, non-IFRS measures.*

*2 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

## A2 REVENUE

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Agency revenue from the provision of travel | 928,018 | 366,109 |
| Principal revenue from the provision of travel | 24,889 | 13,125 |
| Revenue from tour & hotel operations | 32,159 | 2,899 |
| Revenue from other businesses | 22,419 | 13,774 |
| **Total revenue from contracts with customers** | **1,007,485** | **395,907** |

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 when the booking is finalised as this is 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, some 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 or expected incentive rates.*

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

*FLT have applied practical expedient AASB 15(121) where revenue to be recognised in future periods, for unsatisfied or partially satisfied performance obligations as at reporting date, is not disclosed as the performance obligation will be completed within 12 months or less.*

### *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 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 and Discova Americas. 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.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A3 OTHER INCOME

| | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **FAIR VALUE GAIN ON CHANGE IN CONTROL** | | | |
| Fair value gain on TP Connects | A6 | 4,245 | — |
| **Total** | | **4,245** | **—** |

| | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **OTHER INCOME** | | | |
| Interest | | 6,001 | 5,709 |
| Rent and sub-lease rentals | F7 | 7,210 | 6,012 |
| Loss on financial liabilities | A7 | (899) | (840) |
| Investment distribution income | | 1,324 | — |
| Gain on disposal of right-of-use asset - Southpoint head office lease | | 5,277 | — |
| Gain on sale of St Kilda building | | — | 32,982 |
| Net foreign exchange gains | | 4,110 | — |
| Government subsidies | | 34,363 | 236,146 |
| **Total** | | **57,386** | **280,009** |

### GAIN ON DISPOSAL OF RIGHT-OF-USE ASSET - SOUTHPOINT HEAD OFFICE LEASE

During the year, FLT reached an agreement with the lessor for their Brisbane head office (Southpoint) to exit a number of floors before the original lease termination date. This resulted in a reduction in the right-of-use asset and lease liability, with the difference of $5,277,000 taken to the statement of profit or loss. The gain is presented within the Australia & New Zealand geographic area and the Other pillar segment.

### GAIN ON SALE OF ST KILDA BUILDING

In the prior year, the sale of the St Kilda Melbourne head office property was completed for cash proceeds of $62,150,000.

A gain of $32,982,000 was recognised, in the prior year, 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 the government during the year.

As at 30 June 2022, the majority of COVID-19 related subsidies have ended, however FLT continues to receive other types of government subsidies related to education & training. Depending on the conditions of the grant, outstanding amounts are 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 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 | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **FINANCE COSTS** | | | |
| BOS interest expense | | 123 | 27 |
| Interest and finance charges | | 8,875 | 9,000 |
| Amortisation of convertible note at effective interest rate | | 39,673 | 15,360 |
| Lease interest expense | F7 | 8,917 | 12,507 |
| Unwind of make good provision discount | F10 | 239 | 216 |
| **Total finance costs** | | **57,827** | **37,110** |
| | | | |
| **OTHER EXPENSES** | | | |
| Other occupancy costs | | 34,641 | 30,568 |
| Rent expense | F7 | 4,264 | 6,028 |
| Consulting and outsourcing fees | | 50,326 | 45,345 |
| Independent agent consulting fees | | 29,912 | 9,536 |
| Communication and IT | | 148,670 | 109,641 |
| Net foreign exchange losses | | — | 3,351 |
| Bad debts expense / (reversal) | F3 / F4 | (1,459) | (1,033) |
| Other expenses | | 50,394 | 43,345 |
| **Total other expenses** | | **316,748** | **246,781** |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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 and acquisitions.

| | GOODWILL | BRAND NAMES, LICENCES AND CUSTOMER RELATIONSHIP[1] | SOFTWARE[2] | TOTAL |
|---|---|---|---|---|
| **Opening Balance at 1 July 2020** | $'000 | $'000 | $'000 | $'000 |
| Cost | 739,448 | 119,324 | 223,814 | 1,082,586 |
| Accumulated amortisation (including accumulated impairment losses) | (168,435) | (98,007) | (106,278) | (372,720) |
| **Net book amount at 1 July 2020** | **571,013** | **21,317** | **117,536** | **709,866** |
| Additions | — | 36 | 33,942 | 33,978 |
| Disposals & retirements[3] | — | — | (2,014) | (2,014) |
| Amortisation | — | (4,951) | (20,556) | (25,507) |
| Exchange differences | (21,934) | (625) | (6,252) | (28,811) |
| **Net book amount at 30 June 2021** | **549,079** | **15,777** | **122,656** | **687,512** |
| **Opening Balance at 1 July 2021** | | | | |
| Cost | 711,353 | 114,948 | 230,459 | 1,056,760 |
| Accumulated amortisation (including accumulated impairment losses) | (162,274) | (99,171) | (107,803) | (369,248) |
| **Net book amount at 1 July 2021** | **549,079** | **15,777** | **122,656** | **687,512** |
| Additions | — | — | 29,221 | 29,221 |
| Acquisitions | 46,086 | 84 | 29,260 | 75,430 |
| Disposals & retirements[3] | — | — | (377) | (377) |
| Amortisation | — | (4,304) | (23,702) | (28,006) |
| Exchange differences | 13,102 | (198) | 5,609 | 18,513 |
| **Net book amount at 30 June 2022** | **608,267** | **11,359** | **162,667** | **782,293** |
| Cost | 776,509 | 117,476 | 288,557 | 1,182,542 |
| Accumulated amortisation (including accumulated impairment losses) | (168,242) | (106,117) | (125,890) | (400,249) |
| **Net book amount at 30 June 2022** | **608,267** | **11,359** | **162,667** | **782,293** |

*1 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.*

*2 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.*

*3 Balances shown net of accumulated amortisation.*

## 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 | |
|---|---|---|---|---|
| | 2022<br>$'000 | 2021<br>$'000 | 2022<br>$'000 | 2021<br>$'000 |
| Australia Leisure | 178,094 | 167,773 | — | — |
| Global Corporate | 310,796 | 311,818 | — | — |
| Discova[1] | 29,266 | 26,875 | — | — |
| Student Universe | 18,843 | 17,270 | 2,030 | 1,861 |
| TP Connects[2] | 46,157 | — | — | — |
| Other[3] | 25,111 | 25,343 | 202 | 193 |
| **Total** | **608,267** | **549,079** | **2,232** | **2,054** |

*1 In the prior year, Discova Asia and Discova America were combined to more accurately reflect the way management is now monitoring and reporting activities.*

*2 TP Connects goodwill will be allocated on finalisation of the acquisition accounting.*

*3 Other includes CGUS which are not individually significant.*

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

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

| | PRE-TAX DISCOUNT RATE | |
|---|---|---|
| **GOODWILL & BRAND NAMES** | 2022 | 2021 |
| **CGU** | % | % |
| Australia Leisure | 14.3 | 12.8 |
| Global Corporate | 13.7 | 12.2 |
| Discova | 19.5 | 18.7 |
| Student Universe | 14.2 | 13.5 |
| Other countries (excluding those listed above) | 14.3 | 12.8 |

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

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% (2021: 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 expected long-term inflation.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## A5 INTANGIBLE ASSETS (CONTINUED)

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.

## A6 BUSINESS COMBINATIONS

### (A) CURRENT YEAR ACQUISITIONS

### *SUMMARY OF ACQUISITIONS*

During the period FLT announced the acquisitions as set out below.

**Compl.ai Inc**

On 22 December 2021, FLT acquired 100% of Compl.ai Inc., a Texas based business that has developed an industry first browser extension, Shep, that will be integrated into FLT's flagship FCM travel management business.

The acquisition price was USD $2,000,000 payable in five quarterly instalments of USD $400,000. The first three payments of AUD$1,654,000 have been paid during the period, with the remaining AUD$1,102,000 recorded as a current payable.

The accounting for the business combination has been finalised.

Details of the purchase consideration, the net assets acquired and goodwill are set out in the table below.

**Travel Technology FZ LLC (TP Connects)**

On 13 April 2022, FLT acquired an additional 47.5% of Travel Technology FZ LLC and its subsidiaries (TP Connects) for $39,260,000, bringing FLT's shareholding to 70%. FLT gained control of TP Connects and the business is now accounted for as a subsidiary of FLT. As at 30 June 2021, TP Connects was accounted for as an investment in associate.

TP Connects is a Dubai-based, technology provider and travel aggregator, helping airlines and travel agencies to retail travel through cloud-based software designed to streamline and personalise the distribution of travel products.

FLT have acquired significant software through the next generation New Distribution Capability (NDC), Global Distribution Systems (GDS) and One Order based travel technology platform and software development resources.

The goodwill represents the synergies expected to be achieved through integrating TP Connects and the technical talent of the employees.

Had the acquisition occurred on 1 July 2021, revenue contribution would have been $1,725,000 and loss contribution would have been $5,040,000 for the year.

The business combination accounting for TP Connects is provisional at 30 June 2022.

## A6 BUSINESS COMBINATIONS (CONTINUED)

### Grasshopper Adventures Ltd (Grasshopper)

On 7 February 2022, FLT acquired 100% of the assets and liabilities of Grasshopper Adventures, a boutique Asia-based operator specialising in active travel.

The acquisition price was $623,000 (US$450,000) with $407,000 (US$300,000) paid in cash. $216,000 (US$150,000) is payable in December 2023 subject to terms, this is currently recorded as contingent consideration. The purchase price accounting is final at 30 June 2022.

Details of the purchase consideration, net assets acquired and goodwill are set out in the table below:

| | NOTE | Compl.ai Inc $'000 | TP Connects $'000 | Grasshopper $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Purchase consideration** | | | | | |
| Cash consideration | | 1,654 | 39,260 | 407 | **41,321** |
| Deferred consideration | | 1,102 | — | — | **1,102** |
| Contingent consideration | A7 | — | — | 216 | **216** |
| **Total purchase consideration** | | **2,756** | **39,260** | **623** | **42,639** |
| **Assets and liabilities acquired at fair value** | | | | | |
| Cash and cash equivalents | | 63 | 1,078 | — | **1,141** |
| Trade and other receivables | | 81 | 285 | — | **366** |
| Other assets | | 52 | 180 | — | **232** |
| Property, plant and equipment | F6 | 2 | 83 | 557 | **642** |
| Intangible assets | A5 | 2,687 | 26,573 | 84 | **29,344** |
| Trade and other payables | | (28) | (2,410) | (906) | **(3,344)** |
| Other financial liabilities | | — | (1,301) | — | **(1,301)** |
| Financial liabilities | | — | (8,508) | — | **(8,508)** |
| Contract liabilities | | (101) | (31) | — | **(132)** |
| **Net identifiable assets and liabilities acquired** | | **2,756** | **15,949** | **(265)** | **18,440** |
| Equity accounted value of previous interest | | — | (11,801) | — | **(11,801)** |
| Fair value gain on change in control[1] | A3 | — | (5,227) | — | **(5,227)** |
| **Fair value of previous interest held** | | **—** | **(17,028)** | **—** | **(17,028)** |
| Non-controlling interest on change in control[2] | | — | (4,859) | — | **(4,859)** |
| **Goodwill arising on acquisition[3]** | | **—** | **45,198** | **888** | **46,086** |
| **Purchase consideration - cash outflow** | | | | | |
| Cash consideration | | 1,654 | 39,260 | 407 | **41,321** |
| Less: balances acquired | | (63) | (1,078) | — | **(1,141)** |
| **Total cash outflow - investing activities** | | **1,591** | **38,182** | **407** | **40,180** |
| **Revenue and profit contribution from the date of acquisition to year-end** | | | | | |
| Revenue | | 23 | 494 | 168 | **685** |
| Profit / (loss) before tax | | (789) | (1,582) | (52) | **(2,423)** |

*1 Fair value gain on change in control for TP Connects of $4,245,000 in the statement of profit or loss is made up of the above $5,227,000 less $982,000 in reserves reversal. Refer to note F11.*

*2 The non-controlling interest on change in control is measured at a proportionate share of the recognised amounts of TP Connects net identifiable assets and liabilities. This has been de-recognised against the acquisition reserve. Refer to notes A7 and F11.*

*3 Goodwill arising on TP Connects acquisition is provisional pending the final valuation of the acquired intangible assets.*

### (B) PRIOR YEAR ACQUISITIONS

There were no acquisitions in the prior period.

## A7 FINANCIAL LIABILITIES

| CURRENT | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Contingent consideration | 3,683 | 2,784 |
| **Total current financial liabilities** | **3,683** | **2,784** |

| NON-CURRENT | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Contingent consideration | 216 | — |
| Put option financial liability | 10,170 | — |
| **Total non-current financial liabilities** | **10,386** | **—** |

Contingent consideration and the put option financial liability are recognised in relation to the acquisitions listed below. FLT has determined that contingent consideration is classified as Level 3 (2021: 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 the contingent consideration are recorded through other income in the statement of profit or loss.

### AVMIN PTY LIMITED (AVMIN)

The financial liability related to the put option for AVMIN of $3,683,000 (2021: $2,784,000) 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 2021 and for the year ended 30 June 2022.

### TRAVEL TECHNOLOGY FZ LLC (TP CONNECTS)

Concurrent with the acquisition, FLT through its subsidiary Flight Centre Travel Group (UAE Holdings) Limited entered into a call option over the non-controlling shareholders' remaining 30% interest in TP Connects and the non-controlling shareholders entered into a corresponding put option. The call option can be exercised after 1 July 2027 and the put option can only be exercised by TP Connects if the call option is not exercised by FLT.

The financial liability related to the expected put option exercise price has been recorded as a non-current financial liability of $10,170,000 with a corresponding amount recognised in the acquisition reserve (note F11). The statement of profit or loss includes 100% of the net loss of TP Connects. The carrying value of the liability has been estimated by discounting the value of future expected cash flows for the settlement of the put option at a discount rate of 3.0%. The expected cash flows are based on the forecast EBITDA for FY24, FY26 and FY27. Any change in value, together with the net present value interest unwind on the put option liability, is recorded through the statement of profit or loss.

