



11-12



FLIGHT CENTRE LIMITED
ANNUAL REPORT





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

Flight Centre Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Flight Centre Limited, Level 2, 545 Queen Street,
BRISBANE QLD 4000, ABN 25 003 377 188

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, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 28 August 2012. The company has the power to amend and reissue the financial report.

KEY DATES 2012/13

August 28	2011/12 full year results released
September 21	2011/12 final dividend record date
October 12	2011/12 final dividend payment date
October 30	Annual General Meeting
February 26*	2012/13 half year results released
March 28*	2012/13 interim dividend record date
April 19*	2012/13 interim dividend payment date

*Dates are subject to change

CORPORATE DIRECTORY

DIRECTORS

G.F.Turner

P.F.Barrow

P.R.Morahan

G.W.Smith

SECRETARY

D.C.Smith

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SHARE AND DEBENTURE REGISTER

Computershare Investor Services Pty Ltd
117 Victoria Street
West End QLD 4101

AUDITOR

PricewaterhouseCoopers
Riverside Centre
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Brisbane QLD 4000

STOCK EXCHANGE LISTINGS

Flight Centre Limited shares are listed on the Australian Securities Exchange

WEBSITE ADDRESS

www.flightcentrelimited.com

Chairman's Message



By Peter Morahan

WELCOME to Flight Centre Limited's (FLT) annual report for the 2011/12 financial year.

The year to June 30, 2012 was another memorable period for our company, with results again exceeding market expectations and further steps being taken – both strategically and operationally – to launch our brands and businesses into the future.

New profit and sales highs were established as FLT surpassed its 2010/11 records. Total transaction value has now more than tripled during the past decade, while net profit after tax (NPAT) eclipsed \$200million for the first time – five years after FLT achieved its first \$100million NPAT and 10 years after the \$50million milestone was achieved.

Pleasingly, our overseas businesses are now making an increasingly valuable contribution to group results.

Combined overseas EBIT surpassed \$60million and was almost double the contribution from just two years ago. All 10 countries were profitable at earnings before interest and tax (EBIT) level for the second consecutive year.

FLT's solid trading performances led to record earnings per share and improved shareholder returns.

Dividend payments totalling \$112million or \$1.12 per share were declared. This included a \$0.41 per share fully franked interim dividend and a \$0.71 per share fully franked final dividend.

The \$1.12 per share return was 11% higher than FLT's previous highest full year return to shareholders – \$1.01 per share (including a special dividend) in 2004.

The company continues to maintain a strong balance sheet, which is clearly a great strength. Company cash increased during 2011/12 and moderate debt levels were maintained.

FLT's financial achievements during 2011/12 have, of course, been well

documented. Mention should also be made of the strategic plans that have been put in place and the projects that have been initiated to drive future returns.

Generally, these projects focus on customer service (Year of the Customer and Blended Travel) and enhancing in-store productivity (Big Easy Project). Specific details and objectives are outlined in other sections of this report.

Looking ahead to 2012/13, FLT will target further sales network, TTV and profit growth.

Conditions are volatile in some markets, but FLT is well placed to weather any storms.

The company has:

- A diverse stable of brands and businesses that can shield it from the impacts of a downturn in any one travel sector
- A strong balance sheet, with positive net debt
- Outstanding people at all levels, guided by a highly experienced and capable management team; and
- Plans in place to enhance operations and grow the business into the future

Before finishing, I would like to take this opportunity to welcome John Eales to FLT's board. John was appointed a non-executive director on September 13, 2012 and, subject to shareholder approval at our Annual General Meeting in Brisbane on October 30, should prove an outstanding addition to FLT's board.

He has proven leadership abilities, both on the sporting field and in the corporate world, and his experience, knowledge and business acumen will be great assets to FLT now and into the future.

Five-Year Result Summary	June 2012	June 2011	June 2010	June 2009	June 2008 restated
TTV	\$13.2b	\$12.2b	\$10.9b	\$11.2b	\$10.9b
Income margin	13.8%	13.8%	14.3%	13.6%	13.3%
EBITDA	\$330.7m	\$256.9m	\$257.3m	\$86.3m	\$231.4m
PBT	\$290.4m	\$213.1m	\$198.5m	\$40.4m	\$201.0m
NPAT	\$200.1m	\$139.8m	\$139.9m	\$38.2m	\$134.8m
EPS	200.1c	140.0c	140.3c	38.3c	138.0c
DPS	112c	84.0c	70.0c	9.0c	86.0c
ROE	23.3%	18.9%	19.7%	6.2%	22.3%
General cash	\$400.8m	\$376.8m	\$322.3m	\$160.9m	\$160.5m
Total cash and investments	\$1.09b	\$955.3m	\$922.9m	\$786.1m	\$985.1m

Year in Review and Outlook

Global Results



AUSTRALIA

TTV: \$7.8b, up 9% in AUD
EBIT: \$216.7m
Businesses: 1230



USA

TTV: \$1.7b, up 13% in AUD
(up 17% in local currency)
EBIT: \$9.9m
Businesses: 271



UK

TTV: \$1.2b, up 8% in AUD
(up 13% in local currency)
EBIT: \$24.4m
Businesses: 215



CANADA

TTV: \$836m, up 8% in AUD
(up 13% in local currency)
EBIT: \$8.9m
Businesses: 215



NEW ZEALAND

TTV: \$602m, up 4% in AUD
(up 2% in local currency)
EBIT: \$6.3m
Businesses: 172



SOUTH AFRICA

TTV: \$409m, down 4% in AUD
(up 11% in local currency)
EBIT: \$6.4m
Businesses: 172



INDIA

TTV: \$337m, down 5% in AUD
(up 10% in local currency)
EBIT: \$1.1m
Businesses: 44



GREATER CHINA

TTV: \$118m, up 13% in AUD
(up 14% in local currency)
EBIT: \$1.1m
Businesses: 29



SINGAPORE

TTV: \$63m, up 57% in AUD
(up 59% in local currency)
EBIT: \$1.0m
Businesses: 10



DUBAI

TTV: \$46m, up 35% in AUD
(up 39% in local currency)
EBIT: \$3.1m
Businesses: 4

By Graham Turner, managing director

FLT performed solidly during 2011/12 and recorded a \$290.4million profit before tax (PBT). The result comfortably surpassed our initial target (\$265million-\$275million) and was slightly above upgraded guidance (\$285million-\$290million).

Pleasingly, PBT also comfortably exceeded the prior year's record and was:

- 18.4% higher than the underlying \$245.2million PBT; and
- 36.3% above the \$213.1million actual PBT achieved in 2010/11, when FLT incurred \$32.1million in non-cash impairment charges and one-off donations

Net profit after tax was \$200.1million, which took earnings per share beyond \$2.

Global sales increased healthily, although the stronger Australian dollar again adversely affected translation of FLT's overseas results.

TTV increased 8.5% to a record \$13.2billion, while gross profit rose 9% to \$1.8billion. At like-for-like exchange rates, TTV increased almost 11%.

Income margin was 13.8%, in line with 2010/11 and the second highest margin result FLT has recorded. Net margin increased to 2.2%, its highest level since 2002.

Shop numbers grew 5% to 2362, while sales staff numbers increased 6% to 12130. At June 30, 80% of FLT's global workforce (15208 people) held sales positions.

Operational review

The company continues to benefit from its scale and diversity.

FLT's retail and corporate travel businesses are now among the largest businesses of their kind in the world, which means the company does not rely solely on one travel sector.

Both sectors grew during 2011/12 but corporate growth was stronger as we consolidated our position as Australia's largest corporate travel manager and won market-share globally.

We are also generating more income from overseas, which is an encouraging future sign.

Our 10 countries were again profitable (EBIT) and Australia, the United Kingdom, the United States, Greater China, Singapore and Dubai delivered records.

The solid results from the USA and UK – our second and third largest businesses – were particularly pleasing. Together, these businesses contributed almost \$3billion in TTV, more than 20% of the group's total.

After losing more than \$60million three years ago, the USA business generated almost \$10million in EBIT, double the target for the year. The corporate, wholesale and Liberty leisure businesses were all profitable.

UK EBIT increased 53% in Australian dollars, despite the economic uncertainty in Europe.

While relatively small, the Dubai and Singapore businesses also generated healthy growth, with EBIT doubling in the former and tripling in the latter.

In both the on and offline sectors, FLT has expanded its presence to meet customer expectations for 24/7 booking facilities.

Shop trading hours have been extended, more after hours sales teams



have been employed and strategies have been adopted to deliver faster responses to email enquiries. For online customers, more transactable product has been made available on FLT's websites.

Outlook – 2012/13

FLT expects to grow its global shop network and sales force by 6-8% during 2012/13, which will see the company add an additional 1000 sales staff to its global workforce and open its 2500th shop and business.

Assuming stable conditions, the company will initially target a PBT between \$305million and \$315million, 5-8% growth on the record 2011/12 PBT.

If achieved, growth of this magnitude will represent a solid achievement for a business of our size and given the economic uncertainty.

While FLT achieved good results during 2011/12, broader economic conditions were challenging and leisure travellers were generally cautious.

Global economic conditions remain volatile and it is unclear what impact this will have on leisure and corporate travel patterns this year. In addition, other challenges will inevitably arise, as is the case every year.

While we cannot control or predict future trading conditions, we see plenty of improvement opportunities within our businesses. Several key initiatives are underway, as part of a five-year plan to transform the business and to help us capitalise on these opportunities.

These initiatives are, however, in their infancy and they may affect top and bottom-line growth in the short-term before benefits flow through.

Major strategic goals are to:

- 1) Improve retail efficiency and shop operations to provide a more exciting, inspiring and engaging in-store experience ('Travel Shopping of the Future Project'), which links with FLT's expanded online offerings to create what we believe will be a world first blended travel model
- 2) Focus on the area, a grouping of 12-20 shops and businesses, and the recipe for area leader success – thinking small to grow big
- 3) Continue FLT's accelerated corporate travel growth
- 4) Focus on supply chain relationships for mutual benefit and unique air and land product manufacturing
- 5) Better manage and convert the record levels of enquiry FLT's leisure travel brands continues to generate
- 6) Continue FLT's customer-centric focus to ensure the company's businesses are travellers' preferred choices in their sectors; and
- 7) Use FLT's emerging businesses to focus resources on creating better, replicable and successful business models

This year, FLT will target continued growth in all markets.

In Australia, cheap international airfares continue to stimulate outbound travel, which has led to strong growth in departure numbers. This has been both positive and negative for FLT because it has corresponded with a downturn in Australian domestic tourism, which is comfortably the company's largest individual travel segment.

FLT expects demand for outbound travel from Australia to remain healthy, but the rate of year-on-year growth in departures will inevitably slow at some point in the future.

We hope Australian domestic tourism will also recover in time, but there are several reasons why this will not automatically correspond with a drop in the Australian dollar's value compared to its US counterpart – as some commentators suggest.

Firstly, US exchange rates are irrelevant for most Australian travelling overseas, as only a handful of destinations are designated in US dollars.

Secondly, our experience shows that travellers typically respond to exchange rate shifts by upgrading or downgrading their arrangements, rather than shifting away from particular destinations. When the Australian dollar is strong, they may stay longer, eat out more often or upgrade accommodation. Conversely, a weaker dollar may see travellers downsize holidays or opt for an apartment, rather than a hotel suite.

Thirdly, it's unrealistic to assume that a traveller will automatically switch to a domestic destination if he or she is deterred by a particular exchange rate shift. That traveller may, of course, simply choose to holiday at another overseas location that offers great value-for-money.

Examples include Fiji, Bali and Thailand, which are highly affordable and perennial favourites for Australian travellers.

From an overall earnings perspective for FLT, a drop in the Australian dollar's value against the pound or the US dollar would have a positive impact on profit translation from those businesses, which together generated almost \$AUD35million in EBIT during 2011/12.

Growth opportunities in Australia include corporate, which had its strongest year of expansion during 2011/12 and should set another record this year, niche leisure brands and sales expansion through the delivery of better 24/7 booking facilities. Flight Centre brand will continue to grow in Australia, but the rate of new shop growth will obviously lag some of our emerging brands' and smaller countries' growth rates.

UK-style hyperstores, featuring flagship Flight Centre shops, will be introduced in some locations, starting with a store in Perth's Hay Street Mall.

The first US hyperstore is also set to open in Manhattan's Madison Avenue in October. This high profile store will house a flagship Liberty retail travel shop, plus Travel Associates, Corporate Traveller, FCm, Stage & Screen and cieveents sales teams.

While new Liberty shops will open when opportunities arise – expansion into San Diego is planned for this year and into Boston, Chicago and Dallas in future when suitable hyperstore sites can be secured – more rapid growth will take place in the US corporate business. This year, new travel centres are set to open in Houston, San Diego and Philadelphia, which will give the business a presence in 14 cities.