### GRASSHOPPER ADVENTURES LTD (GRASSHOPPER)

The financial liability related to the Grasshopper acquisition has been recorded as part of non-current contingent consideration. The potential undiscounted amount payable per the asset purchase agreement is $216,000.

Reconciliation of financial liabilities for the period is set out below:

| | NOTES | FINANCIAL LIABILITIES $'000 |
|---|---|---|
| **Opening balance at 1 July 2021** | | **2,784** |
| New business combinations | A6 | 10,386 |
| Other unrealised (gains) / losses including net foreign exchange movements | A3 | 899 |
| **Closing balance at 30 June 2022** | | **14,069** |

### *SIGNIFICANT ACCOUNTING ESTIMATE*

The valuations used to determine the carrying amount of put option liabilities are based on forward looking key assumptions that are, by nature, uncertain. This requires an estimation of future earnings which includes assumptions in relation to revenue growth and the cost of business operations.

# 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 caused a prolonged downturn of demand due to the unprecedented restrictions that governments globally imposed on travel to slow the spread of COVID-19. The travel industry is now in an early recovery phase, and current supply constraints are expected to normalise as the FY23 year progresses ahead of a full industry recovery in late FY24.

FLT implemented a comprehensive package of initiatives 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 Convertible notes

B6 Ratios

- Net debt
- Gearing ratio

B7 Dividends

B8 Capital expenditure

## B1 CASH AND CASH EQUIVALENTS

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Cash at bank and on hand | 866,153 | 1,172,115 |
| Restricted cash[1] | 360,751 | 118,716 |
| **Total cash and cash equivalents** | **1,226,904** | **1,290,831** |

*1 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

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Cash and cash equivalents | 1,226,904 | 1,290,831 |
| Bank overdraft | (16,647) | — |
| **Balance per Statement of Cash Flows** | **1,210,257** | **1,290,831** |

## B1 CASH AND CASH EQUIVALENTS (CONTINUED)

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

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Loss after income tax for the year | (287,182) | (433,456) |
| | | |
| Depreciation and amortisation | 125,929 | 137,973 |
| Net loss / (gain) on disposal of non-current assets | 8,138 | (31,028) |
| Net gain on sale of financial assets at fair value | (47) | (2,942) |
| Share of profits of joint ventures & associates | (11,679) | (17,471) |
| Impairment (reversals) / charges | (8,953) | 35,709 |
| Fair value gain on change in control | (4,245) | — |
| Fair value adjustment to contingent consideration | 899 | 840 |
| Non-cash employee benefits expense - share based payments | 33,206 | 13,323 |
| Amortisation of convertible note | 25,070 | 9,196 |
| Lease surrender payments | 2,480 | 54,285 |
| Net exchange differences | 5,679 | (49,836) |
| | | |
| (Increase) / decrease in trade and other receivables, contracts assets and other assets | (464,102) | 96,514 |
| Increase / (decrease) in trade creditors and other payables | 523,140 | (551,315) |
| Decrease in net income taxes payable | (47,719) | (139,463) |
| Decrease in other provisions | (1,988) | (34,562) |
| **Net cash outflow from operating activities** | **(101,374)** | **(912,233)** |

## B2 FINANCIAL ASSET INVESTMENTS

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **CURRENT** | | |
| Equity investments - Fair value through profit or loss (FVTPL) | — | 4,320 |
| Debt securities - Fair value through profit or loss (FVTPL) | — | 5,916 |
| Debt securities - Fair value through other comprehensive income (FVOCI) | — | 54,906 |
| **Total current financial asset investments** | **—** | **65,142** |
| | | |
| **NON-CURRENT** | | |
| Equity investments - Fair value through profit or loss (FVTPL) | 4,509 | — |
| Debt securities - Fair value through other comprehensive income (FVOCI) | 54,468 | — |
| **Total non-current financial asset investments** | **58,977** | **—** |

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

## B2 FINANCIAL ASSET INVESTMENTS (CONTINUED)

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 (2021: 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 (2021: 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 | | | | | |
|---|---|---|---|---|---|---|
| | AA AND ABOVE | AA-TO A- | BBB+ TO BBB- | NON INVESTMENT GRADE / UNRATED | UNRATED - FX BUSINESS CURRENCY HOLDINGS | TOTAL |
| **AT 30 JUNE 2022** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | — | 1,086,241 | 76,573 | 37,871 | 26,219 | **1,226,904** |
| Equity investments - FVTPL | — | — | — | 4,509 | — | **4,509** |
| Debt securities - FVTPL | — | — | — | — | — | **—** |
| Debt securities - FVOCI | — | 50,451 | 4,017 | — | — | **54,468** |
| **AT 30 JUNE 2021** | | | | | | |
| 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** |

#### *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 policy 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.

The Group has no exposures to interbank offered rates (IBORs) on its non-derivative financial instruments that will be replaced or reformed as part of the market-wide initiatives.

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B4 BORROWINGS

| CURRENT | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Bank loans (including bank overdraft) | | 19,779 | 212,126 |
| Net unsecured notes principal[1] | D2 | 459 | 41 |
| **Total current borrowings** | | **20,238** | **212,167** |
| **NON-CURRENT** | | | |
| Bank loans | | 354,000 | 355,684 |
| **Total non-current borrowings** | | **354,000** | **355,684** |

*1 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 | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Opening Balance at 1 July 2021** | **567,851** | **462,182** |
| Cashflow - Proceeds from borrowings[1] | — | 326,445 |
| Cashflow - Repayment of borrowings[1] | (207,426) | (222,408) |
| Cashflow - Proceeds from bank overdrafts | 16,647 | — |
| Cashflow - Repayment of bank overdrafts | — | (1,510) |
| Foreign exchange movement | (2,834) | 3,142 |
| **Closing Balance at 30 June 2022** | **374,238** | **567,851** |

*1 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*

On 1 November 2021, the Company issued convertible notes with an aggregate principal amount of $400,000,000 and strike price of $27.30 which mature in November 2028 and have a put date of May 2026.

On 22nd February 2021, FLT entered into a $350,000,000 three year secured syndicated debt facility with its existing bank lenders. FLT will not be required to comply with its existing operating leverage ratio, fixed charges ratio and shareholder funds ratio covenants until 30 June 2023, at which point covenants will be calculated based on the six month period from 1 January 2023 to 30 June 2023. 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.

#### *MARKET RISK*

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as ‘IBOR reform’). The Group has no exposures to IBORs on its borrowings that will be replaced or reformed as part of these market-wide initiatives.

#### *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.

## B4 BORROWINGS (CONTINUED)

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 1.5-4 years (2021: 2-3 years) and are at a mix of fixed and floating rates.

The current interest rates on loan facilities range from 0.55% - 4.20% (2021: 0.55% - 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 | |
|---|---|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Unused | 19,541 | 4,558 | 35,589 | 32,419 | 51,205 | 42,982 |
| Used | 374,798 | 570,373 | 41,982 | 12,795 | 35,275 | 48,978 |
| **Total facilities** | **394,339** | **574,931** | **77,571** | **45,214** | **86,480** | **91,960** |

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, $25,700,000 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.

## B5 CONVERTIBLE NOTES

### SIGNIFICANT MATTERS

On 1 November 2021, the Company issued convertible notes with an aggregate principal amount of $400,000,000 and strike price of $27.30 which mature in November 2028 and have a put date of May 2026. 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 $27.30 per share 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 4.5 years at face value plus any accrued interest. Any convertible notes not converted will be redeemed on 1 November 2028 at the principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 1.6250% per annum (effective interest rate of 7.12% per annum based on a four-and-a-half-year amortisation period on estimation of cashflow timing in line with four-and-a-half year redemption option), which is payable semi-annually in arrears in May and November. Interest expense for the period $39,673,000, comprised of $25,070,000 amortisation and $14,603,000 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 applied significant judgment in determining the amortisation period.

In October 2021, Gainsdale Pty Ltd, CEO Graham Turner's shareholding company entered into a stock borrow agreement with UBS Securities Australia Limited placing 3,700,000 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:

| | NOTES | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| **Opening Balance at 1 July** | | **347,239** | — |
| Liability component of new issuance | (a) | 315,892 | 338,043 |
| Amortisation of borrowings at effective interest rate | | 25,070 | 9,196 |
| Changes in fair value hedge during the period | C2 | (32,216) | — |
| **Closing Balance at 30 June** | | **655,985** | **347,239** |

| | | |
|---|---|---|
| **(a) Liability component of issuance during the year** | | |
| Nominal value of convertible notes issued | 400,000 | 400,000 |
| Gross equity component of convertible note issued | (76,292) | (54,185) |
| Transaction costs attributable to issuance | (7,816) | (7,772) |
| **Total liability component of new issuance** | **315,892** | **338,043** |

For the convertible note issued during the year ended 30 June 2022, transaction costs relate to the equity component of $1,359,000 and liability component of $6,457,000. The equity component of the convertible note after tax of $22,887,000 (refer note F12) is $53,405,000.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B5 CONVERTIBLE NOTES (CONTINUED)

### CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | NOTES | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| **Opening Balance at 1 July** | | **347,239** | — |
| Cashflow - proceeds from issuance of convertible note, net of transaction costs | | 392,184 | 392,228 |
| Gross equity component of convertible note | | (76,292) | (54,185) |
| Amortisation of borrowings at effective interest rate | | 25,070 | 9,196 |
| Changes in fair value hedge during the period | C2 | (32,216) | — |
| **Closing Balance at 30 June** | | **655,985** | **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 | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Cash at bank and on hand (excluding restricted cash) | B1 | 866,153 | 1,172,115 |
| Financial investments - current | B2 | — | 65,142 |
| Financial investments - non-current | B2 | 58,977 | — |
| | | **925,130** | **1,237,257** |
| Less: | | | |
| Borrowings - current | B4 | 20,238 | 212,167 |
| Borrowings - non-current | B4 | 354,000 | 355,684 |
| | | **374,238** | **567,851** |
| **Positive net debt[1]** | | **550,892** | **669,406** |

FLT continues to be in a positive net debt position.

*1 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 | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Total borrowings | B4 | 374,238 | 567,851 |
| Total equity | | 777,462 | 956,036 |
| Gearing ratio[1] | | 48.1 % | 59.4 % |

*1 Gearing ratio = Total borrowings / Total equity. The calculation excludes the convertible note and lease liabilities from total borrowings.*

## 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).

An interim dividend was not declared on release of the FY22 interim financial statements. Since year-end the directors have determined not to pay a final dividend for 30 June 2022 given that the Company is in a recovery phase following the COVID-19 pandemic.

| FRANKING CREDITS | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% | 125,467 | 157,250 |

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

i. Franking credits that will arise from the current tax liability's payment
ii. Franking debits that will arise from the dividend payments recognised as a liability for the reporting period's end; and
iii. Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting period's end.

There is no further reduction to the franking account due to dividends as no dividends have been declared since year-end (2021: $nil.)

## B8 CAPITAL EXPENDITURE

### OVERVIEW

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

| DEPRECIATION | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Buildings | F6 | 152 | 129 |
| Plant and equipment | F6 | 28,381 | 37,118 |
| **Total depreciation** | | **28,533** | **37,247** |
| **AMORTISATION** | | | |
| Brand names, licences and customer relationships | A5 | 4,304 | 4,951 |
| Software | A5 | 23,702 | 20,556 |
| **Total amortisation** | | **28,006** | **25,507** |
| **Total depreciation and amortisation** | | **56,539** | **62,754** |
| **ADDITIONS** | | | |
| Plant and equipment | F6 | 11,150 | 3,376 |
| Intangibles | A5 | 29,221 | 33,978 |
| **Total additions** | | **40,371** | **37,354** |

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

In addition to the depreciation and amortisation disclosed above, 'Tour & hotel operations - Cost of sales' in the income statement includes $531,000 (2021: $662,000) relating to depreciation and 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 (2021: $nil).

## 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

### OVERVIEW

FLT continues to ensure it retains a robust balance sheet and liquidity position during its recovery phase.

The group's activities expose it to a variety of financial risks: 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 1 November 2021, the Company issued convertible notes with an aggregate principal amount of $400,000,000 and strike price of $27.30 which mature in November 2028 and have a put date of May 2026. Refer to note B5.

FLT is not required to comply with its existing operating leverage ratio, fixed charges ratio and shareholder funds ratio covenants until 30 June 2023, at which point covenants will be calculated based on the six month period from 1 January 2023 to 30 June 2023. 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 effects of COVID-19 continues to impact FLT and has given rise to the loss in FY22. The travel industry is in an early recovery phase, and current supply constraints are expected to normalise as the FY23 year progresses ahead of a full industry recovery in late FY24. Given FLT's trading recovery momentum, current cash position 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.

| 2022 | LESS THAN 12 MONTHS | BETWEEN 1 AND 2 YEARS | BETWEEN 2 AND 5 YEARS | MORE THAN 5 YEARS | TOTAL CONTRACTUAL CASH FLOWS | CARRYING AMOUNT (ASSETS)/ LIABILITIES |
|---|---|---|---|---|---|---|
| **Non-derivatives** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trade and other payables | 1,358,699 | — | — | — | 1,358,699 | 1,358,699 |
| Financial liabilities | 3,683 | 216 | — | 11,813 | 15,712 | 14,069 |
| Borrowings | 31,208 | 359,097 | 3,099 | — | 393,404 | 374,238 |
| Convertible note | 16,500 | 16,500 | 818,000 | — | 851,000 | 655,985 |
| Lease liabilities | 92,424 | 67,472 | 105,964 | 43,338 | 309,198 | 286,051 |
| **Total non-derivatives** | **1,502,514** | **443,285** | **927,063** | **55,151** | **2,928,013** | **2,689,042** |
| Derivatives | 17,356 | 9,646 | 15,674 | — | 42,676 | 39,976 |
| **Derivatives - net settled** | **17,356** | **9,646** | **15,674** | **—** | **42,676** | **39,976** |
| | | | | | | |
| **2021** | | | | | | |
| **Non-derivatives** | | | | | | |
| Trade and other payables | 800,415 | — | — | — | 800,415 | 800,415 |
| Financial liabilities | 2,784 | — | — | — | 2,784 | 2,784 |
| Borrowings | 223,858 | 10,679 | 362,091 | — | 596,628 | 567,851 |
| Convertible notes (including derivatives) | 10,000 | 10,000 | 415,000 | — | 435,000 | 347,239 |
| Lease liabilities | 103,024 | 85,399 | 158,092 | 51,487 | 398,002 | 368,453 |
| **Total non-derivatives** | **1,140,081** | **106,078** | **935,183** | **51,487** | **2,232,829** | **2,086,742** |
| Derivatives | 1,659 | — | — | — | 1,659 | 1,659 |
| **Derivatives - net settled** | **1,659** | **—** | **—** | **—** | **1,659** | **1,659** |

### 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 exchanges 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.