In the UK, FLT expects to expand in both the leisure and SME corporate sectors. The business is on track to achieve its target of GBP1billion in TTV (GBP750million during 2011/12) by 2014 and is now aiming for almost GBP1.5billion by 2017.

As disclosed previously, the ACCC's competition law test case against FLT is scheduled for hearing in October, prior to the company's AGM. FLT is actively preparing for that hearing and its preparation has reinforced its view that the ACCC's case is misguided and will be rejected.

In conclusion, I would like to thank our people for their efforts during 2011/12 and to thank-you for your ongoing support of our company as shareholders.

Operational Overview

GLOBAL PRODUCT, E-COMMERCE, IT AND OPERATIONS

by Melanie Waters-Ryan, chief operating officer

The product, e-commerce and IT areas oversee a range of business functions, including:

- Supplier contracting and relationships
- Airfare ticketing
- Product development and delivery
- Developing the company's online brand and website stable
- Maintaining and enhancing the systems that power the business with a view to reducing costs and improving productivity; and
- Managing key improvement projects

Ticket Centre, air and land contracting, Infinity, Flight Centre Global Product (FCGP), e-commerce, Flight Centre Technology and projects are key businesses within these areas.

Together, these businesses are at the heart of the improvements that are currently underway to enhance our operating models, including:

- 1) Enhancing retail productivity by reducing administrative requirements and streamlining product sourcing (Big Easy stream of work)
- 2) The creation of a Blended Travel model
- 3) Developing unique product; and
- 4) Devising and launching new customer and retail travel initiatives

1) The Big Easy

In simple terms, this project encompasses a series of initiatives that will make it easier for customers to book with FLT and, at the same time, improve consultant efficiency in two key areas – reducing administrative requirements and faster product sourcing.

Initiatives include:

- Universal Desktop (UD): A new consultant desktop that delivers an increased range of mainstream air options to consultants – validates and guarantees fares and taxes and holds detailed customer profiles
- Flight Express: Rolled out in the USA in 2011/12 to perform similar functions to the UD being used in other parts of the world
- LCC Platforms: FLT plans to introduce easier to use tools for booking airfares that are not available via the Global Distribution System (GDS)
- Quickdax: Improvements that reduce administrative requirements – initially a quoting and invoicing tool, but will also be developed as an itinerary and mid-office system
- Electronic Customer Acceptance: Allows customers to approve and pay for travel in a variety of ways
- ESS: Improves the company's and consultants' ability to track bookings and enquiries, conversion rates and commissions compared to targets
- Intranet: New system on the way with improved search and system access capabilities; and
- Price Beat Portal: Decreases processing time involved with key brand promises, particularly Flight Centre's Lowest Airfare Guarantee

2) Blended Travel

Rather than being a specialist on or offline travel agency, FLT plans to marry the two and create a new business category – a blended travel agency.

Blended Travel will combine the on and offline models' best features and will offer customers instant and deep access to FLT's products in the ways and at the times that suit their needs.

Effectively, FLT will be seamlessly 24/7 for customers through its unique blend of:

- Web offerings – including fully transactional sites
- Extended shop hours
- Call centres
- Mobile phone services; and
- More after-hours sales teams

Customers will also be able to switch between sales channels. For example, starting a booking with an expert consultant in-store and completing it online at home. This bricks and clicks interplay will set FLT apart from other travel businesses.

To develop this blended model, online capabilities are being boosted.

Recent enhancements mean flightcentre.com.au, the company's flagship website in Australia, is now a true "web shop" offering:

- Flights to more than 2700 destinations worldwide
- More than 100,000 hotels globally from a number of suppliers
- More than 30,000 cruise itineraries
- More than 4000 coach and tour options
- Rental cars at more than 8000 locations; and
- Information for planning and dreaming

FLT is also finetuning a model that will allow travel consultants – expert human search engines – to be allocated to online customers to look after them in good times and bad.

As the company's blended model develops and evolves, these key features are likely to be included in other FLT websites around the world. Chat functionality is also being used in some brands, including Student Flights in Australia and flightcenter.com in the USA.

3) Unique product

FLT continues to develop unique product for its suppliers and customers by manufacturing or bundling offers to create interesting new travel options.

Examples include Student Flights' Black Market Flights, Flight Centre's Double Dip Flights, Escape Travel's Mystery Escapes and myTime.

myTime was launched in North America on March 1, 2011 and provides travellers with special bonuses at no additional cost at selected properties when they book holidays from FLT's brands.



These exclusive benefits are not available to other guests and can include:

- Priority reception areas
- On-site discounts and upgrades
- Arrival and departure gifts
- Access to dedicated destination representatives
- Direct to resort transfers
- Welcome receptions; or
- Exclusive sightseeing tours, activities and discounts

The program has grown substantially since its launch.

myTime went live with seven resorts and two ground operators in Mexico and the Caribbean 18 months ago. Today, the program has 123 partners in Aruba, Antigua, Bahamas, Bali, Barbados, Curacao, Dominican Republic, Fiji, Grenada, Malaysia, Mauritius, Mexico, Puerto Rico, St Lucia, St Martin, St Vincent and The Grenadines, Singapore, Thailand, USA (Continental USA plus Hawaii and Puerto Rico) and Vanuatu.

The mainland USA program was launched in September 2012, with Las Vegas and Florida now included.

Further expansion is planned, with three more regions – Australia, Vietnam and the Cook Islands – set to launch. The Madison Avenue hyperstore, which will open in October, will also have a dedicated myTime lounge for customers to interact with their travel consultants.

In addition to myTime, FLT continues to investigate vertical integration opportunities, particularly in relation to ground handling or at destination services. The aim is to improve customer experience at their destinations.

4) New customer and retail initiatives

FLT's investment in these projects has corresponded with other retail and customer-related enhancements. A significant expansion in after-hours services, the creation of new content-rich travel itineraries and quotes and the development of hyperstores are among these enhancements.

The hyperstore concept is a variation on FLT's traditional shop growth model. The concept was developed in the UK, primarily to give FLT access to prime retail sites that were generally unaffordable for one or two sales teams, and is now the company's main UK growth vehicle.

While FLT continues to open standalone leisure travel stores in other countries, it will consider larger hyperstores where suitable sites are available. Hyperstores are currently planned for Manhattan, New York and Perth, Western Australia.

Key features of the hyperstore model include:

- Multiple teams working together in one high profile location at lower rent per person
- The ability to extend trading hours to meet modern day customer needs
- Additional expertise – a broader travel knowledge base is available in one location
- Leadership: hyperstores can be overseen by a "village elder" (general manager), which reduces the need to fast-track leaders; and
- Better branding and merchandising opportunities

WORLDWIDE TOP PERFORMERS



Directors' Award:
Kim Grafton
New Zealand



Directors' Award
Nick Queale
Australia



Directors' Award:
Chris Galanty
UK



Hall of Fame:
Yela Wilson
Australia



Hall of Fame:
Billy McDonough
USA



Top Retail Consultant:
Niall McNamara
Australia



Top Corporate Account Manager:
Katherine Rondeau
Canada



Top Corporate BDM:
Alex Armstrong
UK



Top Wholesale Consultant:
Rananjay Singh
NZ



Top Ticketer:
Carol Boivin
USA

Operational Overview *continued*



CORPORATE, ASIA AND THE MIDDLE EAST by Rob Flint

FLT's corporate division performed strongly, with many markets delivering record results and the company consolidating its position as one of the world's largest corporate travel managers. The combination of new client growth, strong client retention and a dedicated focus on One Best Way systems ensured impressive gains for FLT's corporate brands.

Early in 2012, FCm Travel Solutions restructured its partner network, splitting Europe, Middle East and Africa (MEA) into two regions, each with its own leader. The new management structure will enhance local servicing capabilities and facilitate further partner growth in each region.

Expanding FCm's footprint throughout the Middle East and exploring new growth opportunities in Africa for FCm's licensee network are ongoing priorities. FCm is also scoping expansion opportunities in Saudi Arabia, a natural progression given the business's success in Dubai and the synergies that may be available.

FCm expanded its footprint during 2011/2012 with a new operation in Canada and new partner agreements in Japan, Portugal and Guatemala. To enhance client acquisition and retention, a new sales process was launched for the mid-to-large client market, along with a One Best Way process for national account managers. In the multinational client market, FLT has recorded major gains including TTV and organic client growth.

System improvements included enhancement of ClientBank, which involved the consolidation of national reporting capabilities as part of the ClientBank 2.0 roll out. The business's customer relationship management tool (Lighthouse) was also enhanced.

FLT's small-to-medium (SME) business travel brand, Corporate Traveller, delivered records, with strong growth across the UK, South Africa, USA, Canada and Australia and improved New Zealand results. Since being

launched in the US in 2011, Corporate Traveller has performed strongly.

Delivering on FLT's Big Easy project, Corporate Traveller is working on productivity efficiencies through the launch of Quickdax Corporate. System scoping has finished and the initial roll-out has started.

Other highlights for the corporate division included the expansion of cievevents into New Zealand, New York and Perth and Stage & Screen into Perth. In addition, plans are underway to expand the corporate business into new US cities.

FLT's corporate businesses also won a number of industry awards including:

- Best National Travel Management Company Australia, National Travel Industry Awards for Excellence 2012 (FCm)
- World's Leading Travel Management Company, World Travel Awards 2011 (FCm)
- Best Travel Agency Corporate – Multi Location, NTIA 2012 (Corporate Traveller); and
- Incentive of the Year – Media and Events Australia (cievevents)

Highlights in Asia and the Middle East included record results in Greater China, Singapore and Dubai. In retail travel, six new leisure shops opened in India, two in Hong Kong and a second Flight Centre store opened in Singapore. A third Flight Centre store is due to open soon in Singapore, while Dubai's first Flight Centre shop is expected to open this year.



PEOPLEWORKS by Michael Murphy

Peopleworks' businesses oversee FLT's human resources, training and staff development functions. Businesses that operate within this area include Recruitment, The Learning Centre, The Leadership Centre, The FC Business School, Human Resources, Healthwise and Moneywise.

The Peopleworks businesses also maintain close ties with the Employment Office joint venture, which makes substantial profits for the group while providing recruitment systems and recruitment marketing support.

The 2011/12 financial year was a significant period, as a series of initiatives and projects were launched or rolled out globally, including:

- The Global Sales Academy (GSA): A call recording and feedback program developed by FLT's UK business. The scoring system identifies improvement opportunities and ensures staff focus on the customer experience and sales techniques
- The Customer Excellence Program: A program that delivers real-time customer feedback and highlights improvement opportunities
- The Professional Sales Program: Nationally recognised training modules that enhance consultant knowledge and, ultimately, service
- Significant expansion of the Business School: Participants in the school completed FLT's nationally-accredited training courses during 2011/12 with a view to finding employment within the company or elsewhere in the travel industry; and

- Brand Warrior: A program that highlights what each FLT brand stands for, who its customers are and what they expect

Moneywise and Healthwise again provided valuable services to FLT's people globally, in addition to operating externally. Moneywise conducted more than 8000 financial planning appointments during the year and settled about \$100million in home loans. In total, Healthwise's people performed more than 11,000 health and fitness consultations globally.

Healthwise Active Travel proved a popular addition to FLT's business stable and arranged for staff and external customers to participate in the London, Berlin, Melbourne and New York marathons, the Cairns and Busselton ironman events, Kokoda and Everest Base Camp treks, the Tour de France, the Tour Down Under and other sports and adventure activities.

Following its record contributions during 2010/11, the Flight Centre Foundation continued to accumulate funds for key charities and became a public fund, which will allow it to improve the level of support it provides in the future.

FLT team leaders continued to invest in their businesses, with the total investment in the company's Business Ownership Scheme increasing from \$67.3million at 30 June 2011 to \$82.3million at 30 June 2012.



MARKETING by Colin Bowman

Throughout our businesses globally, marketing activities are geared towards driving cost efficient enquiries to FLT's retail shops, corporate travel offices and online businesses. The marketing teams enjoyed another busy year and were heavily involved in the company's continued brand expansion, the addition of new expos to the events calendar and the rollout of new marketing partnerships.

Highlights during the year included:

- Continued social media growth, with high levels of customer engagement globally on Facebook and Twitter, and travel blogs implemented on brand websites in Australia
- The launch of partnerships with The Wiggles and Australia's PGA, plus continued development of the Commonwealth Bank of Australia travel awards affiliation
- Development of unique products across the leisure business
- Continued expansion of the travel expo and event program to include a national Cruise Expo program in Australia and the inaugural USA Travel Expo. Three more US expos are planned for this year
- Ongoing growth of FCm Travel Solutions' Travel Club Getaways program in the corporate sector, with database membership more than doubling during the year

- Expansion of the myTime program, as outlined elsewhere in this report
- The launch of the Travel Associates brand in the USA and continued expansion of the Student Flights brand in New Zealand
- Continued expansion of database marketing programs across all brands to reach more than 3.5 million subscribers globally
- New enquiry management systems to improve customer response times; and
- The introduction of the Cash Passport to Travel Money Oz retail shops in Australia

In addition to these achievements, FLT's brands won a series of honours at the 2012 National Travel Industry Awards in Australia. Honours included Flight Centre winning Best Travel Agency Group – Retail, Corporate Traveller winning Best Travel Agency Corporate – Multi Location; FCm Travel Solutions winning Best National TMC and Infinity Holidays winning Best Wholesaler – International.



FINANCE by Andrew Flannery, chief financial officer

FLT's broader finance area includes the accountants who support the company's shops and the head office teams that oversee treasury, tax, reporting, finance systems, legal, company secretariat and other key functions. Together, these people played a significant role in FLT's financial achievements during 2011/12.

Undoubtedly, one of the company's major achievements in recent years has been its ability to strengthen its balance sheet and boost cash holdings.

General cash topped \$400million at 30 June and has increased 150% during the past three years. Debt was \$107million (\$168million at June 30, 2011), giving FLT a \$294million positive net debt position.

While FLT repaid some borrowings, this decrease in reported debt was largely brought about by the shift to a company-funded Business Ownership Scheme. This change was implemented in July 2011 and has allowed the debt associated with the company's unsecured note program to be offset against the corresponding asset.

FLT's cash and investment portfolio reached record levels and was almost \$1.1billion at 30 June. The Brisbane-based treasury team manages about 75% of this portfolio, with the balance spread across other geographies.

Funds are invested in accordance with FLT's conservative treasury policy. Currently, 94% of the portfolio is held in cash and cash equivalents, with 5% fixed income and less than 1% remaining in corporate CDOs.

As expected, a large operating cash inflow (\$341million) was recorded over the full year. This compares to a \$155million inflow during 2010/11.

While this improvement predominantly reflects an improved trading performance, several other factors contributed to the abnormally high year-on-year growth including:

- A stronger than normal build-up of client funds in the days leading up to June 30 2012
- Increased sales of directly contracted land product. FLT holds funds longer when it sells product of this kind
- Receipt of some large supplier payments from 2010/11 during 2011/12, which meant the 2011 inflow was artificially low; and
- Strong corporate trading late in 2010/11, which led to increased client debtors at June 30, 2011. Funds flowed in during 2011/12 when clients settled these accounts

The directors returned additional funds to shareholders. The combined interim and final dividends surpassed previous records and represented a 56% return of NPAT to shareholders, the highest return since before the Global Financial Crisis.

In terms of future capital management initiatives, FLT will consider reducing debt in the short-term. By adopting this strategy, the company can potentially capitalise on the Australian dollar's current strength by reducing or removing \$USD60million in borrowings (Liberty acquisition) and reduce interest expense by repaying about \$AUD30million in overdrafts and loans (China, Hong Kong and India).

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

Other new initiatives included a re-engineering of accounting practices and policies to ensure they better reflected FLT's current operating environment and establishment of a platform to allow finance teams globally to share best practice and collaborate on new initiatives

Corporate Governance Principles

FLT endorses and complies with the ASX's Corporate Governance Principles and Recommendations, other than amalgamating the Remuneration Committee and the Nomination Committee as outlined in Section 2.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The board acknowledges that its primary role is to create and safeguard shareholder value.

The board's functions include:

- Charting the group's direction, strategies and financial objectives
- Overseeing and monitoring organisational performance
- Identifying risks and implementing appropriate control, monitoring and reporting mechanisms
- Appointment, performance assessment and, where appropriate, removal of the chief executive officer (CEO), chief financial officer (CFO) and company secretary
- Ensuring board structure and composition is effective
- Approving and monitoring major capital expenditure, capital management, acquisitions and divestitures; and
- Approving the incorporation and deregistration of all FLT group entities

Under the company's constitution, the board can delegate any of its powers to the managing director (MD). Those powers can be withdrawn, suspended or varied at any time.

The MD, CFO and the other senior executives are authorised to make the day-to-day decisions required to fulfil their roles and to achieve the company's strategic and financial objectives.

Senior executives report to the board each month to update it on initiatives and issues. These reports include key performance indicators (KPIs), which are the basis of executive performance evaluations.

The full board deals with all significant matters. To assist in its deliberations, the board has established various committees that act primarily in a review or advisory capacity.

Regional operational committees are in place and include board directors, who use their knowledge and experience to help the senior executive and his or her key management personnel address issues that may arise.

Board and senior executive induction

Newly appointed board members and senior executives are given a practical induction into the group's operations, strategies, culture and values, meeting arrangements and financial position through access to appropriate documentation and face-to-face discussions with existing board members and senior executives.

2. STRUCTURE THE BOARD TO ADD VALUE

The board has a complementary mix of skills that provides the desired depth and experience. Currently, there are four non-executive directors (including the chairman) and one executive director, who is the MD. The MD is not the board chairman.

The board meets monthly and on an ad hoc basis to consider time critical matters.

Directors may seek legal advice, at the company's expense, on any matter relating to the group, subject to prior notification to the chairman. The company provides additional updates and training to board members on topical matters relating to their roles. Examples may include corporate governance updates and the impacts of recent court rulings involving such topics as directors' duties, disclosures and transactions.

Board composition

The directors' names and biographical details are provided in the Information on Directors section in the annual report.

Remuneration and Nomination Committee functions

Flight Centre's Remuneration and Nomination Committee includes FLT's four non-executive directors. Due to the board's small size, Flight Centre has a combined Remuneration and Nomination Committee. Consequently, the Remuneration and Nomination Committee considers (per the charter) board composition to ensure it includes the appropriate blend of skills and competencies to oversee the company.

At all times, the board is to have a complementary mix of financial, legal, industry and listed entity knowledge and experience. The board believes the current members have the necessary knowledge and experience to direct the company in its current operations.

Where a board position becomes available or where additional skills may be required at board level, the Remuneration and Nomination Committee establishes whether to nominate a further director. For example, if the company chose to access a new region or sector, the committee may consider appointing an additional director with appropriate experience.

The board will engage a professional recruitment firm to identify candidates that fit the criteria being sought to complement the board and its existing skill sets. Other factors to be considered when appointing a new director will include references, ability to devote time to the role, cultural fit, financial acumen, technology knowledge and residential location.

Once a short-list is created, the candidates will be interviewed by the Remuneration and Nomination Committee.

Ultimately, a candidate will be presented to the full board for appointment (to be ratified at the next AGM by shareholders). Should shareholders nominate a candidate for election at an upcoming general meeting, the board will state whether or not it supports the nomination in the explanatory memorandum accompanying the notice of meeting.

Directors' attendance records are reported in the Annual Report's Meetings of Directors section.

Board evaluation

Board members and other senior executives evaluate the board on its overall performance and individual directors' performance. The board as a unit is assessed on board process and dynamics, while the individual directors and chairman are assessed on leadership, interaction with other

directors and senior executives, imparting of knowledge, attendance and involvement in decision making.

The board is evaluated each year based on its performance during the financial year. A survey and interview process was undertaken to assess the board's performance during the 2012 financial year.

Independence and materiality

An independent director is independent of management and free of any business or other relationship that could materially interfere with the exercise of the director's unfettered and independent judgment.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Flight Centre actively promotes a set of values designed to assist employees in their dealings with each other, competitors, customers and the community. These values set out standards expected of all employees. Values endorsed include: honesty, integrity, fairness and respect. These values are incorporated into the company core philosophies, which are included in the annual report, and Code of Conduct. The Code of Conduct also outlines the company's position on lawful and ethical behaviour, conflicts of interest, use of inside information, confidentiality, bribes and facilitation payments, public comments, privacy and harassment, bullying and discrimination.

The board endorses FLT's Code of Conduct and it applies to all directors, officers, employees, consultants and contractors. In addition, FLT has implemented a Whistleblowing policy and an Anti-Bribery & Corruption policy across its global operations.

The company recognises its corporate social responsibility (CSR) and has committed to fulfilling this obligation by contributing to several charitable initiatives. The Flight Centre Foundation is a key element in the company's CSR platform.

Political contributions

Flight Centre maintains a position of impartiality with respect to party politics and, accordingly, does not contribute any funds in this regard.

Trading policy

The board has established guidelines governing trading in FLT shares by directors, employees and contractors who may be aware of price sensitive information. Dealings in FLT's shares are only permitted for 30 days following the public release of the company's price sensitive announcement. If new price sensitive information emerges during this period, directors, employees and contractors are not permitted to trade in the company's shares until the information has been publicly released.

For further details, refer to the trading policy at www.flightcentrelimited.com

Diversity policy

FLT has expanded and enhanced its longstanding Equal Employment Opportunity policy to create a Diversity Policy, which is in line with ASX requirements and available on the company's corporate website.

The company continues to follow a best practice recruitment process to ensure all selection is conducted on experience, merit and competency based on key selection criteria for each role. All policies, procedures and advertising are reviewed to ensure no gender bias occurs and the most suitable person is selected. Compulsory online training modules have been developed to enhance the policies' effectiveness.

Materiality is assessed on a case-by-case basis from the perspective of both the company and the director concerned.

The board believes the current non-executive directors, Peter Morahan, Gary Smith, John Eales and Peter Barrow, are independent as defined in Box 2.1 of the ASX Corporate Governance Principles and Recommendations. While businesses which certain directors have an interest in supply product to FLT, they are not of a material quantum to those businesses, nor to FLT, to affect the non-executive directors' independence.

Targeted remuneration packages are based on the role being performed and are the same for all staff in that particular role. This ensures there is no gender bias. Similarly, incentive earnings are not gender biased, as they are based on the employee achieving measurable performance hurdles.

Where possible, FLT seeks to identify and develop leaders from within its ranks. Currently, about 71% of staff members are women and 49% of FLT's senior leaders are women.

FLT has, for a number of years, submitted an annual return with the Australian Government's Equal Opportunity for Women in the Workplace Agency and has exceeded the agency's requirements on each occasion.

The board has also established a directorship policy for its subsidiaries that has exposed more staff of both sexes to director roles and responsibilities. Under this policy, the relevant executive general manager is appointed a director and receives valuable training and experience. Out of 44 active subsidiary companies globally, the group currently has 14 female employee directorships and a further seven female non-employee directorships.

Prior to Mr John Eales's appointment as a non-executive director in September 2012, the board sought to find the best candidate, in line with the Remuneration and Nomination Committee Charter.

This process included:

- Developing a board skills matrix
- Engaging an external professional intermediary to identify and assess candidates; and
- Compliance with the diversity policy's measurable objectives

In making its decision, the board considered a number of women, with one of the final two short-listed candidates being female.

FLT's measurable objectives include development of strategies, implementation of those strategies into programs and specific gender diversity targets. The strategies involved developing a diversity policy, incorporating it into the FLT corporate governance framework and assigning responsibility for its implementation and continual review and enhancement. This was achieved by 30 June 2011.

To implement those strategies, FLT needed to establish programs at board and executive levels. These strategies included reviewing the selection and evaluation criteria for board and executive management appointments. They also included implementing a development program across the FLT group to provide career progression paths for all employees. These programs were implemented by 31 December 2011 and are ongoing.

Corporate Governance Principles *continued*

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING *continued*

Under FLT's diversity measurable objectives, the company seeks to ensure that at least one woman is shortlisted as a candidate for all board and executive management level roles.

For further details, refer to the Diversity Policy & Measurable Objectives at www.flightcentrelimited.com

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Audit Committee

Audit committee functions include:

- Recommending the external auditor's appointment/removal, reviewing the auditor's performance and audit scope
- Helping the board oversee the risk management framework, including determining the internal audit's scope, ratifying the chief internal auditor's appointment/removal and contributing to the chief internal auditor's performance assessment
- Reviewing the company's published financial results
- Reporting to the board on matters relevant to the committee's role and responsibilities; and
- Ensuring timely adoption of, and adherence to, all relevant accounting policy changes

Committee composition

The audit committee includes four independent non-executive directors; Peter Barrow (committee chairman), Gary Smith, John Eales and Peter Morahan, who have extensive experience and expertise in accountancy, financial management, risk management, legal compliance and corporate finance. Details of the directors' qualifications and attendance are set out in the annual report.

Mr Barrow, the audit committee chairman, is a fellow of the Australian Institute of Chartered Accountants, a member of the Institute of Company Directors, the Taxation Institute of Australia, a registered company auditor, FAICD and FAICA.

The board has reviewed the committee's composition and is satisfied that, given the size of Flight Centre's board, the committee has appropriate

financial representation. The audit committee chairman is not the board's chairman.

Refer to www.flightcentrelimited.com for Audit Committee charter.