## C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

### SUMMARISED SENSITIVITY ANALYSIS (CONTINUED)

| 2022 | CARRYING AMOUNT | INTEREST RATE RISK | | FOREIGN EXCHANGE RISK | |
|---|---|---|---|---|---|
| | | -1% | +1% | -10% | +10% |
| **Financial assets** | $'000 | PROFIT | PROFIT | PROFIT | PROFIT |
| Cash and cash equivalents | 1,226,904 | (12,206) | 12,206 | 21,346 | (17,462) |
| Equity securities - FVTPL | 4,509 | — | — | — | — |
| Debt securities - FVTPL | — | — | — | — | — |
| Debt securities - FVOCI | 54,468 | (545) | 545 | — | — |
| Trade & other receivables | 697,325 | — | — | 8,219 | (6,725) |
| Contract assets | 139,504 | — | — | 4,094 | (3,350) |
| Other financial assets | 28,697 | — | — | — | — |
| Derivative financial instruments | 1,282 | — | — | 968 | (856) |
| **Financial liabilities** | | | | | |
| Trade and other payables | 1,358,699 | — | — | (10,786) | 8,825 |
| Financial liabilities | 14,069 | — | — | (24) | 19 |
| Borrowings - current | 20,238 | 202 | (202) | — | — |
| Borrowings - non-current | 354,000 | 3,540 | (3,540) | — | — |
| Convertible notes (including derivatives) | 655,985 | 4,000 | (4,000) | — | — |
| Derivative financial instruments | 39,976 | — | — | (16,556) | 13,577 |
| **Total increase / (decrease)** | | **(5,009)** | **5,009** | **7,261** | **(5,972)** |

| 2021 | CARRYING AMOUNT | INTEREST RATE RISK | | FOREIGN EXCHANGE RISK | |
|---|---|---|---|---|---|
| | | -1% | +1% | -10% | +10% |
| **Financial assets** | $'000 | PROFIT | PROFIT | PROFIT | 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) |
| **Financial liabilities** | | | | | |
| Trade and other payables | 800,415 | — | — | (11,521) | 9,426 |
| Financial liabilities | 2,784 | — | — | — | — |
| Borrowings - current | 212,167 | — | — | — | — |
| Borrowings - non-current | 355,684 | 3,557 | (3,557) | — | — |
| Covertible note - non-current | 347,239 | — | — | — | — |
| Derivative financial instruments | 1,659 | — | — | (6,822) | 5,582 |
| **Total increase / (decrease)** | | **(9,891)** | **9,891** | **22,307** | **(18,250)** |

## C1 FINANCIAL RISK MANAGEMENT (CONTINUED)

### SUMMARISED SENSITIVITY ANALYSIS (CONTINUED)

| 2022<br>Financial assets | CARRYING AMOUNT<br>$'000 | INTEREST RATE RISK<br>-1%<br>EQUITY | INTEREST RATE RISK<br>+1%<br>EQUITY | FOREIGN EXCHANGE RISK<br>-10%<br>EQUITY | FOREIGN EXCHANGE RISK<br>+10%<br>EQUITY |
|---|---|---|---|---|---|
| Derivative financial instruments | 1,691 | — | — | (9,513) | 9,513 |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | — | — | — | — | — |
| | | **—** | **—** | **(9,513)** | **9,513** |

| 2021<br>Financial assets | CARRYING AMOUNT<br>$'000 | INTEREST RATE RISK<br>-1%<br>EQUITY | INTEREST RATE RISK<br>+1%<br>EQUITY | FOREIGN EXCHANGE RISK<br>-10%<br>EQUITY | FOREIGN EXCHANGE RISK<br>+10%<br>EQUITY |
|---|---|---|---|---|---|
| Derivative financial instruments | 2,189 | 83 | (83) | (9,554) | 9,554 |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | — | — | — | — | — |
| | | **83** | **(83)** | **(9,554)** | **9,554** |

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.

## C2 DERIVATIVE FINANCIAL INSTRUMENTS

| CURRENT ASSETS | NOTES | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Forward foreign exchange contracts - FVTPL | | 1,282 | 5,015 |
| **Total current derivative financial instrument assets** | | **1,282** | **5,015** |
| **NON-CURRENT ASSETS** | | | |
| Cross currency interest rate swaps - designated in a cash flow hedge | | — | 441 |
| Cross currency interest rate swaps - designated in a net investment hedge | | 1,691 | 1,748 |
| **Total non-current derivative financial instrument assets** | | **1,691** | **2,189** |
| **CURRENT LIABILITIES** | | | |
| Forward foreign exchange contracts - FVTPL | | 7,760 | 1,659 |
| **Total current derivative financial instrument liabilities** | | **7,760** | **1,659** |
| **NON-CURRENT LIABILITIES** | | | |
| Interest rate swaps - designated in a fair value hedge | B5 | 32,216 | — |
| **Total non-current derivative financial instrument liabilities** | | **32,216** | **—** |

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### 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 (2021: Level 2) under the AASB 13 *Fair value measurement* hierarchy, based on the valuation technique described above.

#### *MARKET RISK*

The Group has no exposures to IBORs on its derivative financial instruments that will be replaced or reformed as part of these market-wide initiatives.

#### *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 BBB+ to AA-.

### 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 fair value hedges when hedging fair value of recognised assets or liabilities or a firm commitment.*

*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. Changes in the fair value of derivatives that are designated as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged items that are attributable to the hedged risk. If the fair value hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.*

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### *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.

FLT currently holds a cross currency interest rate swap which has been designated in a net investment hedge relationship. 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 notional amount of the swap. This is recognised in the statement of profit or loss and other comprehensive income in net foreign exchange gains or net foreign exchange losses.

FLT currently holds an interest rate swap which has been designated in a fair value hedge relationship. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate 1.625% convertible note. There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the convertible note (i.e., notional amount, maturity, and payment). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

### *THE EFFECTS OF HEDGE ACCOUNTING*

At 30 June 2022, FLT does not hold any forward foreign exchange contracts (FECs) to hedge its exposure on forecast foreign currency receipts and forecast foreign currency payments. During the year FECs were used to hedge exposure on foreign currency payment, settlement of these FECs resulted in a loss of $1,595,000 which was allocated to the purchase price consideration of TP Connects.

At 30 June 2022, FLT holds the following cross currency interest rate swaps and interest rate swaps to hedge its exposure on net investments in foreign operations and convertible notes. The impact of hedging instruments designated in hedging relationships at 30 June 2022 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 | CARRYING AMOUNT | CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS |
|---|---|---|---|
| **CASH FLOW HEDGES - 2022** | $'000 | $'000 | $'000 |
| Cross currency interest rate swap | — | — | — |
| | | | — |
| **CASH FLOW HEDGES - 2021** | | | |
| Cross currency interest rate swap (i) | 96,696 | 441 | 163 |
| | | | **163** |

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| CASH FLOW HEDGES - 2022 | CARRYING AMOUNT $'000 | ACCUMULATED FAIR VALUE ADJUSTMENTS $'000 | CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000 | CASH FLOW HEDGE RESERVE $'000 |
|---|---|---|---|---|
| Borrowings | — | — | — | — |
| | | | — | — |
| **CASH FLOW HEDGES - 2021** | | | | |
| Borrowings | 96,696 | 441 | 163 | 309 |
| | | | **163** | **309** |

| FAIR VALUE HEDGES - 2022 | NOTIONAL AMOUNT $'000 | CARRYING AMOUNT $'000 | CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000 |
|---|---|---|---|
| Interest rate swap | 400,000 | 32,216 | 32,216 |
| | | | **32,216** |

| FAIR VALUE HEDGES - 2022 | CARRYING AMOUNT $'000 | ACCUMULATED FAIR VALUE ADJUSTMENTS $'000 | CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000 |
|---|---|---|---|
| Convertible note | 326,394 | (32,216) | (32,216) |
| | | | **(32,216)** |

| NET INVESTMENT HEDGES - 2022 | NOTIONAL AMOUNT IN LOCAL CURRENCY 000 | CARRYING AMOUNT $'000 | CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000 |
|---|---|---|---|
| Cross currency interest rate swap (i) - Euro | 60,000 | — | 810 |
| Cross currency interest rate swap (ii) - Euro | 63,925 | 1,691 | 1,691 |
| | | | **2,501** |
| **NET INVESTMENT HEDGES - 2021** | | | |
| Cross currency interest rate swap (i) - Euro | 60,000 | 1,748 | 3,204 |
| | | | **3,204** |

Cross currency interest rate swap (i) was terminated during the year and replaced with Cross currency interest rate swap (ii). The change in fair value accumulated in equity has not been reclassified to P&L.

## C2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| NET INVESTMENT HEDGES - 2022 | CHANGE IN VALUE USED FOR MEASURING INEFFECTIVENESS $'000 | FOREIGN CURRENCY TRANSLATION RESERVE $'000 |
|---|---|---|
| Investment in subsidiaries | 2,501 | 2,974 |
| | **2,501** | **2,974** |

| NET INVESTMENT HEDGES - 2021 | | |
|---|---|---|
| Investment in subsidiaries | 3,204 | 1,224 |
| | **3,204** | **1,224** |

The impact of hedging instruments designated in hedging relationships at 30 June 2022 on the consolidated statement of profit or loss of the group is as follows. 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.

| CASH FLOW HEDGES | INEFFECTIVENESS RECOGNISED IN THE INCOME STATEMENT $'000 | HEDGING GAIN /(LOSS) RECOGNISED IN OCI $'000 | AMOUNT RECLASSIFIED FROM OCI TO THE INCOME STATEMENT $'000 |
|---|---|---|---|
| **Hedges of forecast foreign currency transactions** | | | |
| 2022 | — | — | — |
| 2021 | — | 173 | (109) |
| **Hedges of borrowings & convertible notes** | | | |
| 2022 | — | — | — |
| 2021 | — | 163 | — |
| **NET INVESTMENT HEDGES** | | | |
| 2022 | — | 2,501 | — |
| 2021 | — | 3,204 | — |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C3 OTHER FINANCIAL ASSETS

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Accrued Interest | 716 | 247 |
| Security deposits | 8,484 | 5,395 |
| **Total current other financial assets** | **9,200** | **5,642** |
| | | |
| Loans to external parties | 147 | 140 |
| Security deposits | 19,350 | 29,325 |
| **Total non-current other financial assets** | **19,497** | **29,465** |

### *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.

## 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

### KMP COMPENSATION

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Short-term employee benefits | 6,906,012 | 6,523,256 |
| Post-employment benefits | 163,364 | 134,796 |
| Long-term benefits | 457,095 | 60,574 |
| Share-based payments | 4,018,006 | 3,997,683 |
| **Total KMP compensation** | **11,544,477** | **10,716,309** |

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) invest in unsecured notes in their businesses as an incentive to improve short and long-term performance. Trading conditions under COVID-19 resulted in the programme being unsuitable for its intended purpose and programmes globally were put on hold. The program has commenced again during the current year.

*ACCOUNTING POLICY*

The Australian BOS program is an ASIC-registered unsecured notes scheme. In Australia, the scheme re-commenced in April 2022 in the Travel Associates business.

The employees receive a variable interest return on investment based on the individual businesses performance and is, therefore, exposed to the risks of his or her business, as neither FLT nor any of its group companies guarantees returns.

The unsecured notes are repayable within 30 days notice by either party, upon termination of the note holder’s employment or on the 10th anniversary of the date of issue of the unsecured note. Interest is generally payable in arrears, one month in arrears.

FLT has arrangements through its subsidiary, P4 Finance Pty Ltd (P4), to provide loans on an arm's length, commercial basis to fund eligible business leaders’ acquisition of unsecured notes. Under the terms of these loans, unsecured note holders agree that FLT will hold the Unsecured Note Certificate in escrow and note holders must assign the payment of funds owing on an unsecured note to P4.

Accordingly, the group has, at a consolidated level, offset FLT's unsecured note liability and P4's loan receivable in the group balance sheet and has also netted the interest income earned on loans provided by P4 against interest paid by FLT on the unsecured notes.

### BUSINESS OWNERSHIP SCHEME

*Both the unsecured notes and loans are recorded at amortised cost.*

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Unsecured notes principal | 2,668 | 5,263 |
| Loans held for unsecured notes | (2,209) | (5,222) |
| **Net unsecured notes principal** | **459** | **41** |

The unsecured note holders earn a variable, non-guaranteed return, based on their business's performance.

Unless approved by the board, via its remuneration and nomination committee, the distribution payable in respect of any unsecured note 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.