Auditor appointment

The company and Audit Committee policy is to appoint an external auditor that clearly demonstrates quality and independence. The external auditor's performance is reviewed annually. PricewaterhouseCoopers (PwC), the current auditor, is obliged to rotate audit engagement partners at least every five years.

PwC will resign as auditor at FLT's 2012 AGM. Accordingly, a resolution will be put to shareholders to seek approval for Ernst & Young's appointment as FLT's auditor.

Ernst & Young was selected after a competitive tender and evaluation process where competency, experience, price, business understanding and global network were key factors considered.

FLT has advised ASIC that:

- There were no disputes with company management connected with the auditor ceasing to hold office; and
- There were no circumstances connected with the auditor ceasing to hold office which should be brought to ASIC's attention

An analysis of fees paid to the external auditor, including fees for non-audit services, is provided in the annual report. The external auditor's policy is to provide the audit committee with an annual declaration of independence.

Certification of financial reports

The MD and CFO certify that the company's accounts are a true and fair representation of the company's financial results and position.

5. MAKE TIMELY AND BALANCED DISCLOSURE

FLT has written policies and procedures governing continuous disclosure and shareholder communication.

In accordance with ASX Listing Rules, the company will immediately disclose publicly any information that a reasonable person will expect to have a material effect on the value of its shares.

All information communicated to the Australian Securities Exchange (ASX) is posted on the company website.

The annual report is available on the company's website and, on request, can be emailed or posted to shareholders.

Refer to www.flightcentrelimited.com for the Communications and Disclosure Policy

6. RESPECT RIGHTS OF SHAREHOLDERS

Shareholder communications

The board aims to inform shareholders of all major developments affecting the group's activities and its state of affairs through distribution of the annual report, ASX announcements and media releases. All such

communications (including historical announcements for at least the previous three years) are placed on the company website, www.flightcentrelimited.com.

Shareholders are encouraged to supply, prior to the annual general meeting (AGM), any questions of the board so that these can be addressed at the meeting. FLT's investor relations manager is available at other times to address shareholder, analyst and media queries. The investor relations manager maintains a register of all analyst and investor briefings and supplies the teleconference facility details at the end of the results

announcements (if held) for shareholders to be fully informed. Where possible, recordings are made available on the company's website.

Auditor communication

The external auditor attends the AGM to answer shareholder questions concerning the conduct, preparation and content of the audit report.

Refer to www.flightcentrelimited.com for the Communications and Disclosure Policy.

7. RECOGNISE AND MANAGE RISK

Risk management is good management and is all employees' responsibility.

The board, through the Audit Committee, is responsible for overseeing the company's integrated risk and compliance management framework. This provides the board and management with an ongoing program to identify, evaluate, monitor and manage significant risks to enhance, over time, the value of the shareholders' investments and to safeguard assets.

The framework is based around the following risk initiatives:

- Risk identification – identifying significant, foreseeable risks associated with the business
- Risk evaluation – evaluating risks in terms of impact and likelihood
- Risk treatment/mitigation – developing appropriate mitigation to keep the risk within an acceptable level; and
- Risk monitoring and reporting – ongoing reporting, usually on an exception basis on the status of the risk

Risks are identified and evaluated against achievement of strategic objectives, as well as more operational activities.

The MD and senior management are responsible for identifying, evaluating and monitoring risk. Senior management personnel are responsible for ensuring clear communication of their risk position throughout the company. On a six-monthly basis, all geographies conduct a self-assessment on significant business risks, with the last report completed on 20 August 2012 and reported to the Audit Committee. Risks considered include strategic, operational, regulatory and compliance matters.

The board requests additional information as required. The company secretary facilitates corporate governance and distributes agenda items and information papers.

The internal audit team plays an integral role in deploying and monitoring this self assessment, in addition to using the results from this assessment in designing its internal audit plan and testing key control areas. The internal audit team reports independently on the status of these key controls to the Audit Committee. On a practical note, the internal audit team also works closely with the legal and company secretariat teams.

A broader risk assessment also takes place over significant capital injections, joint venture or business initiatives.

FLT and its board continually assess emerging trends and associated risks and their possible affects on future profits.

The MD and CFO have provided the board with a formal sign-off on the group's financial statements, in accordance with section 295A of the Corporations Act. That sign-off is founded upon a sound system of risk management and internal control which is operating effectively in all material aspects in relation to financial reporting risks.

Refer to www.flightcentrelimited.com for the Internal Audit Charter.

Risk profile

Risks to which FLT is subject to include:

- The general state of the Australian and international economies
- Adverse currency and interest rate movements
- The outlook of the tourism sector generally
- Low barriers to entry and modest start-up costs
- Adoption of the internet as a distribution channel
- Adverse changes in margin arrangements or rates payable to the group
- Significant international armed conflict
- A dramatic change in customer travel/leisure patterns and tastes
- Loss of key staff and staff turnover; and
- Adverse changes in government regulation

FLT and its board continually assess emerging trends and associated risks and their possible affects on future profits.

The company has a proven retail formula based on standardised systems, a replicable business model and ongoing business growth. This business model has been, and continues to be, successfully adapted in response to world events and industry changes.

8. REMUNERATE FAIRLY AND RESPONSIBLY

Full details of FLT's remuneration policies and structures, including director and key management personnel information, are outlined in the remuneration report in the annual report and on www.flightcentrelimited.com. All relevant governance charters and policies are available on www.flightcentrelimited.com.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Limited (FLT) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

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

G.F.Turner

P.R.Morahan

P.F.Barrow

G.W.Smith

PRINCIPAL ACTIVITIES

The group's principal continuing activities consisted of travel retailing, wholesaling and corporate travel management. There were no significant changes in the nature of the group's activities during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

DIVIDENDS – FLIGHT CENTRE LIMITED

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

	2012 \$'000	2011 \$'000
48.0 cents per fully paid share final ordinary dividend for the year ended 30 June 2011 (2010: 44.0 cents), paid on 7 October 2011	47,988	43,905
41.0 cents per fully paid share interim ordinary dividend for the year ended 30 June 2012 (2011: 36.0 cents) paid on 13 April 2012	41,008	35,973
	88,996	79,878

REVIEW OF OPERATIONS

A review of operations and details of FLT's outlook for 2011/12 are included on pages 4 - 9 of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 28 August 2012, FLT's directors declared a fully franked 71.0 cents per share final dividend on ordinary shares for the 2012 financial year. The total amount of the dividend is \$71million. The combined interim and final dividend payments represent a \$112million return to shareholders, 56% of FLT's NPAT.

No other material matters have arisen since 30 June 2012.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the group's operations and the expected results of operations has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

ENVIRONMENTAL REGULATIONS

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

INFORMATION ON DIRECTORS

Director	Experience and directorships	Special responsibilities	Particulars of directors' interests in shares and options of Flight Centre Limited	
			Ordinary shares	Options
P.R.Morahan, MAICD Age: 51	FLT director since 2007. Executive chairman of the investment company that owns Moreton Hire. Member of Australian Institute of Company Directors and the Australian Institute of Management.	Independent non-executive chairman Remuneration Committee member Audit Committee member	17,915	–
G.W.Smith BCom, FCA, FAICD Age: 52	FLT director since 2007. Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered Accountant. Director of Events Queensland. Former Queensland Tourism Industry Council chairman and a former director of Ecotourism Australia Limited and S8 Limited.	Independent non-executive director Remuneration Committee chairman Audit Committee member	15,000	–
P.F.Barrow FCA,FAICD Age: 61	FLT director since 1995. Former senior partner of chartered accounting firm MBT. More than 25 years' experience with travel and tourism-related companies. Former chairman of Oaks Hotels and Resorts Limited and a former director of Mosaic Oil NL, Cluff Resources Pacific NL and NSW Gold NL.	Independent non-executive director Audit Committee chairman Remuneration Committee member	29,140	–
G.F.Turner BVSc Age: 63	Founding FLT director with significant experience in running retail travel businesses in Australia, New Zealand, USA, UK, South Africa, Canada and Asia. Director of the Australian Federation of Travel Agents Limited.	Managing director	15,464,200	–

COMPANY SECRETARY

The company secretary, Mr D.C. Smith (B.Com, LLB), was appointed on 31 January 2008 and has worked for FLT for ten years. The assistant company secretary, Mr S.Kennedy (B. Bus, ACIS), has worked for FLT for 16 years and became assistant company secretary eight years ago.

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 2012 and the number of meetings attended by each director were:

	Full meetings of directors		Committee meetings			
			Audit		Remuneration & Nomination	
	A	B	A	B	A	B
P.R.Morahan	14	14	4	4	4	4
G.W.Smith	14	14	4	4	4	4
P.F.Barrow	14	14	4	4	4	4
G.F.Turner	14	14	*	*	*	*

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

Directors' Report *continued*

REMUNERATION REPORT

The remuneration report sets out FLT's executive reward framework and includes remuneration details of directors and key management personnel.

The remuneration report is set out under the following main headings:

- | | |
|--|---------------------------------|
| A Principles used to determine the nature and amount of remuneration | D Share-based compensation; and |
| B Details of remuneration | E Additional information |
| C Service agreements | |

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

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The following section provides comprehensive details on FLT's remuneration policy and the philosophies that underpin it. Information is presented in a question and answer format.

What is FLT's remuneration philosophy?

FLT's executive reward framework balances participants' interests with those of the company and its shareholders.

This balance is achieved through a remuneration system that provides executives and other employees (excluding non-executive directors) with:

- The security of fixed base pay (retainer); and
- Opportunities to earn additional variable income (incentives) when the company or the executives' individual businesses achieve or exceed pre-determined targets and shareholder value is created

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

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

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

At the start of each year, executives (excluding non-executive directors) are offered a remuneration package consisting of:

- Base pay (fixed retainers)
- Short-term incentives that are based on measurable key performance indicators (variable)
- BOS interest (variable)
- Long-term incentives, in the form of share-based compensation (variable); and
- Other fixed remuneration, such as long service leave and superannuation contributions

Additional detail on each of these components is included in the table in Section A.

What percentage of overall remuneration is fixed for FLT executives?

All employees earn a mix of fixed and "at risk" remuneration, a reflection of the company's belief in the importance of ownership and in using incentives to drive short and long-term growth. As employees progress through the ranks and in years where FLT achieves stronger than expected profit growth, the balance of this mix typically shifts to a higher proportion of at risk rewards.

Does the amount of "at risk" earnings vary from year-to-year?

At the beginning of each year, executives are offered a targeted remuneration package built around a fixed retainer, superannuation and variable short-term incentives that are paid monthly. The fixed retainer and superannuation component will typically represent 40-50% of the targeted package.

REMUNERATION REPORT

Actual earnings in any given year may, however, be higher or lower than these targeted packages, which means fixed remuneration may ultimately be higher or lower than 40-50%.

This is because senior executive short-term incentive earnings are tied to FLT's profit growth and will, therefore, increase in years when FLT performs strongly and decrease in years when the company does not meet its profit targets.

While some organisations recommend that at least 50% of annual remuneration should be fixed, the fundamental elements of FLT's business model and philosophies mean that it is not possible to predetermine the total remuneration package that an executive will earn and, therefore, the level of fixed income that will represent 50% of earnings.

What outcomes were FLT's executives' short-term incentives linked to during 2011/12?

For the executives disclosed in this report, incentives were based on:

- Year-on-year growth in FLT's pre-tax profit; and
- Achieving measurable KPIs within their individual business divisions

These KPIs were generally financial in nature, although part of the executive general manager of marketing's incentive earnings was linked to increasing customer enquiry per consultant globally and, at the same time, decreasing the cost of that enquiry per consultant. Generating sufficient enquiry is crucial to FLT's success in any year, hence the importance placed up on it as a key non-financial performance measure.

No executives were remunerated on factors external to the company.

Are non-financial key performance indicators used?

The KPIs that are linked to executives' incentive earnings are generally profit or sales related. Exceptions may arise if the desired outcome is considered integral to the business's success.

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

As outlined in greater detail in the accompanying table in Section B and in Section D of this report, long-term incentives for executives predominantly relate to the company's Senior Executive Option Plan (SEOP) and Senior Executive Performance Rights Plan (SEPRP).

Under these plans, participating executives become entitled to options (under the SEOP) or performance rights (under the SEPRP) if FLT achieves pre-determined year-on-year profit growth targets that are set at the start of each year.

Options and performance rights are available in three tiers:

- A low tier of 10000 options or 1500 performance rights
- A mid tier of 25000 options or 3500 performance rights; and
- A top tier of 40000 options or 5500 performance rights

Generally, participants in each program will be entitled to:

- The low tier if FLT achieves a PBT at the low end of its targeted range for the year
- The mid tier if FLT achieves a PBT near the top end of its targeted range; and
- The top tier if FLT exceeds its PBT target for the year

How does the FLT remuneration system benefit its employees?