## 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.

The Founder BOS notes were temporarily redeemed and placed into hibernation on 30 June 2020 (effective from 1 January 2020) and will (as detailed in the Remuneration Report) reactivate on 1 July 2022 (for Mr Galanty) and 1 January 2023 (for Ms Waters-Ryan). Once the BOS notes come out of hibernation, Ms Waters-Ryan and Mr Galanty will be required to repay the face value or designate funds to the value of the face value.

Refer to section 3 of the remuneration report for further information on BOS return multiplier.

*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.*

| CURRENT | NOTE | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Employee benefits | F10 | 11,896 | 15,455 |

*The BOS multiplier is recognised as current as it has vested for the KMP. Refer to Remuneration Report for details.*

## D3 SHARE-BASED PAYMENTS

### OVERVIEW

FLT has a number of plans which issue share rights 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:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Long term retention plan | 7,784 | 5,650 |
| Post COVID-19 retention plan | 4,409 | 4,413 |
| Employee share plan | 2,341 | 3,038 |
| Global recovery rights plan | 17,511 | 222 |
| **Total expenses arising from share-based payment transactions** | **32,045** | **13,323** |

Directors are not eligible to participate in the LTRP, PCRP, GRR, ESP or TIP.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

*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.*

### LONG TERM RETENTION PLAN (LTRP)

#### *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 2.1%).

#### *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.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### LONG TERM RETENTION PLAN (LTRP) (CONTINUED)

| | | BASE RIGHTS | | | MATCHING RIGHTS | | |
|---|---|---|---|---|---|---|---|
| GRANT NUMBER | GRANT DATE | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE | DATE/YEAR VESTED AND EXERCISABLE[1] | 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 2021 | 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 2023[2] | 1 July 2030 | $11.30[2] |
| 7 | 1 July 2021 | August 2024 | 1 July 2030 | $17.27 | August 2024 | 1 July 2030 | $17.27 |
| 7c | 1 July 2021 | August 2022 | 1 July 2030 | $17.27 | August 2024 | 1 July 2030 | $17.27 |

*1 The vesting date is the day the Company releases full year financial results to the ASX in the year of vesting.*

*2 During the period, the Grant 6d matching rights vesting period was changed from 5 years to 3 years resulting in a change to the vesting date from August 2025 to August 2023. Consequently, the matching rights value per right for this grant changed from $10.28 to $11.30 with no material impact to the statement of profit or loss.*

The weighted average contractual remaining life (until expiry date) is 8 years.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### LONG TERM RETENTION PLAN (LTRP) (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 | |
|---|---|---|---|---|---|---|---|---|
| **2022** | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | GRANTED NUMBER | FORFEITED NUMBER | VESTED NUMBER | EXERCISED NUMBER | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER |
| **Grant 7** | | | | | | | | |
| Base | — | — | 347,576 | — | — | — | — | 347,576 |
| Match | — | — | 347,576 | — | — | — | — | 347,576 |
| **Grant 7c** | | | | | | | | |
| Base | — | — | 10,369 | — | — | — | — | 10,369 |
| Match | — | — | 10,369 | — | — | — | — | 10,369 |
| **Grant 6** | | | | | | | | |
| Base | — | 197,319 | — | — | — | — | — | 197,319 |
| Match | — | 197,319 | — | — | — | — | — | 197,319 |
| **Grant 6b** | | | | | | | | |
| Base | — | 23,417 | — | — | 23,417 | — | 23,417 | — |
| Match | — | 23,417 | — | — | — | — | — | 23,417 |
| **Grant 6c** | | | | | | | | |
| Base | — | 13,953 | — | — | — | — | — | 13,953 |
| Match | — | 13,953 | — | — | — | — | — | 13,953 |
| **Grant 6d** | | | | | | | | |
| Base | — | 45,207 | — | — | — | — | — | 45,207 |
| Match | — | 45,207 | — | — | — | — | — | 45,207 |
| **Grant 5** | | | | | | | | |
| Base | — | 61,856 | — | (1,028) | — | — | — | 60,828 |
| Match | — | 61,856 | — | (1,028) | — | — | — | 60,828 |
| **Grant 5b** | | | | | | | | |
| Base | — | 4,355 | — | — | 4,355 | — | 4,355 | — |
| Match | — | 4,355 | — | — | — | — | — | 4,355 |
| **Grant 4** | | | | | | | | |
| Base | 10,225 | 41,679 | — | (797) | 40,882 | (37,802) | 13,305 | — |
| Match | — | 43,167 | — | (797) | 42,370 | (27,577) | 14,793 | — |
| **Grant 4b** | | | | | | | | |
| Base | — | 5,518 | — | — | 5,518 | (20) | 5,498 | — |
| Match | — | 4,030 | — | — | — | — | — | 4,030 |
| **Grant 3** | | | | | | | | |
| Base | 1,691 | — | — | — | — | — | 1,691 | — |
| Match | 1,691 | — | — | — | — | — | 1,691 | — |
| **Grant 2** | | | | | | | | |
| Base | 2,341 | — | — | — | — | — | 2,341 | — |
| Match | 2,341 | — | — | — | — | — | 2,341 | — |
| **Grant 1** | | | | | | | | |
| Base | — | — | — | — | — | — | — | — |
| Match | — | — | — | — | — | — | — | — |

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### LONG TERM RETENTION PLAN (LTRP) (CONTINUED)

| | BALANCE AT START OF THE YEAR | | DURING THE YEAR | | | | BALANCE AT END OF THE YEAR | |
|---|---|---|---|---|---|---|---|---|
| **2021** | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | GRANTED NUMBER | FORFEITED NUMBER | VESTED NUMBER | EXERCISED NUMBER | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER |
| **Grant 6** | | | | | | | | |
| Base | — | — | 197,319 | — | — | — | — | 197,319 |
| Match | — | — | 197,319 | — | — | — | — | 197,319 |
| **Grant 6b** | | | | | | | | |
| Base | — | — | 23,417 | — | — | — | — | 23,417 |
| Match | — | — | 23,417 | — | — | — | — | 23,417 |
| **Grant 6c** | | | | | | | | |
| Base | — | — | 13,953 | — | — | — | — | 13,953 |
| Match | — | — | 13,953 | — | — | — | — | 13,953 |
| **Grant 6d** | | | | | | | | |
| Base | — | — | 47,804 | (2,597) | — | — | — | 45,207 |
| Match | — | — | 47,804 | (2,597) | — | — | — | 45,207 |
| **Grant 5** | | | | | | | | |
| Base | — | 67,840 | — | (5,984) | — | — | — | 61,856 |
| Match | — | 67,840 | — | (5,984) | — | — | — | 61,856 |
| **Grant 5b** | | | | | | | | |
| Base[1] | — | 4,289 | 1,400 | (1,334) | — | — | — | 4,355 |
| Match[1] | — | 4,289 | 1,400 | (1,334) | — | — | — | 4,355 |
| **Grant 4** | | | | | | | | |
| Base | — | 56,580 | — | (4,676) | 10,225 | — | 10,225 | 41,679 |
| Match | — | 47,843 | — | (4,676) | — | — | — | 43,167 |
| **Grant 4b** | | | | | | | | |
| Base[1] | — | 5,481 | 1,128 | (1,091) | — | — | — | 5,518 |
| Match[1] | — | 3,993 | 1,128 | (1,091) | — | — | — | 4,030 |
| **Grant 3** | | | | | | | | |
| Base | 1,691 | — | — | — | — | — | 1,691 | — |
| Match | 1,691 | — | — | — | — | — | 1,691 | — |
| **Grant 2** | | | | | | | | |
| Base | 2,341 | — | — | — | — | — | 2,341 | — |
| Match | 2,341 | — | — | — | — | — | 2,341 | — |
| **Grant 1** | | | | | | | | |
| Base | 2,498 | — | — | — | — | (2,498) | — | — |
| Match | 2,498 | — | — | — | — | (2,498) | — | — |

*1 During the prior 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.*

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### POST-COVID-19 RETENTION PLAN (PCRP)

#### *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 2%).

#### *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.

#### *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 | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE |
|---|---|---|---|---|
| **Grant 1** | 29 June 2020 | | | |
| Base Rights | | August 2022 | 1 July 2031 | $9.65 |
| Matching Rights - Tranche 1 | | August 2023 | 1 July 2031 | $9.25 |
| Matching Rights - Tranche 2 | | August 2024 | 1 July 2031 | $8.83 |

*1 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.

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 | | | | | | BALANCE AT END OF THE YEAR | |
|---|---|---|---|---|---|---|---|---|
| **2022** **Grant 1** | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | GRANTED NUMBER | FORFEITED NUMBER | VESTED NUMBER | EXERCISED NUMBER | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER |
| Base | — | 590,338 | — | — | — | — | — | 590,338 |
| Match 1 | — | 295,169 | — | — | — | — | — | 295,169 |
| Match 2 | — | 295,169 | — | — | — | — | — | 295,169 |
| **2021** | | | | | | | | |
| **Grant 1** | | | | | | | | |
| Base | — | — | 590,338 | — | — | — | — | 590,338 |
| Match 1 | — | — | 295,169 | — | — | — | — | 295,169 |
| Match 2 | — | — | 295,169 | — | — | — | — | 295,169 |

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### GLOBAL RECOVERY RIGHTS (GRR)

The GRR has identical objectives to the PCRP but is a broader program targeted at FLT's global workforce.

#### *GENERAL TERMS*

Invited participants (all employees globally excluding board members and senior executives) are granted one-off rights, for no consideration.

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 2.1%).

#### *VESTING REQUIREMENTS*

Rights granted to participants will vest on the 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).

#### *METHOD OF SETTLEMENT*

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

#### *VALUATION*

The fair value of rights 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 divided yield and risk-free rate over the rights' term. The fair value is allocated equally over the period from grant date to vesting date.

| | | RIGHTS | | |
|---|---|---|---|---|
| GRANT NUMBER | GRANT DATE | DATE/YEAR VESTED AND EXERCISABLE[1] | EXPIRY DATE | VALUE PER RIGHT AT GRANT DATE |
| Grant 1 | 25 June 2021 | February 2023 | February 2028 | $15.06 |

*1 The vesting date is the day the Company releases half year financial results to the ASX in the year of vesting*

The weighted average contractual remaining life (until expiry date) is 1 year.

| | BALANCE AT START OF THE YEAR | | DURING THE YEAR | | | | BALANCE AT END OF THE YEAR | |
|---|---|---|---|---|---|---|---|---|
| **2022** | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER | GRANTED NUMBER | FORFEITED NUMBER | VESTED NUMBER | EXERCISED NUMBER | VESTED AND EXERCISABLE NUMBER | UNVESTED NUMBER |
| **Grant 1** | — | — | 1,772,534 | (125,246) | — | — | — | 1,647,288 |
| **2021** | | | | | | | | |
| **Grant 1** | — | — | — | — | — | — | — | — |

A second offering (Grant 2) of the GRR was granted on 15 June 2022, however this grant is still in the acceptance process with offers expected to close around 14 October 2022.

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### EMPLOYEE SHARE PLAN (ESP)

#### *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 divided 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 | 2022 | 2021 |
|---|---|---|---|
| Issued under the plan to participating employees | D4 | 72,003 | 31,840 |
| Purchased on-market under the plan to participating employees | | 44,659 | 11,370 |
| | | **116,662** | **43,210** |
| Weighted average market price of matched shares: | | | |
| Issued | D4 | $0.00 | $0.00 |
| Purchased on-market | | $18.33 | $12.63 |

## D3 SHARE-BASED PAYMENTS (CONTINUED)

### TRANSFORMATION INCENTIVE PLAN (TIP)

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 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.

No TIP rights were exercised during the period and all TIP rights were forfeited at 30 June 2022 when the TIP expired. TIP previously expensed was written back in prior periods when it was determined that there was low probability that the performance conditions would be satisfied.

#### *MOVEMENTS DURING THE YEAR*

| | | BALANCE AT START OF THE YEAR | DURING THE YEAR | | | BALANCE AT END OF THE YEAR | | |
|---|---|---|---|---|---|---|---|---|
| GRANT DATE | EXPIRY DATE | UNVESTED BALANCE NUMBER | GRANTED NUMBER | FORFEITED NUMBER | EXPIRED NUMBER | UNVESTED NUMBER | VALUE PER RIGHT AT GRANT DATE | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE |
| **2022** | | | | | | | | |
| **Grant 1** | | | | | | | | |
| 31/03/2018 | 30/06/2022 | 277,500 | — | (30,000) | (247,500) | — | $46.70 | — |
| **2021** | | | | | | | | |
| **Grant 1** | | | | | | | | |
| 31/03/2018 | 30/06/2022 | 307,500 | — | (30,000) | — | 277,500 | $46.70 | 1 year |

## D4 CONTRIBUTED EQUITY AND TREASURY SHARES

### OVERVIEW

Historically, movements in contributed equity have related to shares issued under the ESP and LTRP, 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 | NUMBER OF SHARES | WEIGHTED AVERAGE ISSUE PRICE | $'000 |
|---|---|---|---|
| **Opening balance at 1 July 2020** | **198,968,556** | | **1,094,095** |
| ESP | 342,101 | $14.50 | 4,961 |
| ESP matched shares | 31,840 | — | — |
| LTRP | 4,996 | — | — |
| **Closing balance at 30 June 2021** | **199,347,493** | | **1,099,056** |
| | | | |
| ESP | 278,430 | $18.09 | 5,037 |
| ESP matched shares | 72,003 | — | — |
| LTRP | 15,258 | — | — |
| Treasury shares | 100,000 | $16.18 | 1,618 |
| **Closing balance at 30 June 2022** | **199,813,184** | | **1,105,711** |

### RECONCILIATION OF TREASURY SHARES:

The following reconciliation summarises the movements in treasury shares held in a share trust for future allocation to employee share plans. 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 at 1 July 2020** | — | — | — |
| **Closing balance at 30 June 2021** | — | | — |
| | | | |
| Purchase of shares by share trust | (144,659) | $16.32 | (2,437) |
| Allocation of shares to ESP matched shares | 44,659 | $18.33 | 819 |
| Allocation of shares to LTRP | 34,824 | $19.28 | 672 |
| Gain in equity on allocation of shares | | | (109) |
| **Closing balance at 30 June 2022** | **(65,176)** | | **(1,055)** |

## 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

### OVERVIEW

#### *ASSOCIATES*

FLT continues to hold its 25.0% 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 was fully impaired in the year ended 30 June 2020.

The contractual arrangements in place do not provide FLT with control nor joint control over the operating and financing decisions of the entities.

On 13 April 2022, FLT acquired an additional 47.5% of Travel Technology FZ LLC and its subsidiaries (TP Connects), a Dubai based, technology-driven business. As a result of this change in control TP Connects is now accounted for as a subsidiary (refer to note A6) and is no longer recognised as an investment in associate.

#### *JOINT VENTURES*

FLT holds a 46.5% shareholding in Pedal Group Pty Ltd (2021: 46.6%). 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.

### 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.

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Interest in joint ventures | 49,678 | 37,542 |
| Interest in associates | — | 11,504 |
| **Total** | **49,678** | **49,046** |

| **SHARE OF RESULTS** | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Profit from joint ventures | 12,136 | 17,773 |
| Loss from associates | (457) | (302) |
| **Total comprehensive income** | **11,679** | **17,471** |

Joint venture results include share of profit from Pedal Group of $12,136,000 (2021: $17,840,000). In addition, during the period FLT received a dividend of $8,873,000 (2021: $3,110,000) of which 100% (2021: 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.

### CONTRACTUAL COMMITMENTS

FLT has no commitments in relation to its joint venture and associate entities at 30 June 2022 (2021: nil).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## E2 RELATED PARTY TRANSACTIONS

### PARENT ENTITY

FLT is the ultimate parent entity within the group.

### SUBSIDIARIES AND JOINT VENTURES

Interests in subsidiaries are set out in note G1 and interests in joint ventures and associate are set out in note E1.

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 21.71% (2021: 21.73%), and Graham Turner's son, Matthew Turner's family company Hootie Blowfish Pty Ltd 14.77% (2021: 15.44%) and his direct employee share plan holdings of 0.41% (2021: 0.41%). The remaining 16.57% (2021: 15.82%) 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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Income from joint venture & associate-related parties** | | |
| Management fees | 14,355 | 8,475 |
| Travel and conference | 163,823 | 38,714 |
| Other | 149,411 | 511,346 |
| **Income from director-related entities** | | |
| Travel and conference | 1,379,468 | 1,347,180 |
| **Expenses to director-related entities** | | |
| Conference expense | 96,303 | 35,093 |
| Membership expense[1] | 151,941 | 250,140 |

*1 Graham Turner as Director on Industry Body, Australian Federation of Travel Agents Limited (AFTA).*

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.

### OUTSTANDING BALANCES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Joint ventures & associates** | | |
| Current receivables | — | 4,592 |
| **Director-related entities** | | |
| Current receivables | 970,047 | 1,210,818 |
| Current payables | 9,533 | — |

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## E2 RELATED PARTY TRANSACTIONS (CONTINUED)

### LOANS TO RELATED PARTIES

Loans to KMP, joint venture and associate related parties were nil during the current year and prior year.

### GUARANTEES

FLT has provided company guarantees to the suppliers of Pedal Group joint venture of $nil (2021:$7,973,000). 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

### EMPLOYEE BENEFITS EXPENSE

| | NOTES | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Defined contribution superannuation expense | | 40,776 | 29,369 |
| Share based payments expense | D3 | 32,045 | 13,323 |
| Other employee benefits expense | | 809,447 | 767,518 |
| **Total employee benefits expense** | | **882,268** | **810,210** |
| | | | |
| Staff numbers (full-time equivalents) | | 10,257 | 8,947 |

In addition to the employee benefits expense disclosed above, 'Tour & hotel operations - Cost of sales' in the statement of profit or loss includes $2,430,000 (2021: $nil) 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 143.7 cents (2021 loss 217.5 cents), an improvement of 33.9% on the prior comparative period. At an underlying level[2], EPS increased 25.3% to a loss of 136.6 cents (2021 loss 182.8 cents).

| | 2022 CENTS | 2021 CENTS |
|---|---|---|
| **Basic earnings / (loss) per share** | | |
| Loss attributable to the company's ordinary equity holders | (143.7) | (217.5) |
| **Diluted earnings / (loss) per share** | | |
| Loss attributable to the company's ordinary equity holders[1] | (143.7) | (217.5) |
| **Reconciliations of earnings used in calculating EPS** | **$'000** | **$'000** |
| Loss attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share | (286,651) | (433,129) |
| **Weighted average number of shares used as the denominator** | **NUMBER** | **NUMBER** |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share[3] | 199,536,843 | 199,168,073 |

*1 Diluted earnings per share is the same as basic earnings per share at 30 June 2022 given the Group has recorded a loss for the period.*

*2 Underlying EPS are unaudited, non-IFRS measures. Refer to note A1 for breakdown of underlying PBT used in the calculation of underlying EPS. Underlying NPAT includes the tax impact of underlying adjustments of ($2,355,000) (2021: ($25,131,000))*

*3 The basic EPS denominator is the aggregate of the weighted average number of ordinary shares.*

### INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

#### *LTRP, PCRP, GRR, ESP & TIP*

Rights granted under the LTRP, PCRP, GRR and entitlements to matched shares under the ESP are considered contingently issuable ordinary shares as at 30 June 2022. 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 expired at 30 June 2022, 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

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Trade receivables | 694,782 | 305,329 |
| Government grant receivables | 2,543 | 8,719 |
| Less: Provision for impairment of receivables | (28,000) | (34,749) |
| **Total trade and other receivables** | **669,325** | **279,299** |

*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 (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:

| **TRADE RECEIVABLES** | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| US Dollars | 57,172 | 2,967 |
| NZ Dollars | 10,392 | 3,821 |
| Great Britain Pounds | 3,086 | 2,286 |
| South African Rand | 2,761 | 4,426 |
| Euro | 559 | 6,112 |
| Other | 2,981 | 1,683 |

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, 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.

## F3 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Leisure

(2) 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

(3) Receivables are due from suppliers in relation to commissions, refunds and other revenue streams.

(4) 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

(5) Exposure to credit risk for receivables from government agencies is considered low.

(6) 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 | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Balance at 1 July 2021** | | **34,749** | **42,799** |
| Bad debts expense[1] | A4 | (1,478) | (1,033) |
| Changes due to foreign exchange translation | | (143) | (256) |
| Receivables written off during the year as uncollectible or reversed due to collectability | | (5,128) | (6,761) |
| **Balance at 30 June 2022** | | **28,000** | **34,749** |

*1 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.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F4 CONTRACT ASSETS

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Volume incentive receivables | 102,567 | 63,011 |
| Accrued revenue | 36,937 | 17,923 |
| Loss allowance | (9,203) | (30,561) |
| **Total contract assets** | **130,301** | **50,373** |

### *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.

### 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:

| CONTRACT ASSETS | 2022 $'000 | 2021 $'000 |
|---|---|---|
| US Dollars | 28,494 | 16,363 |
| Canadian Dollars | 4,212 | — |
| Swiss Franc | 3,285 | 1,724 |
| Singapore Dollars | 2,888 | 11 |
| Other | 1,244 | 1,485 |

#### *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.

### *LOSS ALLOWANCE OF CONTRACT ASSETS*

| Movements in the loss allowance of contract assets are as follows: | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Balance at 1 July** | | **30,561** | **32,746** |
| Loss allowance expense | A4 | 19 | — |
| Changes due to foreign exchange translation | | 59 | 57 |
| Contract assets written off during the year as uncollectible or reversed due to collectability | | (21,436) | (2,242) |
| **Balance at 30 June** | | **9,203** | **30,561** |

FLT has reduced the loss allowance provision for FY22 based on supplier payments being received and removing supplier balances where recoverability is highly unlikely. At risk suppliers were provided for in FY21 and continue to be provided for in FY22 unless payments have been received.

## F5 OTHER ASSETS

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| GST / service tax receivable | 5,108 | 6,067 |
| Inventories | 7,030 | 11,837 |
| Prepayments | 27,428 | 21,332 |
| Fulfilment assets | 4,921 | 4,242 |
| **Total current other assets** | **44,487** | **43,478** |
| | | |
| Inventories | 20,853 | — |
| Prepayments | 2,967 | — |
| Fulfilment assets | 8,470 | 8,557 |
| **Total non-current other assets** | **32,290** | **8,557** |

### FULFILMENT ASSETS

Contract costs may be eligible for capitalisation as fulfilment assets and are amortised over the contract period, refer note A2.

## 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).*

| OPENING BALANCE AT 1 JULY 2020 | NOTES | FREEHOLD LAND & BUILDINGS $'000 | PLANT & EQUIPMENT $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Cost | | 5,671 | 451,969 | 457,640 |
| Accumulated depreciation | | (2,421) | (301,827) | (304,248) |
| **Net book amount at 1 July 2020** | | **3,250** | **150,142** | **153,392** |
| | | | | |
| Additions | B8 | — | 3,376 | 3,376 |
| Disposals[1] | | (34) | (24,630) | (24,664) |
| Depreciation expense | B8 | (129) | (37,118) | (37,247) |
| Impairment charge | | — | (2,727) | (2,727) |
| Exchange differences | | 341 | (2,492) | (2,151) |
| **Net book amount at 30 June 2021** | | **3,428** | **86,551** | **89,979** |
| | | | | |
| **OPENING BALANCE AT 1 JULY 2021** | | | | |
| Cost | | 5,584 | 315,789 | 321,373 |
| Accumulated depreciation | | (2,156) | (229,238) | (231,394) |
| **Net book amount at 1 July 2021** | | **3,428** | **86,551** | **89,979** |
| | | | | |
| Additions | B8 | 17 | 11,133 | 11,150 |
| Acquisitions | A6 | — | 642 | 642 |
| Disposals[1] | | — | (2,091) | (2,091) |
| Depreciation expense | B8 | (152) | (28,381) | (28,533) |
| Impairment reversal | | — | 705 | 705 |
| Exchange differences | | (125) | 1,362 | 1,237 |
| **Net book amount at 30 June 2022** | | **3,168** | **69,921** | **73,089** |
| | | | | |
| **AT 30 JUNE 2022** | | | | |
| Cost | | 5,751 | 309,629 | 315,380 |
| Accumulated depreciation | | (2,583) | (239,708) | (242,291) |
| **Net book amount at 30 June 2022** | | **3,168** | **69,921** | **73,089** |

*1 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

| | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Rent income from sub-leasing of right-of-use asset | A3 | 7,210 | 6,012 |
| Interest expense on lease liabilities | A4 | (8,917) | (12,507) |
| Rental expense relating to short-term and low-value leases | A4 | (4,264) | (6,028) |
| Depreciation/amortisation expense of right-of-use assets | | (69,390) | (75,219) |
| | | **(75,361)** | **(87,742)** |

### AMOUNTS RECOGNISED IN THE BALANCE SHEET

| | RIGHT OF USE ASSETS | | | | | LEASE LIABILITIES |
|---|---|---|---|---|---|---|
| | PROPERTY $'000 | VEHICLES $'000 | OFFICE EQUIPMENT $'000 | SOFTWARE $'000 | TOTAL $'000 | TOTAL $'000 |
| **Balance as at 1 July 2020** | **368,400** | **878** | **215** | **1,898** | **371,391** | **526,661** |
| Additions | 33,905 | — | 62 | — | **33,967** | **42,045** |
| Disposals | (44,242) | (581) | (120) | — | **(44,943)** | **(100,303)** |
| Depreciation and amortisation expense | (73,963) | (296) | (32) | (928) | **(75,219)** | **—** |
| Impairment charge | (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)** |
| **Balance as at 30 June 2021** | **242,449** | **(53)** | **63** | **1,231** | **243,690** | **368,453** |
| | | | | | | |
| **Balance as at 1 July 2021** | **242,449** | **(53)** | **63** | **1,231** | **243,690** | **368,453** |
| Additions | 5,800 | — | 383 | — | **6,183** | **6,168** |
| Disposals | (3,078) | — | — | — | **(3,078)** | **(11,153)** |
| Depreciation and amortisation expense | (68,286) | (74) | (136) | (894) | **(69,390)** | **—** |
| Impairment reversal | 8,248 | — | — | — | **8,248** | **—** |
| Lease modifications | 12,162 | — | — | — | **12,162** | **10,565** |
| Interest expense | — | — | — | — | **—** | **8,917** |
| Lease liability repayment | — | — | — | — | **—** | **(102,480)** |
| Exchange differences | 595 | 130 | (10) | — | **715** | **5,581** |
| **Balance as at 30 June 2022** | **197,890** | **3** | **300** | **337** | **198,530** | **286,051** |

## F7 LEASES (CONTINUED)

### CURRENT AND NON-CURRENT CLASSIFICATIONS

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Current | 92,424 | 100,783 |
| Non-current | 193,627 | 267,670 |
| **Total lease liabilities** | **286,051** | **368,453** |

Refer to note C1 for contractual undiscounted cashflows and maturity analysis.

### AMOUNTS RECOGNISED IN THE STATEMENT OF CASHFLOW

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Operating - payments of interest | (8,917) | (12,507) |
| Financing - payments of principal | (93,563) | (91,031) |
| Financing - lease surrender payments | (2,480) | (54,285) |
| **Total cash (outflow) relating to leases** | **(104,960)** | **(157,823)** |

#### *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 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021, which extends the practical expedient originally provided by 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 typically exercised.

### IMPAIRMENT

#### *CURRENT YEAR*

The impairment reversal of $8,248,000 in the current period relates to the reversal of impairment on right-of-use asset property that were originally not being utilised by FLT but have subsequently been sub-leased to external parties.