For executives, benefits associated with FLT's reward system include:

- Provision of clear targets and structures for achieving rewards. When outcomes achieved exceed the targets set, rewards will be greatest,
- Achievement, capability and experience are recognised and rewarded; and
- Contribution to shareholder wealth creation is rewarded

Directors' Report *continued*

REMUNERATION REPORT

How does the FLT remuneration system benefit its shareholders?

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

How does FLT align executive remuneration with shareholder wealth creation?

As outlined previously, FLT ties incentive earnings to profit growth and other measurable key performance indicators that drive results and shareholder value creation.

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

- Broadly in line with targeted earnings in years where results are in line with expectations
- Above targeted earnings in years where results are above expectations, as experienced during 2010/11 and 2011/12; and
- Below targeted earnings in years where results are below expectations, as experienced during 2008/09

The following table illustrates growth in shareholder wealth over the past five years.

	2011/12	2010/11	2009/10	2008/09	2007/08
Profit before income tax	\$290.4m	\$213.1m	\$198.5m	\$40.4m	\$201.0m
Net profit after tax	\$200.1m	\$139.8m	\$139.9m	\$38.2m	\$134.8m
Dividends (relating to the year)					
Interim	41.0c	36.0c	26.0c	9.0c	37.5c
Final	71.0c	48.0c	44.0c	-	48.5c
Earnings per share (basic)	200.1c	140.0c	140.3c	38.3c	138.0c
Share price at 30 June	\$18.93	\$21.62	\$16.63	\$8.65	\$16.67

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

Through its remuneration committee, FLT's board oversees and monitors executive remuneration to ensure its objectives are met and that the individual executive's pay reflects his or her duties, responsibilities and achievements. The committee includes FLT's non-executive directors.

If a material change occurs within the business, the remuneration committee has the power to alter incentive structures during the course of the year. For example, the committee could choose to exclude an acquired business's contributions from incentive calculations and for SEOP and SEPRP purposes.

What are the remuneration committee's responsibilities?

The remuneration committee advises the board and provides specific recommendations on remuneration and incentive structures, policies and practices and other employment terms for directors and senior executives.

In making its recommendations, the committee considers:

- External benchmarks against ASX-listed companies
- Targeted earnings being aligned with targeted PBT growth; and
- Three to five years of salary data for the position to ensure earnings flex or contract with results over the longer term

Further details on the remuneration committee are included in FLT's corporate governance statement.

REMUNERATION REPORT

Given that a large portion of overall remuneration is at risk and paid as short-term incentives, what safeguards are in place to protect and grow shareholder value?

Executive incentive earnings are predominantly linked to global PBT results, which are subject to internal and external audit. Payments are made monthly and are adjusted during future periods if required.

The importance FLT places on year-on-year profit growth – in its incentive programs, BOS and its option and performance rights plans – also ensures executives are focused on delivering sustainable results for the future, as plans and strategies implemented during the current year will affect future earnings.

How are directors paid?

Non-executive directors receive fixed fees and do not have access to performance-related bonuses (incentives). The fees reflect the positions' demands and responsibilities and are reviewed annually by FLT's board.

Fees are determined within an aggregate directors' fee pool, which is periodically recommended for shareholder approval.

The pool currently stands at \$650,000 per annum, as approved by shareholders on 3 November 2008.

During 2011/12, the company's non-executive directors earned approximately 70% of this maximum allowance, in line with prior year remuneration.

How is the chairman's pay determined?

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

Do directors participate in FLT's long-term incentive programs?

Non-executive directors are not eligible to participate in the Employee Share Plan and have elected not to participate in the SEOP or the SEPRP.

Directors' Report *continued*

Components of executive remuneration

Base pay

Base pay (retainer) is guaranteed and will typically represent a fraction of overall executive earnings. For example, the managing director and his Australian-based executive team earned \$175,000 in base pay during 2011/12 (2010/11: \$175,000).

The company does not guarantee annual base pay increases.

Short-term incentives

Short-term incentives are paid monthly, based on measurable achievements against predetermined key performance indicators.

Executives earn short-term incentives if:

- They meet their KPIs
- FLT achieves a predetermined profit target; or
- They achieve a predetermined profit target within their business divisions

The Remuneration Committee approves profit targets annually and uses detailed performance reports to assess whether KPIs are met. Targets are regularly reviewed to ensure they are aligned to company strategic goals and that appropriate compensation is awarded.

FLT does not guarantee its executives will earn the full incentive component of their targeted remuneration package or, therefore, the total package an executive will earn in any given year.

BOS interest

FLT believes it is important that its leaders see the businesses they run as their businesses and, under the Business Ownership Scheme (BOS) program, invites eligible executives to invest in unsecured notes in their businesses as an incentive to improve performance in both the short and long-term. This is available for the duration of their tenure.

In return for this investment, the executive receives a variable return on investment based on the individual business's performance. The executive is exposed to the risks of his or her business, as neither FLT nor any of its group companies guarantees returns.

BOS earnings will increase when profit in FLT's businesses increases and will, therefore, typically represent a larger proportion of executive remuneration in years of strong profit growth, as experienced during 2009/10, 2010/11 and 2011/12.

In accordance with the BOS prospectus, unless approved by FLT, no return will exceed 35% of the BOS unsecured note face value in any 12-month period.

At 30 June 2012, BOS participants had invested \$82.3million in the program, a significant increase on the \$67.3million invested at 30 June 2011.

Share-based compensation

Share-based compensation may be available to staff through FLT's:

- Employee Share Plan (ESP)
- Employee Option Plan
- Senior Executive Option Plan (SEOP); and
- Senior Executive Performance Rights Plan (SEPRP)

The Employee Option Plan was not offered during 2011/12.

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

Specific executives were granted share options or performance rights under the SEOP and SEPRP respectively, as outlined in section D of this report.

Generally, the board has the discretion to either issue new shares or to buy shares on market under each of the ESP, the SEOP and the SEPRP, subject to relevant laws.

Superannuation

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

B. DETAILS OF REMUNERATION

The following tables outline Board and key management personnel remuneration details for the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year ended 30 June 2012. Board and key management personnel are as defined in AASB 124 Related Party Disclosures and are responsible for planning, directing and controlling the entity's activities.

Board of directors

- P.R. Morahan – non-executive director
- G.W. Smith – non-executive director
- P.F. Barrow – non-executive director
- G.F.Turner – executive director

Group Key Management Personnel

- R.Flint – executive general manager – global corporate
- M.Waters-Ryan – chief operating officer
- A.Flannery – chief financial officer
- C.Galanty – executive general manager – UK, South Africa
- C.Bowman – executive general manager – global marketing
- D.W.Smith – executive general manager – USA
- M.Murphy – executive general manager – global Peopleworks

Parent Entity

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

Directors' Report *continued*

REMUNERATION REPORT

Key management personnel (KMP) and other group executives

	Short-term employee benefits			Post employment benefits		Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Short-term incentive \$	BOS Interest ¹ \$	Super-annuation \$	Termination benefits ² \$	Long service leave ³ \$	Equity settled options ⁴ \$	
2012								
Non-executive directors								
P.R.Morahan	170,000	-	-	15,300	-	-	-	185,300
G.W.Smith	124,000	-	-	11,160	-	-	-	135,160
P.F.Barrow	124,000	-	-	11,160	-	-	-	135,160
Sub total non-executive directors	418,000	-	-	37,620	-	-	-	455,620
Executive directors								
G.F.Turner	175,000	648,051	-	25,000	-	(158,779)	-	689,272
Other key management personnel of the group								
R. Flint	175,000	271,570	253,207	25,000	-	39,483	100,209	864,469
M. Waters-Ryan	175,000	504,747	450,721	25,000	-	(46,650)	78,394	1,187,212
A. Flannery	175,000	648,051	-	25,000	-	(36,271)	78,394	890,174
C. Galanty	230,203	336,600	292,921	-	-	-	-	859,724
C. Bowman	175,000	361,944	-	25,000	-	(41,874)	78,394	598,464
D.W.Smith	203,486	509,563	-	17,942	-	-	-	730,991
M. Murphy	175,000	318,617	-	25,000	-	(39,766)	78,394	557,245
Total KMP compensation	1,901,689	3,599,143	996,849	205,562	-	(283,857)	413,785	6,833,171

Key management personnel (KMP) and other executives of the group *continued*

	Short-term employee benefits			Post employment benefits		Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Short-term incentive \$	BOS Interest ¹ \$	Super-annuation \$	Termination benefits ² \$	Long service leave ³ \$	Equity settled options ⁴ \$	
2011								

Non-executive directors

P.R.Morahan	170,000	-	-	15,300	-	-	-	185,300
G.W.Smith	124,000	-	-	11,160	-	-	-	135,160
P.F.Barrow	124,000	-	-	11,160	-	-	-	135,160
Sub total non-executive directors	418,000	-	-	37,620	-	-	-	455,620

Executive directors

G.F.Turner	175,000	422,373	-	25,000	-	112,523	-	734,896
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Other key management personnel of the group

S.O'Brien (resigned 15 March 2011)	123,640	208,943	134,821	43,467	826,837	-	-	1,337,708
R. Flint	175,000	504,381	306,924	28,393	-	43,248	129,372	1,187,318
M.Waters-Ryan	175,000	367,662	427,659	27,216	-	36,387	65,171	1,099,095
A.Flannery	175,000	413,501	-	28,280	-	49,449	65,171	731,401
C. Galanty	241,429	209,028	238,471	38,675	-	-	-	727,603
C. Bowman	175,000	227,007	-	26,102	-	20,995	65,171	514,275
D.W.Smith	196,756	297,387	-	17,158	-	-	-	511,301
M. Murphy	175,000	210,030	-	25,091	-	29,103	65,171	504,395
Total KMP compensation	2,029,825	2,860,312	1,107,875	297,002	826,837	291,705	390,056	7,803,612

¹ Interest earned under the BOS is the net return on the financial investment invited executives have made in the program and does not take into account financial liabilities (interest and principal repayments) that may relate to this investment.

² Termination benefits include leave entitlements and redundancy payments owing to employees at the date of termination.

³ Long service leave (LSL) includes amounts accrued during the year. LSL provisions are linked to overall executive remuneration and, therefore, vary from year to year. During 2011/12, negative amounts were recognised for some executives, as provisions naturally adjusted after two years of stronger than anticipated earnings growth during 2009/10 and 2010/11.

⁴ Share-based payments represent amounts expensed in relation to options/rights granted under the SEOP/SEPRP (refer pages 24 to 27).

Directors' Report *continued*

REMUNERATION REPORT

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Fixed remuneration		At risk – STI		At risk – LTI	
2012 %	2011 %	2012 %	2011 %	2012 %	2011 %

Directors of Flight Centre Limited

P.R.Morahan	100	100	-	-	-	-
G.W.Smith	100	100	-	-	-	-
P.F.Barrow	100	100	-	-	-	-
G.F.Turner	6	43	94	57	-	-

Other key management personnel of the group

R.Flint	28*	21	61	68	11	11
M.Waters-Ryan	13*	22	80	72	7	6
A.Flannery	18*	34	73	57	9	9
C.Galanty	27	38	73	62	-	-
C.Bowman	26*	43	61	44	13	13
D.W.Smith	30	42	70	58	-	-
M.Murphy	29*	45	57	42	14	13

* The change in long service leave provision lowered fixed remuneration percentages for these executives during 2012.

C. SERVICE AGREEMENTS

No fixed-term service agreements are in place with FLT's directors or key management personnel. Standard contracts are in place and are reviewed annually. FLT is not bound, under the terms of any executive's employment contract, to provide termination benefits beyond those that are required by law. Employees can terminate employment with the company in accordance with statutory notice periods.

D. SHARE-BASED COMPENSATION

Senior Executive Option Plan (SEOP)

Options under the SEOP are offered to various senior executives at the board's discretion and vest if profit performance conditions are met.

Under the plan's rules, options are granted for no consideration and are exercisable over FLT's fully paid ordinary shares. The plan's rules also stipulate that the number of shares resulting from exercising all unexercised options cannot exceed 5% of the company's issued capital (currently less than 1%).

Challenging annual performance hurdles are set and the options vest if the hurdles, which relate to PBT, are achieved.

For 2011/12, three specific PBT targets were in place to provide participating executives with the opportunity to earn 10,000, 25,000 or 40,000 options.

Upon release of audited financial statements to the ASX on 28 August 2012, the top tier of 40,000 options will vest for each participating executive.

This was based on FLT achieving a PBT in excess of \$290million, its top tier target and a result 18% above the record underlying \$245.2million PBT achieved during 2010/11.

FLT's initial market guidance was for a PBT between \$265million and \$275million. Had FLT achieved a result within this range, executives would have earned the low tier of 10,000 options.

The relevant portion of the expense relating to these options has been recognised during the period ended 30 June 2012 (refer to Equity settled options on page 22).

Three PBT growth targets are again in place during 2012/13.

If FLT achieves a \$320million PBT, 10% growth, participating executives will be eligible for the low tier of 10,000 options. The mid tier of 25,000 options is based on FLT achieving a \$330million PBT, while the top tier is based on a \$340million PBT – 17% growth on the record 2011/12 result.

As PBT growth targets are set annually by the Remuneration Committee and are based on year-on-year profit growth, FLT is unable to provide specific details on performance hurdles for 2013/14 and beyond at this time. Since the plan was initiated, however, the following structure has generally been in place:

- If FLT achieves a PBT result at the low end of its market guidance range, executives may be entitled to the low tier of options
- If FLT achieves a PBT result at or near the top end of its market guidance range, executives may be entitled to the mid tier; and
- If FLT achieves a PBT result above the top end of its market guidance range, executives may be entitled to the top tier

The board has the discretion to alter, modify, add to or repeal all or any of the plan's rules.

Terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
29 June 2009	Five vesting tranches of up to 200,000 each granted at no consideration. Each tranche vests upon release of the audited financial statements at each year-end, from 30 June 2010 to 30 June 2014, provided predetermined profit targets are met.	30 June 2015	\$10.00	\$2.17 - \$2.32

Options granted under the plan carry no dividend or voting rights.

The exercise price is based on a premium to the price at which FLT's shares traded on the Australian Securities Exchange during the week leading up to and including the grant date.

Details of options provided as remuneration to key management personnel (directors have elected not to participate in FLT's option plans) are set out below. When exercisable, each option is convertible into one ordinary FLT share. Further information is set out in note 34 to the financial statements.

Other KMP of Flight Centre Limited	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
S.O'Brien (resigned 15 March 2011)	-	-	-	40,000
R.Flint	-	-	-	-
M.Waters-Ryan	-	-	25,000	40,000
A.Flannery	-	-	25,000	40,000
C.Galanty	-	-	-	-
C.Bowman	-	-	25,000	40,000
D.W.Smith	-	-	-	-
M.Murphy	-	-	25,000	40,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. This amount is included in the remuneration tables above. As outlined in greater detail in note 1(q)(iv) fair values at grant date are independently determined using a Black-Scholes option pricing model.

The model inputs for options granted on 29 June 2009:

- | | |
|---|---|
| (a) options are granted for no consideration. Each tranche vests upon release of the audited financial statements based on achievement of certain profit targets at each year-end, from 30 June 2011 to 30 June 2014. | (d) expiry date: 30 June 2015 |
| (b) exercise price: \$10.00 | (e) share price at grant date: \$8.65 |
| (c) grant date: 29 June 2009 | (f) expected price volatility of the company's shares: 40-45% |
| | (g) expected dividend yield: 3.0-4.8% |
| | (h) risk-free interest rate: 4.8-5.5% |

Directors' Report *continued*

REMUNERATION REPORT

Shares provided on exercise of remuneration options

Details of ordinary FLT shares provided to key management personnel after options were exercised are set out below:

Other key management personnel of the group	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2012	2011
A.Flannery	8 March 2011	-	40,000
C.Bowman	8 March 2011	-	40,000
S.O'Brien (resigned 15 March 2011)	8 March 2011	-	40,000

Details on the amounts key management personnel paid at the exercise date were as follows:

Exercise date	Amount paid per share
8 March 2011	\$10.00

No amounts are unpaid on any shares issued on the exercise of options.

Senior Executive Performance Rights Plan (SEPRP)

As outlined in Section A, the SEPRP is currently available to two senior executives who have not participated in the SEOP.

Under the terms of the current offer, each participant is eligible for up to 22,000 performance rights (maximum of 5,500 per year) which, upon vesting, will be automatically exercised into an equal number of FLT shares.

Vesting will be subject to FLT achieving various performance hurdles or performance conditions during each of the financial years during the offer's four-year term (2010/11 to 2013/14).

Performance conditions include low, mid and top tier PBT targets, which will be set by the remuneration committee, annually during the term.

If the low tier profit target is reached for a financial year (and all other performance conditions are met) participating executives will be entitled to 1,500 Performance Rights.

If the mid tier profit target is reached for a financial year (and all other performance conditions are met) participating executives will be entitled to 3,500 Performance Rights.

If the top tier profit target is reached for a financial year (and all other performance conditions are met) participating executives will be entitled to 5,500 Performance Rights.

For the performance conditions to be met in a particular year, the executive must continue to be a senior FLT executive at the end of that financial year. Performance rights lapse immediately if the performance conditions are not met within the relevant year.

Targets for 2012/13 are identical to the targets that are in place for participants in the SEOP.

FLT's board can amend terms of the plan or any performance rights granted under it.

REMUNERATION REPORT

The terms and conditions of each grant of performance rights affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
12 August 2011	Four vesting tranches of up to 5,500 each granted at no consideration. Each tranche vests upon release of the audited financial statements at each year-end, from 30 June 2011 to 30 June 2014, provided predetermined profit targets are met.	30 June 2015	\$0.00	\$16.24 - \$18.43

Performance rights granted under the plan carry no dividend or voting rights.

The exercise price is nil, as stated in the performance rights plan.

Details of performance rights are set out below. When exercisable, each performance right is convertible into one ordinary FLT share. Further information is set out in note 34 to the financial statements.

Other key management personnel of the group	Number of performance rights granted during the year		Number of performance rights vested during the year	
	2012	2011	2012	2011
R.Flint	-	22,000	3,500	-

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date. This amount is included in the remuneration tables above. As is the case for the SEOP, a Black-Scholes pricing model is used to independently determine fair values at grant date.

The model inputs for performance rights granted on 12 August 2011:

- (a) performance rights are granted for no consideration.
- (b) exercise price: \$0.00
- (c) grant date: 12 August 2011
- (d) expiry date: 30 June 2015
- (e) share price at grant date: \$18.45
- (f) expected price volatility of the company's shares: 30%
- (g) expected dividend yield: 4.31%
- (h) risk-free interest rate: 3.65%-3.73%

Employee Share Plan (ESP)

During 2011/12, 86,734 shares were issued and allocated to employees under the terms of the company's Employee Share Plan (2011: 32,382). For every four shares employees purchased with their after-tax salaries, FLT granted a conditional right to one matched share. The expense is recognised over the period that the matched share vests. Details are set out in note 34 to the financial statements and in Section A of this report.

Details of ordinary FLT shares provided to key management personnel are set out below:

Other key management personnel of the group	Number of ordinary shares issued during the year	
	2012	2011
D.W. Smith	299	128

Directors' Report *continued*

E. ADDITIONAL INFORMATION

FLT's performance

Executive reward is linked to the group's performance over a number of years, with greater emphasis given to year-on-year growth. A major proportion of executive remuneration is based on company current year results, such as profit before tax.

Details of remuneration: cash bonuses, options and performance rights

For each incentive and grant of options or performance rights included in the tables on pages 24 to 27, the percentage of the available bonus or grant that was paid, or that vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest over five years and the performance rights over four years, provided the vesting conditions are met. No options or performance rights will vest if the conditions are not satisfied, hence the minimum value of the option or performance right yet to vest is nil. The maximum value of the options or performance rights yet to vest has been estimated as the amount of the grant date fair value that could be expensed.

Incentives		Options and Performance Rights					
Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options / performance rights may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$

Directors of FLT

P.R.Morahan	-	-	-	-	-	-	-
G.W.Smith	-	-	-	-	-	-	-
P.F.Barrow	-	-	-	-	-	-	-
G.F.Turner	100	-	-	-	-	-	-

Other key management personnel of the group

R.Flint	100	-	2011	15.9%	9.1%	2012-2015	nil	177,648
M.Waters-Ryan	100	-	2009	12.5%	7.5%	2011-2015	nil	126,366
A.Flannery	100	-	2009	12.5%	7.5%	2011-2015	nil	126,366
C.Galanty	100	-	-	-	-	-	-	-
C.Bowman	100	-	2009	12.5%	7.5%	2011-2015	nil	126,366
D.W.Smith	100	-	-	-	-	-	-	-
M.Murphy	100	-	2009	12.5%	7.5%	2011-2015	nil	126,366

Shares under option or performance rights

Unissued ordinary shares of FLT under option or performance right at the date of this report are as follows:

Date granted	Expiry date	Issue price of shares	Number under performance right/ option
29 June 2009	30 June 2015	\$10.00	660,000
12 August 2011	30 June 2015	\$0.00	33,000

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been entered into with directors or executives during the current reporting period. No loans were in place at 30 June 2012.

OFFICERS' INDEMNITY AND INSURANCE

An Officers' Deed of Indemnity, Access and Insurance is in place for directors, key management personnel, the company secretaries and some other executives. Liabilities covered include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or its controlled entities. Disclosure of premiums paid is prohibited under the insurance contract.

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 (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 6.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, to the nearest dollar.

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



G.F. Turner
Director
BRISBANE
28 August 2012

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Flight Centre Limited for the year ended 30 June 2012,
I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Steven Bosiljevac', with a long horizontal flourish extending to the right.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
28 August 2012

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Liability limited by a scheme approved under Professional Standards Legislation.

Balance Sheet

		Consolidated (As at 30 June)	
	Notes	2012 \$'000	Restated 2011 \$'000
Assets			
Current assets			
Cash and cash equivalents ¹	10	1,032,467	890,374
Available-for-sale financial assets	12	53,051	60,119
Financial assets at fair value through profit and loss (FVTPL)	13	6,802	4,790
Trade and other receivables	11	455,143	409,486
Current tax receivables	14	10,477	10,130
Inventories		972	1,060
Other assets	15	829	1,889
Total current assets		1,559,741	1,377,848
Non-current assets			
Property, plant and equipment	17	143,511	138,923
Intangible assets	18	352,622	345,374
Investments accounted for using the equity method	19	7,347	5,897
Deferred tax assets	21	49,964	52,403
Other financial assets	15	7,073	5,304
Total non-current assets		560,517	547,901
Total assets		2,120,258	1,925,749
Liabilities			
Current liabilities			
Trade and other payables ¹	22	1,037,042	901,042
Borrowings	23	45,162	99,174
Provisions	24	14,536	11,980
Current tax liabilities	25	57,473	57,479
Derivative financial instruments	16	481	4,845
Total current liabilities		1,154,694	1,074,520
Non-current liabilities			
Trade and other payables	22	20,809	17,479
Borrowings	23	62,013	68,601
Provisions	24	19,920	17,913
Deferred tax liabilities	26	5,410	6,499
Derivative financial instruments	16	283	121
Total non-current liabilities		108,435	110,613
Total liabilities		1,263,129	1,185,133
Net assets		857,129	740,616
Equity			
Contributed equity	27	382,989	381,308
Reserves	28(b)	(70,979)	(74,741)
Retained profits	28(a)	545,119	434,049
Total equity		857,129	740,616

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

¹ Refer to note 1 for further information on restatement of client cash and client creditors

Income Statement

		Consolidated (For the year ended 30 June)	
		2012 \$'000	2011 \$'000
	Notes		
Revenue			
Revenue from the sale of travel services	3	1,752,034	1,605,623
Revenue from the sale of travel as principal	3	230,845	211,258
Other revenue	3	46,079	45,547
Total revenue		2,028,958	1,862,428
Cost of travel as principal		(201,779)	(184,323)
Gross profit		1,827,179	1,678,105
Other income	4	4,992	3,059
Expenses			
Selling expenses		(1,210,477)	(1,152,456)
Administration / support expenses ¹		(300,590)	(273,946)
Finance costs	5	(30,413)	(33,974)
Other expenses	4	-	(7,095)
Share of profit / (loss) of joint ventures and associates accounted for using the equity method	19	(340)	(600)
Profit before income tax expense		290,351	213,093
Income tax expense	7	(90,285)	(73,283)
Profit attributable to members of Flight Centre Limited		200,066	139,810

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

		Cents	Cents
Basic earnings per share	9	200.1	140.0
Diluted earnings per share	9	198.6	138.9

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

¹ 2011 comparative includes impairment charge to goodwill of \$27,917k

Statement of Comprehensive Income

	Notes	Consolidated (For the year ended 30 June)	
		2012 \$'000	2011 \$'000
Profit attributable to members of Flight Centre Limited		200,066	139,810
<i>Other comprehensive income:</i>			
Changes in the fair value of available-for-sale financial assets	28	898	3,071
Movement in retained profits attributable to available-for-sale financial assets	28	-	(685)
Changes in the fair value of cash flow hedges	28	(162)	814
Net exchange differences on translation of foreign operations	28	1,370	(35,231)
Income tax expense on items of other comprehensive income	7	(183)	(668)
Other comprehensive income		1,923	(32,699)
Total comprehensive income for the year attributable to FLT members		201,989	107,111