#### *PRIOR YEAR*

The impairment expense of $35,709,000 in the prior period related 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 | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Trade payables | 513,153 | 322,754 |
| Client creditors | 704,435 | 415,699 |
| Other trade creditors | 141,111 | 61,962 |
| GST / service tax payable | 5,510 | 5,237 |
| Accrued unsecured note interest | 122 | — |
| Annual leave | 38,047 | 37,530 |
| **Total current trade payables** | **1,402,378** | **843,182** |

### 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:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Fijian Dollars | 26,853 | 139 |
| US Dollars | 19,420 | 70,021 |
| Euro | 14,609 | 2,230 |
| Hong Kong Dollars | 14,230 | 21,091 |
| NZ Dollars | 13,085 | 5,561 |
| Great Britain Pounds | 6,329 | 1,692 |
| Singapore Dollars | 1,502 | 1,652 |
| Thai Baht | 1,013 | 196 |
| Japanese Yen | 15 | — |
| Canadian Dollars | 14 | 728 |
| French Polynesian Franc | — | 368 |
| UAE Dirham | — | 8 |
| Other | 2,116 | 1,533 |

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

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| **CURRENT** | | |
| Deferred revenue | 42,309 | 38,983 |
| Revenue constraint | 12,755 | 15,553 |
| **Total contract liabilities** | **55,064** | **54,536** |
| | | |
| **NON-CURRENT** | | |
| Deferred revenue | 30,736 | 34,945 |
| **Total contract liabilities** | **30,736** | **34,945** |

### ACCOUNTING POLICY

*DEFERRED REVENUE*

*Deferred revenue is a contract liability that typically relates to revenue received in advance 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 $26,675,000 (2021: $23,053,000).

The revenue constraint liability was raised in response to COVID-19. The amount has reduced in the current year as refunds have been paid to the end consumers, decreasing cancellation rates and less travel uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F10 PROVISIONS

| CURRENT | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Employee benefits - long service leave | | 28,236 | 27,047 |
| Employee benefits - BOS Multiplier | D2 | 11,896 | 15,455 |
| Make good provision | | 3,673 | 771 |
| **Total current provisions** | | **43,805** | **43,273** |

| NON-CURRENT | | | |
|---|---|---|---|
| Employee benefits - long service leave | | 12,803 | 11,580 |
| Employee benefits | | 2,284 | 1,719 |
| Make good provision | | 12,584 | 16,563 |
| **Total non-current provisions** | | **27,671** | **29,862** |

### 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 2021** | | **17,334** |
| Additional provisions recognised | | 1,255 |
| (Decrease) / increase in discounted amount arising from passage of time and discount rate adjustments | A4 | 239 |
| Utilised | | (2,584) |
| Other changes | | 13 |
| **Carrying amount at 30 June 2022** | | **16,257** |

### 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:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Long service leave obligations expected to be settled after 12 months | 21,435 | 21,225 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F11 RESERVES

| Reserves | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Cash flow hedge reserve | | 309 | 309 |
| Share-based payments reserve | | 67,381 | 34,487 |
| Acquisition Reserve | | (44,602) | (39,291) |
| Foreign currency translation reserve | | 22,461 | 2,179 |
| Equity component of convertible note | B5 / F12 | 91,335 | 37,930 |
| Other reserves | | (424) | — |
| **Total reserves** | | **136,460** | **35,614** |

Total reserves in the current year includes $nil (2021: $nil) attributable to non-controlling interests as outlined in the statement of comprehensive income and statement of changes in equity.

### MOVEMENTS IN RESERVES:

### *(A) CASH FLOW HEDGE RESERVE*

| | | | |
|---|---|---|---|
| **Balance 1 July** | | **309** | **150** |
| Gains on FEC cash flow hedges | | — | 173 |
| Reclassified to profit or loss | | — | (109) |
| Deferred tax | F12 | — | (19) |
| Gains on CCIRS cash flow hedges | | — | 163 |
| Deferred tax | F12 | — | (49) |
| **Balance 30 June** | | **309** | **309** |

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 (2021: $nil) has been recognised in the statement of profit or loss.

### *(B) SHARE-BASED PAYMENTS RESERVE*

| | | | |
|---|---|---|---|
| **Balance 1 July** | | **34,487** | **21,368** |
| Share-based payments expense | | 29,396 | 13,119 |
| Treasury share transactions | | (563) | — |
| Deferred tax | F12 | 4,061 | — |
| **Balance 30 June** | | **67,381** | **34,487** |

The share-based payments reserve is used to recognise the fair value of rights issued under the LTRP, PCRP, ESP, and GRR as they vest over the vesting period.

### *(C) ACQUISITION RESERVE*

| | | | |
|---|---|---|---|
| **Balance 1 July** | | **(39,291)** | **(39,291)** |
| Put / call options entered into as a result of business combinations | A7 | (10,170) | — |
| De-recognition of NCI on acquisition | A6 | 4,859 | — |
| **Balance 30 June** | | **(44,602)** | **(39,291)** |

The acquisition reserve is used to record the initial put / call options that occur through business combinations in relation to non-controlling interests (NCI). Gains / (losses) on change in interest ownership of NCI must be recognised in equity, FLT has elected to recognise this in the acquisition reserve.

## F11 RESERVES (CONTINUED)

### *(D) FOREIGN CURRENCY TRANSLATION RESERVE*

| | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Balance 1 July** | | **2,179** | **29,016** |
| Gains on net investment hedge | | 2,501 | 3,204 |
| Deferred tax | F12 | (750) | (961) |
| Non-controlling interest disposal of subsidiary | | — | (65) |
| Reclassified to profit or loss | A6 | (982) | (152) |
| Net exchange differences on translation of foreign operations | | 19,513 | (28,863) |
| **Balance 30 June** | | **22,461** | **2,179** |

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.

### *(E) OTHER RESERVES*

| | | |
|---|---|---|
| **Balance 1 July** | **—** | **—** |
| Non-reciprocal capital contributions | (424) | — |
| Deferred tax | — | — |
| **Balance 30 June** | **(424)** | **—** |

Other reserves includes immaterial reserves recognised by the group.

## F12 TAX

### (A) INCOME TAX EXPENSE

### *(I) INCOME TAX (CREDIT) / EXPENSE*

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Current tax | 4,370 | (50,088) |
| Deferred tax | (97,321) | (116,519) |
| Adjustments for current tax of prior periods | 2,347 | (1,647) |
| **Income tax (credit)** | **(90,604)** | **(168,254)** |
| **Deferred income tax (benefit) / expense included in income tax comprises:** | | |
| Increase in deferred tax assets | (125,492) | (89,499) |
| Increase / (Decrease) in deferred tax liabilities | 28,171 | (27,020) |
| | **(97,321)** | **(116,519)** |
| | | |
| **Numerical reconciliation of income tax to prima facie tax (receivable) / payable** | | |
| Loss before Income tax (credit) | (377,786) | (601,710) |
| **Tax at the Australian tax rate of 30% (2021 - 30%)** | **(113,336)** | **(180,513)** |
| **Tax effect of amounts in calculating taxable income:** | | |
| Non-deductible amounts | 11,589 | 60,766 |
| Deductible amounts | (10,656) | (67,774) |
| Intangibles | 8,479 | (113) |
| Investments | (912) | 985 |
| Share based payments | (274) | (4,401) |
| Property, plant and equipment | (213) | 5,146 |
| Changes in tax rate | 1,156 | 314 |
| Other amounts | 3,712 | (7,303) |
| | **(100,455)** | **(192,893)** |
| Tax losses not recognised | 4,563 | 9,477 |
| Tax losses recognised | (1,570) | (2,438) |
| Effect of different tax rates on overseas income | 4,511 | 19,247 |
| Under / (Over) provision of prior year's income tax | 2,347 | (1,647) |
| | **9,851** | **24,639** |
| **Income tax credit** | **(90,604)** | **(168,254)** |

### *(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** | NOTES | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Share-based payments reserve | F11 | (4,061) | — |
| Equity component of convertible note | B5 | 22,887 | 16,255 |

### *(III) TAX EXPENSE / (INCOME) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME*

| | | | |
|---|---|---|---|
| Cash flow hedges | F11 | — | 68 |
| Net investment hedge | F11 | 750 | 961 |
| **Total tax expense relating to items of other comprehensive income** | | **750** | **1,029** |

## F12 TAX (CONTINUED)

### *(IV) UNRECOGNISED POTENTIAL DEFERRED TAX ASSETS*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised (non-capital) | 98,592 | 80,006 |
| Temporary differences relating to brand name impairment (capital) and other intangibles | 54,359 | 41,919 |
| Investments | 4,875 | 46,590 |
| Lease & decommissioning | 4,932 | 605 |
| Other | 6,566 | 3,556 |
| | **169,324** | **172,676** |
| **Potential tax benefit at 30% (2021 - 30%)** | **50,797** | **51,803** |

### *KEY ESTIMATES & JUDGEMENTS - UTILISATION OF TAX LOSSES*

The effects of COVID-19 continues to impact FLT and has given rise to the loss in FY22. The travel industry is in an early recovery phase, and current supply constraints are expected to normalise as the FY23 year progresses ahead of a full industry recovery in late FY24.

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 unused tax losses in 2022 were incurred by entities in Australia, Costa Rica, Denmark, Dominican Republic, Finland, Germany, Hong Kong, Indonesia, Laos, Malaysia, Mexico, Norway, Philippines, Singapore, Sweden, Switzerland, Thailand, and Vietnam (2021: Australia, Canada, Costa Rica, Denmark, Dominican Republic, Finland, Germany, Hong Kong, Indonesia, Malaysia, Mexico, Norway, Singapore, Sweden, Thailand, USA and Vietnam). These losses have varying expiry dates from 2023 through to indefinite carry forward.

### (B) DEFERRED TAX ASSETS (DTA)

| **The balance comprises temporary differences attributable to:** | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Employee benefits | 22,565 | 21,349 |
| Property, plant and equipment | 29,672 | 25,559 |
| Lease & decommissioning | 75,427 | 92,519 |
| Accruals | 1,757 | 8,804 |
| Tax losses | 341,119 | 242,825 |
| Share-based payments | 27,686 | 15,183 |
| Intangibles | 6,391 | 3,112 |
| Other | 31,081 | 22,116 |
| | **535,698** | **431,467** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (132,162) | (100,376) |
| **Net deferred tax assets** | **403,536** | **331,091** |

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 F11, and F12 (a)(ii).

## F12 TAX (CONTINUED)

### (C) DEFERRED TAX LIABILITIES (DTL)

| The balance comprises temporary differences attributable to: | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Property, plant and equipment | 18,440 | 20,648 |
| Intangibles | 22,472 | 10,576 |
| Lease & decommissioning | 57,937 | 65,053 |
| Financial instruments | 30,166 | 13,968 |
| Other | 7,374 | 600 |
| | **136,389** | **110,845** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (132,162) | (100,376) |
| **Net deferred tax liabilities** | **4,227** | **10,469** |

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).

## 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:

| | 2022 $ | 2021 $ |
|---|---|---|
| **FEES TO ERNST & YOUNG (AUSTRALIA)** | | |
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | 1,736,309 | 1,778,308 |
| 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 | 178,000 | 228,000 |
| Fees for other services<br>- Tax compliance | 398,171 | 151,917 |
| - Others | 40,000 | — |
| | **2,352,480** | **2,158,225** |
| **FEES TO OTHER OVERSEAS MEMBER FIRMS OF ERNST & YOUNG (AUSTRALIA)** | | |
| Fees for auditing the financial report of any controlled entities | 1,637,511 | 1,529,026 |
| 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 | 52,079 | 50,938 |
| Fees for other services<br>- Tax compliance | 505,017 | 394,343 |
| - Others | — | 14,509 |
| | **2,194,607** | **1,988,816** |
| | **4,547,087** | **4,147,041** |
| **FEES TO NON LEAD AUDITOR AUDIT FIRMS FOR:** | | |
| Fees for auditing the financial report of any controlled entities | 56,969 | 98,545 |
| 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<br>- Tax compliance | 664,446 | 206,844 |
| - Others | 137,556 | 84,749 |
| | **858,971** | **408,755** |

## F14 SEASONALITY

The historical seasonal nature of the FLT business has not been observed due to the financial impacts of COVID-19.

For further details on FLT's outlook, please refer to the Outlook column on page 15.

## G GROUP STRUCTURE

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



## 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 2022 % | EQUITY HOLDING 2021 % |
|---|---|---|---|---|
| Australian OpCo Pty Ltd[1] | Australia | Ordinary | 100 | 100 |
| Flight Centre (UK) Limited | United Kingdom | Ordinary | 100 | 100 |
| Flight Centre Travel Group (USA) Inc | USA | Ordinary | 100 | 100 |

*1 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

#### *FCM TRAVEL STANDARDS FOR JAPAN CO., LTD (FCM JAPAN)*

On September 2021, FLT announced plans to launch its leading FCM travel management business (FCM Japan) in Japan with NSF Engagement Corporation. The entity is controlled by FLT with a 66% interest. Cash was invested into the entity by both parties in December 2021. On 5 January 2022 assets and liabilities were transferred to FCM Japan and operations commenced. The remaining 34% interest is held by NSF Engagement Corporation and is recognised as a non-controlling interest.

#### *LINK TRAVEL GROUP PTY LTD (LINK TRAVEL GROUP)*

On 5 May 2022, FLT announced its agreement to join with Goldman Travel Corporation Pty Ltd and Spencer Group of Companies Pty Ltd to launch Link Travel Group Pty Ltd (Link Travel Group). The entity is controlled by FLT with a 60% interest. The remaining 40% holding is recognised as a non-controlling interest.

There are no other material non-controlling interests.