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

Statement of Changes in Equity

	Notes	Consolidated (For the year ended 30 June 2012)			
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010		378,931	(43,081)	374,802	710,652
Profit for the year		-	-	139,810	139,810
Other comprehensive income		-	(32,014)	(685)	(32,699)
Total comprehensive income for the year		-	(32,014)	139,125	107,111

Transactions with owners in their capacity as owners:

Employee share-based payments	27 / 28	2,377	354	-	2,731
Dividends provided for or paid	8	-	-	(79,878)	(79,878)
Balance at 30 June 2011		381,308	(74,741)	434,049	740,616

Balance at 1 July 2011		381,308	(74,741)	434,049	740,616
Profit for the year		-	-	200,066	200,066
Other comprehensive income		-	1,923	-	1,923
Total comprehensive income for the year		-	1,923	200,066	201,989

Transactions with owners in their capacity as owners:

Employee share-based payments	27 / 28	1,681	1,839	-	3,520
Dividends provided for or paid	8	-	-	(88,996)	(88,996)
Balance at 30 June 2012		382,989	(70,979)	545,119	857,129

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

Statement of Cash Flows

		Consolidated (For the year ended 30 June)	
		2012 \$'000	Restated 2011 \$'000
Notes			
Cash flows from operating activities			
Receipts from customers (including GST)		1,971,818	1,761,763
Payments to suppliers and employees (including GST)		(1,554,321)	(1,550,791)
Dividends received		470	388
Royalties received		568	535
Interest received		37,497	39,741
Interest paid		(27,638)	(32,537)
Income taxes paid		(87,366)	(64,187)
Net cash inflow from operating activities	10	341,028	154,912
Cash flows from investing activities			
Payment for purchase of businesses (net of cash acquired)		(2,001)	(5,247)
Payments for property, plant and equipment	17	(44,574)	(39,838)
Payments for intangibles	18	(10,943)	(7,896)
Payments for the purchase of investments		(9,000)	
Proceeds from sale of investments		17,209	38,652
Loans advanced to related parties	35	(3,095)	(4,297)
Loans repaid by related parties	35	2,423	1,492
Net cash (outflow) from investing activities		(49,981)	(17,134)
Cash flows from financing activities			
Proceeds from borrowings		5,613	38,470
Repayment of borrowings		(66,892)	(27,709)
Proceeds from issue of shares	27	1,690	2,377
Dividends paid to company's shareholders	8	(88,996)	(79,878)
Net cash (outflow) from financing activities		(148,585)	(66,740)
Net increase in cash held		142,462	71,038
Cash and cash equivalents at the beginning of the financial year ¹		885,238	816,300
Effects of exchange rate changes on cash and cash equivalents		(83)	(2,100)
Cash and cash equivalents at end of the year ¹	10	1,027,617	885,238

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

¹ Refer to note 1 for further information on restatement of client cash and client creditors

Notes to the Financial Statements *continued*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the consolidated financial report's preparation are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of Flight Centre Limited (FLT) and its subsidiaries.

Improvements in FLT's accounting processes during the year highlighted an equal and offsetting overstatement of client cash and client creditors that has been corrected. Comparative financial information has been restated for consistency, which has led to a decrease in client cash and client creditors at June 2011 of \$84,551k, at Dec 2010 of \$65,193k and June 2010 of \$76,598k. These adjustments have no real cash impact, no impact at a net current asset or net asset level and no income statement impact.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards 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).

New and amended standards adopted by the group

None of the new standards and amendments of standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss (FVPTL).

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2012 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 entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated when that control ceases.

The acquisition method of accounting is used to account for the group's acquisition of subsidiaries (refer to note 1(g)).

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, income statement, statement of comprehensive income and statement of changes in equity respectively.

Investments in subsidiaries are accounted for at cost in FLT's individual financial statements.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. Generally, this encompasses a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 19).

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income reserves. The cumulative post-acquisition movements are adjusted against the investments' carrying amounts. Dividends receivable from associates are recognised in the parent entity's profit or loss income statement. In the consolidated financial statements, they reduce the investments' carrying amounts.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of the transferred asset's impairment.

Associates' accounting policies have been changed where necessary to ensure consistency with the group's policies.

(iii) Joint ventures

Interests in joint venture partnership entities are accounted for in the consolidated financial statements using the equity method and are carried at cost by the parent entity. Under the equity method, the share of the joint venture entity's profit or loss is recognised in the income statement. The share of post-acquisition movements in reserves is recognised in other comprehensive income. Joint venture details are set out in note 19.

Profits or losses on transactions with the joint venture partnership are eliminated to the extent of the group's ownership interest until they are realised by the joint venture partnership entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the transferred asset's impairment. A loss on a transaction is recognised immediately if the loss provides evidence of the transferred asset's impairment.

(iv) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership results 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 owners of FLT.

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 had 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 jointly-controlled entity 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.

(c) 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 income statement within finance costs. All other foreign exchange gains and losses are presented in the income statement 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 at the date 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. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

(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 Income Statement and Statement of 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 translated at the closing rate.

(d) Revenue recognition

The group recognises revenue when:

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

Revenue is measured at the fair value of the consideration received or receivable and is recognised for the major business activities as follows:

(i) Revenue from travel services

Revenue from the sale of travel services is predominantly recorded when travel documents are issued, consistent with an agency relationship. Different rules governing FLT's UK business mean that it is required to recognise part of its revenue on an availed basis under a principal relationship. Revenue from the sale of travel services and the cost of travel services is disclosed separately for all principal relationships. The treatment in the UK has no influence on the overall group's operations as an agent.

Notes to the Financial Statements *continued*

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

(ii) Total Transaction Value (TTV)

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

(iii) Lease income

Lease income from operating leases is recognised as income on a straight-line basis over the lease term.

(iv) 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.

(v) Dividends

Dividends are recognised as revenue 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.

(vi) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(e) Income tax

The income tax expense or revenue for the period is the tax payable 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 when applicable tax regulation is subject to interpretation. Where appropriate, it establishes provisions on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the assets' and liabilities' tax bases and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from an asset or liability's initial recognition in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if future taxable amounts will probably 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.

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.

Assets or liabilities arising under tax-funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other group entities. Details about the tax-funding agreement are disclosed in note 7.

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.

(f) Leases

Property, plant and equipment leases, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the leased property's fair value and the minimum lease payment's present value. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Interest relating to the finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the liability's remaining balance for each period. The property, plant and equipment under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of ownership's risks and rewards are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

(g) 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. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. 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 and the amount of any non-controlling interest in the acquiree 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 net identifiable assets of the subsidiary acquired 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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

(h) 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. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 possible reversal of the impairment at each reporting date.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Ongoing reviews are conducted to determine trade receivables' collectability. Debts known to be uncollectible are written off. An impairment provision is established when there is objective evidence that the group will not be able to collect all amounts due, according to the receivables' original terms. The debtor's significant financial difficulties, probability that the debtor will enter bankruptcy or financial

reorganisation and payment default or delinquency are considered indicators that trade debtors are impaired. The impaired amount 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 income statement in other expenses. When a trade receivable for which an impairment allowance had 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 income statement.

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

(j) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the sale date is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to held-for-sale disposal group's liabilities continue to be recognised.

Non-current assets classified as held-for-sale and a held-for-sale disposal group's assets are presented separately from the other assets in the balance sheet. A held-for-sale disposal group's liabilities are presented separately from other liabilities in the balance sheet.

(k) Investments and other financial assets

Classification

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management classifies its investments at initial recognition and re-evaluates this designation each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Derivatives in this category are current if they are expected to be settled within 12 months. Otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than

Notes to the Financial Statements *continued*

12 months after the reporting period's end. These are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management intends and is able to hold to maturity. If the group was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from reporting date. These are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any other category. These assets are predominantly client monies that are effectively repayable on demand and, therefore, classified as current assets.

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 income statement. 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at FVTPL category are presented in the income statement within other income or other expenses in the period in which they arise. Income from financial assets at FVTPL is recognised in the income statement as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair values of monetary securities denominated in foreign currencies and classified as available-for-sale are analysed for translation differences resulting from changes in the security's amortised cost and other changes in the security's carrying amount. The translation differences related to changes in the amortised cost are recognised in profit or loss. Other changes in carrying amounts are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Fair value

Listed investments' fair values are based on current bid prices. In inactive markets (and for unlisted securities), the group uses independent third parties to establish fair values.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment is recorded and losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the asset's initial recognition (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For equity investments classified as available-for-sale, a significant or prolonged decline in the security's fair value below its cost is considered an indicator that the asset is impaired.

(I) Derivatives

The group uses derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value. The forward exchange contracts' fair values are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The resulting gain or loss's recognition depends on whether the derivative is designated as an effective hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of any interest rate swaps, designated as fair value hedges, hedging fixed rate borrowings would be recognised in the income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. Gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast hedged transaction results in a non-financial asset or a non-financial liability's recognition, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the asset or liability's initial cost or carrying amount.

When a hedging instrument expires or is sold or terminated or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative financial instrument that do not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(m) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the reporting period's end. The quoted market price for the group's financial assets is the current bid price.

The fair value of financial instruments that are not traded in active markets is determined using independent third parties. The fair value of interest rate swaps is calculated as the estimated future cash flow's present value. Forward exchange market rates at the reporting period's end are used to determine forward exchange contracts' fair values.

For trade receivables and payables, the carrying value less impairment provision is assumed to approximate their fair values, due to their short-term nature. Financial liabilities' fair values for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(n) Property, plant and equipment

Buildings and other property, plant and equipment are stated at historical cost less depreciation. 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.

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

(o) 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 net identifiable assets of the acquired subsidiary or associate 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 cash-generating units (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, identified according to operating segments (note 31).

(ii) Brand names and customer relationships

Other intangible assets, such as brand names and customer contracts, 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

Other assets, such as customer contracts, are amortised over their expected useful life, not exceeding seven years.

(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. Capitalised software is amortised using the straight-line method over the project's period of expected future benefits, which varies from 2.5 to 5 years.

(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 from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for employees' wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting period's end, are 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

Notes to the Financial Statements *continued*

payable. All other short-term employee benefit obligations are presented as trade and other payables.

(ii) 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 government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) 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.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Senior Executive Option Plan (SEOP), the Senior Executive Performance Rights Plan (SEPRP) and the global Employee Share Plans. Information relating to these plans is set out in note 34.

Senior Executive Option Plan (SEOP) & Senior Executive Performance Rights Plan (SEPRP)

The fair value of options granted under FLT's SEOP or rights granted under FLT's SEPRP is 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 options/rights.

The fair value at grant date is determined using a Black-Scholes pricing model. The model takes into account the exercise price, the options'/rights' term, market conditions, the impact of dilution, the options'/rights' non-tradable nature, the share price at grant date and the underlying share's expected price volatility, the expected dividend yield and the risk-free interest rate for the options'/rights' term.

The fair value of the options/rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options/rights that are expected to become exercisable. At the reporting period's end, the entity revises its estimate of the number of options/rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Employee share plans

Share-based benefits are offered to full-time and permanent part-time employees through FLT's global Employee Share Plan. For every four shares purchased by the employee, FLT grants a conditional right to one matched share. Under the previous Australian-based plan, which expired

on 30 June 2011, for every nine shares employees purchased at market value, FLT issued an additional share. Matched shares are expensed over the period that they vest, with a corresponding increase in reserves.

(v) 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.

(vi) Termination benefits

Termination benefits are 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.

(r) 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.

(s) 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; 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.

(t) Contributed equity

Ordinary shares are classified as equity (note 27).

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.

(u) 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 Class Order 98/100.

(v) Dividends

Provision is made 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.

(w) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes 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 which 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.

Client cash represents amounts from customers held before release to service and product suppliers.

(x) Borrowings and borrowing costs

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.

Business Ownership Scheme

FLT believes it is important that its leaders see the businesses they run as their own and, under the Business Ownership Scheme (BOS), invites eligible employees to invest in unsecured notes in their businesses as an incentive to improve performance in both the short and long-term. The BOS program is an ASIC-registered unsecured note scheme.

The employee receives 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.

FLT has arrangements through its subsidiary, P4 Finance Pty Ltd (P4), to provide loans on an arm's length, commercial basis to fund the purchase of unsecured notes by eligible business leaders. 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 the moneys 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.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, the people responsible for allocating resources and assessing the operating segments' performance, have been identified as the board of directors and executive team.

(z) Inventories

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

(aa) Financial guarantee contracts

A financial guarantee contract is recognised as a financial liability when the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments required without the guarantee or the estimated amount payable to a third party for assuming the obligations.

Where guarantees in relation to subsidiaries' or associates' loans or other payables are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the investment's cost.

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST 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 the GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Notes to the Financial Statements *continued*

Cash flows are presented on a gross basis. The GST 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.