## G2 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Instrument) certain 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 the relief, the Instrument requires FLT and each of its relevant wholly owned subsidiaries to enter into a Deed of Cross Guarantee in a prescribed 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 (Current Deed). The parties to the Current Deed as at 30 June 2022 are Flight Centre Travel Group Limited (as 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, Ignite Travel Pty Ltd and Flight Centre (China) Pty Ltd (as a group entity and alternative trustee).

These parties represent the Closed Group for the purposes of the Instrument and, as there are no other parties to the Current Deed (that are controlled by FLT or otherwise), they also represent the Extended Closed Group.

Ignite Travel Pty Ltd acceded to the Current Deed via a Deed of Assumption dated 23 June 2022.

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 in note G1:

| | FOR THE YEAR ENDED 30 JUNE | |
|---|---|---|
| | 2022 | 2021 |
| **STATEMENT OF PROFIT OR LOSS** | $'000 | $'000 |
| Revenue | 363,819 | 236,962 |
| | | |
| Other income | 32,868 | 155,076 |
| Share of profit / (loss) of joint ventures and associates | 12,136 | 17,841 |
| **EXPENSES** | | |
| Employee benefits | (379,828) | (402,800) |
| Sales and marketing | (33,961) | (13,580) |
| Amortisation and depreciation | (69,076) | (69,361) |
| Finance costs | (41,618) | (25,656) |
| Impairment charge | 75 | (5,703) |
| Other expenses | (173,023) | (184,006) |
| **Loss before income tax expense** | **(288,608)** | **(291,227)** |
| Income tax expense | 82,541 | 104,022 |
| **Loss after income tax expense** | **(206,067)** | **(187,205)** |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| **Items that have been reclassified to profit or loss:** | | |
| Hedging gain reclassified to profit or loss | — | 35,502 |
| **Items that may be reclassified to profit or loss:** | | |
| Changes in the fair value of cash flow hedges | — | 64 |
| Income tax credit / (expense) on items of other comprehensive income | — | 45 |
| **Total other comprehensive income** | **—** | **35,611** |
| | | |
| **Total comprehensive loss for the year** | **(206,067)** | **(151,594)** |

## G2 DEED OF CROSS GUARANTEE (CONTINUED)

| | AS AT 30 JUNE 2022 $'000 | 2021 $'000 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 758,585 | 836,064 |
| Financial asset investments | — | 59,182 |
| Trade receivables | 395,163 | 178,955 |
| Contract assets | 99,249 | 48,460 |
| Other assets | 24,661 | 21,097 |
| Other financial assets | 2,470 | 358 |
| Current tax receivables | 8,463 | 47,592 |
| Derivative financial instruments | 1,838 | 5,015 |
| **Total current assets** | **1,290,429** | **1,196,723** |
| **Non-current assets** | | |
| Financial asset investments | 58,977 | — |
| Property, plant and equipment | 36,212 | 46,617 |
| Intangible assets | 109,881 | 106,836 |
| Right of use asset | 106,329 | 143,756 |
| Other assets | 26,323 | 5,059 |
| Other financial assets | 480,617 | 256,803 |
| Investments in subsidiaries, joint ventures and associates | 931,738 | 851,686 |
| Deferred tax assets | 300,740 | 235,225 |
| Derivative financial instruments | 1,691 | 2,189 |
| **Total non-current assets** | **2,052,508** | **1,648,171** |
| **Total assets** | **3,342,937** | **2,844,894** |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | 848,351 | 437,161 |
| Contract liabilities | 17,951 | 21,748 |
| Financial liabilities | 3,683 | 2,784 |
| Lease liability | 56,737 | 62,245 |
| Borrowings | 2,405 | — |
| Provisions | 33,814 | 30,658 |
| Derivative financial instruments | 7,766 | 1,659 |
| **Total current liabilities** | **970,707** | **556,255** |
| **Non-current liabilities** | | |
| Trade and other payables | 332,230 | 420,002 |
| Contract liabilities | 21,537 | 23,813 |
| Lease liability | 89,396 | 140,310 |
| Borrowings | 347,177 | 348,429 |
| Convertible note | 655,985 | 347,239 |
| Provisions | 20,020 | 22,740 |
| Derivative financial instruments | 32,216 | — |
| **Total non-current liabilities** | **1,498,561** | **1,302,533** |
| **Total liabilities** | **2,469,268** | **1,858,788** |
| **Net assets** | **873,669** | **986,106** |
| **EQUITY** | | |
| Contributed equity | 1,105,711 | 1,099,056 |
| Treasury shares | (1,055) | — |
| Reserves | 155,503 | 67,473 |
| Retained profits | (386,490) | (180,423) |
| **Total equity** | **873,669** | **986,106** |

## G2 DEED OF CROSS GUARANTEE (CONTINUED)

| SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Retained profits at the beginning of the financial year | (180,423) | 6,782 |
| Loss from ordinary activities after income tax | (206,067) | (187,205) |
| **Retained (loss) / profit at the end of the financial year** | **(386,490)** | **(180,423)** |

## 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 | |
|---|---|---|
| | 2022<br>$'000 | 2021<br>$'000 |
| Current assets | 1,643,820 | 1,573,452 |
| **Total assets** | **3,661,969** | **3,207,936** |
| | | |
| Current liabilities | 742,965 | 409,993 |
| **Total liabilities** | **2,930,776** | **2,407,238** |
| | | |
| Contributed equity | 1,105,711 | 1,099,056 |
| Treasury shares | (1,055) | — |
| **Reserves** | | |
| Cash-flow hedge reserve | 309 | 309 |
| Compound instrument - equity component | 91,335 | 37,930 |
| Share-based payments reserve | 67,381 | 34,487 |
| Share premium reserve | 543 | — |
| Acquisition reserve | (9,520) | (8,976) |
| Retained profits | (525,244) | (362,108) |
| Foreign exchange reserve | 1,733 | — |
| **Total shareholders' equity** | **731,193** | **800,698** |
| **Loss after tax for the year** | **(163,136)** | **(119,508)** |
| **Total comprehensive loss** | **(163,136)** | **(83,897)** |

## G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

### GUARANTEES ENTERED INTO BY THE PARENT ENTITY

| | PARENT | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| United Kingdom | 64,505 | 64,518 |
| India | 27,954 | 27,101 |
| China | 9,613 | 11,363 |
| Ireland | 6,895 | 7,341 |
| Hong Kong | 5,143 | 6,093 |
| France | — | 4,436 |
| New Zealand | 3,612 | 4,421 |
| USA | 3,647 | 3,350 |
| Sweden | — | 3,567 |
| Singapore | 2,898 | 2,267 |
| United Arab Emirates | 41 | 760 |
| Other | 5,039 | 4,828 |
| **Total** | **129,347** | **140,045** |

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 2022 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

### TP CONNECTS

FLT has entered into a call option and a put option with TP Connects. The call option can be exercised after 1 July 2027 and the put option can only be exercised by TP Connects if the call option is not exercised by FLT. Refer to note A7 for further details.

### 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 $4,509,000 which have been recognised as Equity instruments – Fair value through profit or loss (refer note B2), leaving $491,000 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 2022.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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

FLT's remaining 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 2021.

In the prior period, FLT early adopted the IFRS Interpretations Committee (IFRIC) agenda decision for configuration and customisation costs incurred related to a Software-as-a Service (SaaS) arrangement. FLT changed its accounting policy in the prior period, in relation to configuration and customisation costs incurred in implementing SaaS arrangements.

#### *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

No new standards or amendments became effective in the current reporting period that have a material impact on FLT.

### (C) PRINCIPLES OF CONSOLIDATION

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2022 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (C) PRINCIPLES OF CONSOLIDATION (CONTINUED)

#### *(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.

#### *(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.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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 straight-line basis over the lease term.

#### *(ii) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the instrument's original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### *(iii) Dividends*

Dividends are recognised 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.

### (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.

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 the present value of the redemption amount under the arrangement is recorded for the NCI Put. The difference between the liability recorded 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 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 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (I) INTANGIBLE ASSETS

#### *(i) Goodwill*

Goodwill represents the excess of the acquisition's cost over the fair value of the group's interest in the fair value of the acquired subsidiary or associate's net identifiable assets at the acquisition date.

Goodwill on subsidiaries' acquisitions is included in intangible assets. Goodwill is not amortised but is impairment tested annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the entity's disposal include the sold entity's carrying amount of goodwill.

Goodwill is allocated to 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.

### (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 re-evaluates this classification each reporting date, except for FVOCI where the classification is irrevocable.

#### *(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.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### *(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 debt 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).

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 receivables and contract assets.

### (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.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (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.

### (O) INVENTORIES

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

Where inventories relate to cruise cabins that are pre-purchased as part of our principal business, with sail dates greater than 12 months, they are classified as non-current.

### (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.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (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.

#### *(v) Termination Benefits*

Termination benefits may be payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it commits to either terminating a current employee's employment according to a detailed formal plan without the possibility of withdrawal or providing termination benefits following an offer made to encourage voluntary redundancy.

### (S) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on loan facilities' establishment are recognised as loan transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. If there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are recognised as expenses in the period in which they are incurred and include:

- Interest on bank overdrafts and short and long-term borrowings; and
- Unwinding of discount on deferred payables

Borrowings are classified as current liabilities unless the group has an unconditional right to defer the liability's settlement for at least 12 months after the reporting period's end.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (T) TAX

#### *(i) Income Tax*

The income tax expense or 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 except for transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as recognition of a right of use asset and lease liability. 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.

#### *(ii) Tax Consolidation Legislation*

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

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

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

#### *(iii) Nature of the Tax Sharing Arrangement*

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

#### *(iv) Nature of the Tax Funding Agreement*

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

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

### (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 assets 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.

## I SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (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 2022 reporting period. FLT is in the process of determining the impact of these new standards and amendments.

#### AASB 17 Insurance Contracts

In July 2017, the AASB issued AASB 17 *Insurance Contracts*, a comprehensive new standard for insurance contracts covering recognition, measurement, presentation and disclosure.

AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 applies to all types of insurance contracts, regardless of the entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

The new standard is effective for reporting periods beginning on or after 1 January 2023, and must be applied retrospectively. This means that it will be applied in the reporting period ending 30 June 2024. FLT does not intend to adopt the standard before its operative date.

The group is yet to assess the effect of AASB 17 on its consolidated financial statements.

#### AASB 2020-1 Amendments to AASs- Classification of Liabilities as Current or Non-current

In January 2020, the AASB issued amendments to paragraphs 69 to 76 of AASB 101 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement
- that a right to defer settlement must exist at the end of the reporting period
- that classification is unaffected by the likelihood that an entity will exercise its deferral right
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. This means that it will be applied in the reporting period ending 30 June 2024. FLT does not intend to adopt the standard before its operative date.

The group does not expect the application of the standard to have a material impact on its consolidated financial statements.

There are no other standards that have been issued but are not yet effective and that are 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 2022 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 2022 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

2. Note I (a)to the financial statements contains a statement of compliance with International Financial Reporting Standards

3. 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.

4. 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 2022.

On behalf of the board

G.F. Turner
Director
BRISBANE

25 August 2022

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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 2022, the statement of profit or loss, the 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 report 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 2022 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 report 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 report of the current year. These matters were addressed in the context of our audit of the financial report 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.

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 report. 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 report.

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## Liquidity risk and going concern basis of preparation of the financial statements

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| 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.<br><br>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).<br><br>As described in Note I(A) to the financial report, the financial statements have been prepared on a going concern basis.<br><br>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). | Our audit procedures included, but were not limited to:<br><br>► 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<br><br>► 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<br><br>► Assessing the forecast cashflow assumptions based on historical results, cashflow expenditure initiatives undertaken, growth rates and relevant external forecast information<br><br>► 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<br><br>► Obtaining written representation from management and the Board of Directors regarding their plans for future action and the feasibility of these plans<br><br>► Assessing the adequacy of the Group's going concern basis of preparation disclosures for the financial statements for consistency with Australian Accounting Standards |

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## Impairment Testing of Cash Generating Units (CGU)

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| Note A5 discloses the goodwill and other indefinite life intangible assets allocated to each of the Group's individually significant cash generating units (CGUs).<br><br>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.<br><br>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 2022, reasonably possible changes in certain key assumptions can result in significant changes to the Group's estimate of the recoverable amount.<br><br>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.<br><br>For the same reasons, we draw attention to the information in Note A5. | Our audit considered the requirements of Australian Accounting Standard AASB136 *Impairment of Assets*. Our procedures in relation to the impairment assessment included, amongst others:<br><br>► Assessing the Group's definition of its CGUs for consistency with Australian Accounting Standards, assessing any changes in CGUs including for acquisitions in the period, and considering impairment for each of the Group's individually significant CGUs<br><br>► Assessing whether the allocation of assets, including goodwill, to CGUs, was consistent with our knowledge of the Group's operations<br><br>► 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<br><br>► Evaluating the reasonability of the Group's cashflow forecast models used to estimate recoverable amount by:<br><br>o Assessing the mathematical accuracy of the cash flow models<br><br>o Considering the historical reliability of the Group's cashflow forecasts<br><br>o Assessing the application of key assumptions used in the cashflow models<br><br>o Assessing whether the CGUs included a reasonable allocation of corporate overheads<br><br>► Evaluating the Group's forecast recovery path projections through to FY27, by comparison to external economic and industry forecasts<br><br>► Involving our valuation specialists to evaluate the reasonability of the discount rate and terminal growth rates assumptions used by the Group<br><br>► Assessing the sensitivities of the impairment model to reasonably possible changes in assumptions relating to cash flow forecasts, growth rates and discount rates applied<br><br>► Comparing the market capitalisation of the Group to the Group's net assets<br><br>► Assessing the adequacy of impairment and related disclosure in Note A5 to the financial statements |

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### Recoverability of Deferred Tax Assets

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Note F12 outlines the net deferred tax asset for the Group. The impacts of COVID-19 have resulted in the Group incurring significant tax losses which have been recognised as a deferred tax asset.<br><br>Assessing the recoverability of the deferred tax assets involves significant judgement, as it requires forecasting future taxable income and an assessment of the availability and expected timing of utilising the deferred tax assets, in accordance with tax laws in each applicable jurisdiction.<br><br>Accordingly, the recoverability of the deferred tax assets was considered a key audit matter. | Our audit procedures included the following:<br>► Involving our taxation specialists to assess the availability of the Group's tax losses (in the applicable jurisdictions) and the Group's ability to use the tax losses recognised as a deferred tax asset<br>► Evaluating the Group's assessment of the way it intends to recover the tax benefit of its tax losses for consistency with the requirements of Australia Accounting Standards<br>► Assessing the mathematical accuracy of Group's cash flow models used to support deferred tax asset utilisation<br>► Evaluating the Group's assumptions and estimates used in forecasting future taxable income based on the most recent Board approved budgets and forecasts and longer term growth rates, including testing the consistency of cash flows with those used in the Group's impairment testing<br>► Assessing the adequacy of tax disclosures in Note F12 to 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 2022 Financial Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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 report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 report 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.

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In preparing the financial report, 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 report 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 report, 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.

- 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 report 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 report, including the disclosures, and whether the financial report represents 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 report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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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 report 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 the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Flight Centre Travel Group Limited for the year ended 30 June 2022, 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.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
25 August 2022

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 1 August 2022.

## (A) DISTRIBUTION OF EQUITY SECURITIES

| NUMBER OF SHARES | NUMBER OF SHAREHOLDERS |
|---|---|
| 1-1,000 | 92,071 |
| 1,001-5,000 | 14,933 |
| 5,001-10,000 | 1,633 |
| 10,001-100,000 | 843 |
| 100,001 and over | 52 |
| | **109,532** |

There were 5,039 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[1] | 16,588,889 | 8.3 % |
| Gehar Pty Ltd[1] | 14,759,740 | 7.4 % |
| James Management Services Pty Ltd[1] | 12,484,195 | 6.2 % |
| Fidelity Institutional Asset Mgt | 6,681,157 | 3.3 % |
| State Street Global Advisors | 6,384,604 | 3.2 % |
| Fidelity Investments | 6,207,260 | 3.1 % |
| Spheria Asset Mgt | 3,647,706 | 1.8 % |
| Yarra Capital Mgt | 3,500,918 | 1.8 % |
| FIL Investment Mgt Australia | 3,474,461 | 1.7 % |
| Vanguard Group | 3,451,494 | 1.7 % |
| Paradice Investment Mgt | 3,139,670 | 1.6 % |
| Ubique Asset Mgt | 2,901,954 | 1.5 % |
| Selector Funds Mgt | 2,566,942 | 1.3 % |
| BlackRock Investment Mgt | 2,350,385 | 1.2 % |
| Vanguard Investments Australia | 2,343,489 | 1.2 % |
| Macquarie Asset Mgt | 2,337,869 | 1.2 % |
| BlackRock Investment Mgt - Index | 1,817,198 | 0.9 % |
| Citigroup Global Markets | 1,608,414 | 0.8 % |
| Optar Capital | 1,584,311 | 0.8 % |
| UBS Securities | 1,545,652 | 0.8 % |
| | **99,376,308** | **49.8 %** |

*1 Substantial holder (including associate holdings) in the company. Balance includes shares held in stock borrow agreements.*

### *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% (2021: 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*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Current tax | 4,370 | (50,088) |
| Deferred tax | (97,321) | (116,519) |
| Adjustments for current tax of prior periods | 2,347 | (1,647) |
| **Income tax (credit)** | **(90,604)** | **(168,254)** |
| **Deferred income tax (benefit) / expense included in income tax comprises:** | | |
| Increase in deferred tax assets | (125,492) | (89,499) |
| Increase / (Decrease) in deferred tax liabilities | 28,171 | (27,020) |
| | **(97,321)** | **(116,519)** |
| **Numerical reconciliation of income tax to prima facie tax (receivable) / payable** | | |
| Loss before Income tax (credit) | (377,786) | (601,710) |
| **Tax at the Australian tax rate of 30% (2021 - 30%)** | **(113,336)** | **(180,513)** |
| **Tax effect of amounts in calculating taxable income:** | | |
| Non-deductible amounts | 11,589 | 60,766 |
| Deductible amounts | (10,656) | (67,774) |
| Intangibles | 8,479 | (113) |
| Investments | (912) | 985 |
| Share based payments | (274) | (4,401) |
| Property, plant and equipment | (213) | 5,146 |
| Changes in tax rate | 1,156 | 314 |
| Other amounts | 3,712 | (7,303) |
| | **(100,455)** | **(192,893)** |
| Tax losses not recognised | 4,563 | 9,477 |
| Tax losses recognised | (1,570) | (2,438) |
| Effect of different tax rates on overseas income | 4,511 | 19,247 |
| Under / (Over) provision of prior year's income tax | 2,347 | (1,647) |
| | **9,851** | **24,639** |
| **Income tax credit** | **(90,604)** | **(168,254)** |

### *(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** | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Equity component of convertible note | B5 | 22,887 | 16,255 |

## INCOME TAX PAID AND INCOME TAX PAYABLE

### *(III) TAX EXPENSE / (INCOME) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME*

| | | | |
|---|---|---|---|
| Cash flow hedges | F11 | — | 68 |
| Net investment hedge | F11 | 750 | 961 |
| **Total tax expense relating to items of other comprehensive income** | | **750** | **1,029** |

## INCOME TAX PAID AND INCOME TAX PAYABLE (CONTINUED)

### (IV) UNRECOGNISED POTENTIAL DEFERRED TAX ASSETS

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised (non-capital) | 98,592 | 80,006 |
| Temporary differences relating to brand name impairment (capital) and other intangibles | 54,359 | 41,919 |
| Investments | 4,875 | 46,590 |
| Lease & decommissioning | 4,932 | 605 |
| Other | 6,566 | 3,556 |
| | **169,324** | **172,676** |
| **Potential tax benefit at 30% (2021 - 30%)** | **50,797** | **51,803** |

### KEY ESTIMATES & JUDGEMENTS - UTILISATION OF TAX LOSSES

The effects of COVID-19 continues to impact FLT and has given rise to the loss in FY22. The travel industry is in an early recovery phase, and current supply constraints are expected to normalise as the FY23 year progresses ahead of a full industry recovery in late FY24. 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 unused tax losses in 2022 were incurred by entities in Australia, Costa Rica, Denmark, Dominican Republic, Finland, Germany, Hong Kong, Indonesia, Laos, Malaysia, Mexico, Norway, Philippines, Singapore, Sweden, Switzerland, Thailand, and Vietnam (2021: Australia, Canada, Costa Rica, Denmark, Dominican Republic, Finland, Germany, Hong Kong, Indonesia, Malaysia, Mexico, Norway, Singapore, Sweden, Thailand, USA and Vietnam). These losses have varying expiry dates from 2023 through to indefinite carry forward.

### (V) CALCULATION OF CURRENT TAX EXPENSE

| | NOTES | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Current income tax expense / (credit) of current period | F12 | 4,370 | (50,088) |
| Adjustments for current tax of prior periods | F12 | 2,347 | (1,647) |
| **Current income tax expense / (credit)** | | **6,717** | **(51,735)** |

### (VI) RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAID AND PAYABLE

| | | | |
|---|---|---|---|
| Net current tax receivable at the beginning of the period | | (81,021) | (57,441) |
| Less income tax received | | 43,912 | 28,155 |
| Current income tax expense / (credit) | (i) | 6,717 | (51,735) |
| **Net current tax receivable at the end of the period** | | **(30,392)** | **(81,021)** |

## EFFECTIVE COMPANY TAX RATES

| **Effective company tax rate** | 2022 % | 2021 % |
|---|---|---|
| Effective tax rate - Australia | 28.59 % | 37.67 % |
| Effective tax rate - Global | 23.98 % | 27.96 % |

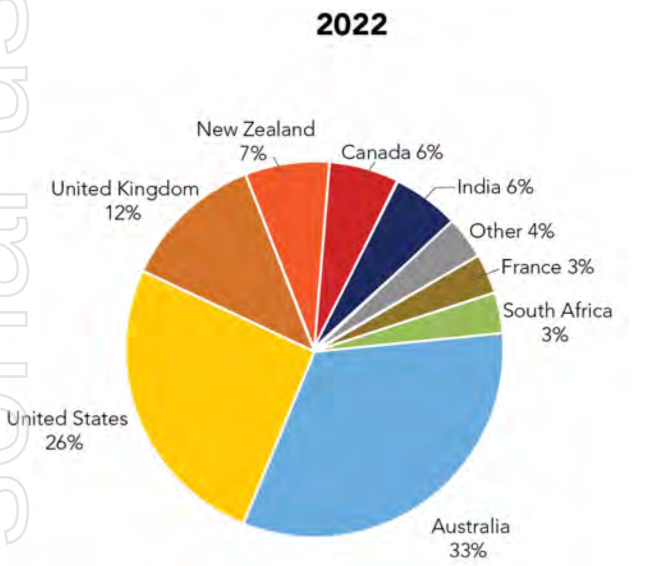
Primarily, the difference between the Australian corporate tax rate of 30% and FLT's effective tax rate is being driven by the effect of global tax rate differences and tax loss recognition.

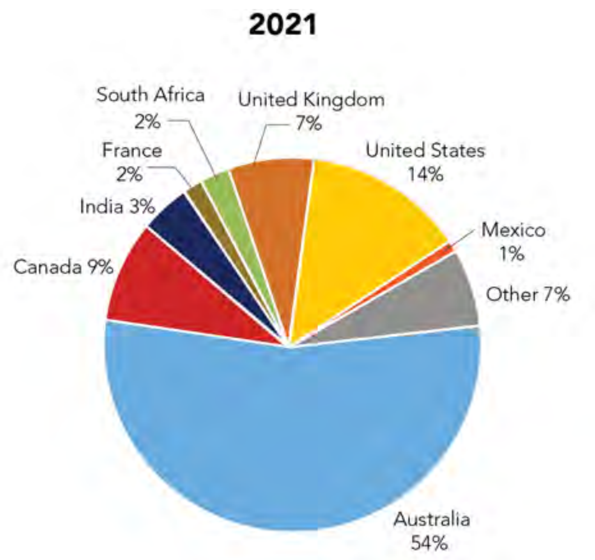
# TAX TRANSPARENCY REPORT (UNAUDITED) CONTINUED

## TAX CONTRIBUTION SUMMARY

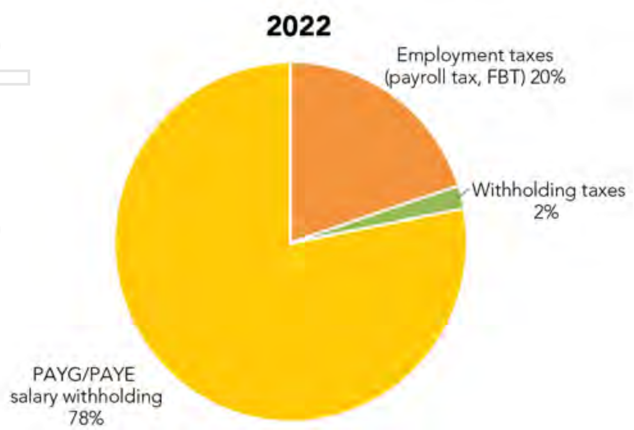
| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **Taxes paid by/on behalf of FLT** | AUSTRALIA $'000 | OTHER COUNTRIES $'000 | TOTAL $'000 | AUSTRALIA $'000 | OTHER COUNTRIES $'000 | TOTAL $'000 |
| Corporate income tax | (36,058) | (12,299) | (48,357) | (2,600) | (27,637) | (30,237) |
| Employment taxes (payroll tax, FBT) | 20,637 | 22,462 | 43,099 | 8,889 | 15,645 | 24,534 |
| Withholding taxes | 702 | 3,743 | 4,445 | 876 | 1,206 | 2,082 |
| Other taxes | — | (1,800) | (1,800) | — | (5,087) | (5,087) |
| **Taxes collected on behalf of others** | | | | | | |
| GST/VAT (collected and remitted) | 15,410 | 29,313 | 44,723 | 12,706 | 14,880 | 27,586 |
| GST/VAT (paid but reclaimed) | (26,797) | (22,269) | (49,066) | (24,482) | (16,821) | (41,303) |
| PAYG/PAYE/salary withholding | 78,607 | 89,351 | 167,958 | 77,719 | 80,027 | 157,746 |
| **Total Tax Contribution** | **52,501** | **108,501** | **161,002** | **73,108** | **62,213** | **135,321** |

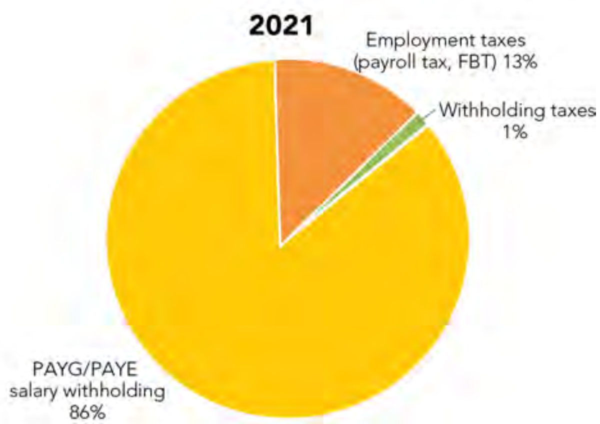
## TOTAL TAX CONTRIBUTION BY COUNTRY




## 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. |

**OUR PURPOSE:**

TO OPEN UP THE WORLD
FOR THOSE WHO WANT TO SEE

FLIGHT CENTRE TRAVEL GROUP™