(ac) Parent entity financial information

The financial information for the parent entity, FLT, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements.

(ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. The group has assessed the impact of these new standards and interpretations and has outlined their expected impacts below:

Standard: AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

Effective date: 1 Jan 2013, FLT has not yet decided when to adopt the new standard

Summary of change: AASB 9 addresses classification, measurement and derecognition of financial assets and financial liabilities. Not applicable until 1 January 2015 but available for early adoption. Derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

Likely impact: No impact on group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the group does not have any such liabilities. No likely impact on group's accounting for AFS financial assets as these will be accounted for at amortised cost, not fair value.

Standard: AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets

Effective date: 1 Jan 2012, FLT will apply the amendment from 1 July 2012

Summary of change: In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires measurement of deferred tax assets or liabilities to reflect the tax consequences that will follow from the way management expects to recover or settle the relevant assets or liabilities' carrying amounts (that is, through use or through sale). Introduces a rebuttable presumption that investment property measured at fair value is recovered entirely by sale

Likely impact: Not expected to affect the group's financial statements

Standard: AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in other Entities and revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

Effective date: 1 Jan 2013, FLT does not expect to adopt the new standards before their operative date, which means the standards will apply to the financial statements for the reporting period ending 30 June 2014.

Summary of change: In August 2011, the AASB issued five new and amended standards to address the accounting for joint arrangements, consolidated financial statements and associated disclosures

AASB 10 replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities

Core principle that a consolidated entity presents a parent and its subsidiaries as a single economic entity is unchanged, as is the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities

Focuses on the need to have both power and rights or exposure to variable returns

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both

Control exists when the investor can use its power to affect the amount of its returns

New guidance on participating and protective rights and on agent/principal relationships

AASB 11 introduces principles-based approach to joint arrangements accounting

Focus no longer on the legal structure of joint arrangements, but on how parties to the joint arrangement share rights and obligations. Based on the assessment of rights and obligations, joint arrangement will be classified as either a joint operation or joint venture

Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted

Joint operation parties will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard

Also provides guidance for parties that participate in joint arrangements but do not share joint control

AASB 12 sets out required disclosures for entities reporting under the new AASB 10 and AASB 11 standards and replaces AASB 127 and AASB 128's current disclosure requirements

Amendments to AASB 128 clarify that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate and vice versa

The amendments also introduce a "partial disposal" concept

Likely impact: AASB 10: While FLT does not expect the new standards to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules

AASB 11: The amendment is not expected to have any impact on the group's financial statements

AASB 12: Application of this standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments

AASB 128: The group is assessing the impact of these amendments.

Standard: AASB 13 Fair value measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

Effective date: 1 Jan 2013. FLT does not intend to adopt the new standard before its operative date, which means that it will be applied in the reporting period ending 30 June 2014

Summary of change: Released in September 2011 and explains how to measure fair value and aims to enhance fair value disclosures

Likely impact: The group has yet to determine which, if any, of its current measurement techniques will change. It is not currently possible to state the new rules' impacts, if any, on any of the amounts recognised in the financial statement. The standard will impact the type of information disclosed in the notes to the financial statements

Standard: Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements

Effective date: 1 Jan 2013. FLT does not intend to adopt the new standard before its operative date, which means that it will be applied in the reporting period ending 30 June 2014

Summary of change: In September 2011, the AASB released a revised standard on accounting for employee benefits. Requires immediate recognition of all remeasurements of defined benefit liabilities/assets in other comprehensive income (removal of the so-called corridor method) and the calculation of a net interest expense or income by applying discount rate to the net defined benefit liability or asset. Replaces expected return on plan assets currently in profit or loss. Also introduces a number of additional disclosures for defined benefit liabilities/assets and may affect the timing of the recognition of termination benefits

Amendments will have to be implemented retrospectively

Likely impact on FLT: Since FLT does not have any defined benefit obligations, the amendments will not have any impact on the group's financial statements

Standard: Revised IAS 1 Presentation of Financial Statements

Effective date: 1 July 2012, FLT intends to adopt the new standard from 1 July 2012

Summary of change: In June 2011, the IASB amended IAS 1 Presentation of Financial Statements. AASB is expected to make equivalent changes to AASB 101 shortly. Amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to the income statement in the future

Likely impact: This amendment will not affect the measurement of any items recognised in the balance sheet or the income statement in the current period

Standard: AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

Effective date: 1 July 2013. Amendments cannot be adopted earlier

Summary of change: In July 2011, the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures to achieve consistency with the international equivalent standard and remove a duplication of the Corporations Act 2001's requirements. The Corporations Act requirements are unchanged, but are currently subject to review and may also be revised in future.

Likely impact: This amendment will reduce disclosures that are currently required in the notes to the financial statements, but will not affect any of the amounts recognised

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may affect the entity financially, that are considered reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the assets and liabilities' carrying amounts within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The group tests goodwill annually for impairment, in accordance with the accounting policy stated in note 1(o). The cash generating units' (CGUs) recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations use cash flow projections based on management-approved financial budgets and cover a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Refer to note 18 for details of these assumptions and the potential impacts of changes to the assumptions.

(ii) Override revenue

In addition to commission payments, FLT is eligible for override payments from its suppliers. These overrides are negotiated with individual suppliers and will typically include a combination of guaranteed payments and

volume incentives. The volume incentives are recognised at the amount receivable when annual targets are likely to be achieved. The override revenue accrual process is inherently judgemental and is impacted by factors which are not completely under FLT's control.

These factors include:

- Year-end differences – as supplier contract periods do not always correspond to FLT's financial year, judgements and estimation techniques are required to determine anticipated future flown revenues over the remaining contract year and the associated override rates applicable to these forecast levels
- Timing – where contracts have not been finalised before the start of the contract period, override and commission earnings may have to be estimated until agreement has been reached
- Renegotiations - periodic renegotiation of terms and contractual arrangements with suppliers may result in additional volume incentives, rebates or other bonuses being received. These payments may not be specified in existing contracts

At 30 June 2012, the carrying value of override receivables was \$132,007k (2011: \$119,208k).

Notes to the Financial Statements *continued*

3 REVENUE

	Consolidated	
	2012 \$'000	2011 \$'000
Revenue from the sale of travel services		
Commission and fees from the provision of travel	1,287,455	1,180,736
Revenue from the provision of travel	367,431	342,556
Other revenue from travel services	97,148	82,331
	1,752,034	1,605,623
Revenue from the sale of travel as principal	230,845	211,258
Other revenue		
Rents and sub-lease rentals	5,181	4,899
Interest	40,349	40,124
Royalties	549	524
	46,079	45,547

4 OTHER INCOME AND EXPENSES

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Other Income			
Net foreign exchange gains		2,979	-
Gain on revaluation of previously held equity investment	30	-	744
Gain on sale of financial assets at fair value		2,013	2,315
		4,992	3,059
Other Expenses			
Net foreign exchange losses		-	7,095

5 EXPENSES

		Consolidated	
		2012 \$'000	Restated 2011 \$'000
Profit before income tax includes the following specific expenses:	Notes		
Depreciation			
Buildings	17	1,257	1,236
Plant and equipment	17	36,327	36,366
Total depreciation		37,584	37,602
Amortisation			
Customer relationships	18	3,098	3,034
Other intangibles	18	8,370	7,415
Borrowing costs		1,208	1,940
Total amortisation		12,676	12,389
Other charges against assets			
Impairment charge of goodwill	18	-	27,917
Finance costs			
Interest and finance charges paid / payable		30,607	34,097
Unwind of make good provision discount	24(b)	(194)	(123)
Total finance costs		30,413	33,974
Employee benefits expense			
Defined contribution superannuation expense		48,774	43,288
Other employee benefits expense		902,842	823,211
Total employee benefits		951,616	866,499
Net loss on disposal of property, plant and equipment and intangible assets		969	2,539
Rental expense relating to operating leases ¹			
Lease payments		113,743	108,517
Impairment losses – financial assets			
Trade receivables	11(a)	4,677	3,408

¹ Elements of rental expense are contingent upon such factors as CPI growth or fixed % increases (as stated in the lease agreement) and individual shop turnover. Total rental expense includes all elements of rent, including those that are contingent, to the extent known.

Notes to the Financial Statements *continued*

6 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices and non-related audit firms:

	Consolidated	
	2012 \$	2011 \$
<i>(a) Audit services</i>		
PricewaterhouseCoopers Australian	901,230	804,800
Network firms of PricewaterhouseCoopers Australia	773,768	888,949
Total remuneration for audit services	1,674,998	1,693,749
<i>(b) Non-audit services</i>		
Audit-related services		
PricewaterhouseCoopers Australian		
Other services	4,500	4,500
Network firms of PricewaterhouseCoopers Australia		
Audit of regulatory returns	-	9,345
Total remuneration for audit-related services	4,500	13,845
Taxation services		
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services	-	11,496
Total remuneration for taxation services	-	11,496
Total remuneration for non-audit services	4,500	25,341
<i>(c) Non-PricewaterhouseCoopers audit firms</i>		
Audit and other assurance services		
Audit and review of financial reports	139,292	132,760
Total remuneration for audit services	139,292	132,760
Other services		
Due diligence	-	30,000
Other services	62,849	179,814
Total remuneration for non-audit services	62,849	209,814
Total remuneration for audit and non-audit services	1,881,639	2,061,664

The group's policy is to employ PricewaterhouseCoopers on assignments in addition to its statutory audit duties where PwC's expertise and experience with the group are important. These assignments are principally tax advice or where PwC is awarded assignments on a competitive basis. The group's policy is to seek competitive tenders for all major consulting projects.

7 INCOME TAX EXPENSE

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Income tax expense		
Current tax	87,049	66,995
Deferred tax	1,799	5,422
Adjustments for current tax of prior periods	1,437	866
Income tax expense	90,285	73,283

Deferred income tax (revenue) expense included in income tax expense comprises:

Decrease / (increase) in deferred tax assets (note 21)	2,139	8,480
(Decrease) / increase in deferred tax liabilities (note 26)	(340)	(3,058)
	1,799	5,422

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax expense	290,351	213,093
Tax at the Australian tax rate of 30% (2011 - 30%)	87,105	63,928

Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:

Non-deductible / (assessable) amounts	2,381	2,360
Intercompany loan forgiveness	-	6
Goodwill impairment	-	11,315-
Other amounts	38	554
	89,524	78,163
Tax losses not recognised	-	2
Effect of different tax rates on overseas income	(676)	(3,680)
Tax losses booked	-	(2,068)-
Under / (over) provision of prior year's income tax	1,437	866
	761	(4,880)
Income tax expense	90,285	73,283

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax (credited) / debited directly to equity (note 28b)	(632)	(212)

d) Tax expense/(income) relating to items of other comprehensive income

Available-for-sale financial assets	183	668
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(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	90	9
Potential tax benefit at 30% (30% - 2011)	27	3

All unused tax losses in 2012 and 2011 were incurred by entities in China that are not part of the tax consolidated group.

Notes to the Financial Statements *continued*

(f) Tax consolidation legislation

FLT and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(e).

On adoption of this legislation, tax consolidated group entities entered into a tax-sharing agreement which, in the directors' opinion, limits the wholly-owned entities' joint and several liabilities in the case of a default by the head entity, FLT.

The entities have also entered into a tax-funding agreement under which the wholly-owned entities fully compensate FLT for any current tax payable assumed and are compensated by FLT for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to FLT under the tax consolidation legislation. The funding amounts are the amounts recognised in the wholly-owned entities' financial statements.

Amounts receivable or payable under the tax-funding agreement are due when the head entity's funding advice is received. This advice is issued as soon as practicable after each financial year's end. The head entity may also require payment of interim funding amounts to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

8 DIVIDENDS

	Parent	
	2012 \$'000	2011 \$'000
(a) Ordinary shares		
Final ordinary dividend for the year ended 30 June 2011 of 48.0 cents (2010: 44.0 cents) per fully paid share, paid on 7 October 2011	47,988	43,905
Interim ordinary dividend for the year ended 30 June 2012 of 41.0 cents (2011: 36.0 cents) per fully paid share, paid on 13 April 2012	41,008	35,973
	88,996	79,878
(b) Dividends not recognised at the end of the year		
Since year-end, the directors have recommended a 71.0 cents per fully paid share (2011: 48.0 cents) final dividend. The aggregate amount of the dividend to be paid on 12 October 2012 out of retained profits at 30 June 2012, but not recognised as a liability at year-end is:	71,034	47,978
(c) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30%	199,676	159,054

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 at 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

The dividend recommended by the directors since year-end, but not recognised as a year-end liability will reduce the franking account by \$30,443k (2011: \$20,602k).

9 EARNINGS PER SHARE

	Consolidated	
	2012	2011
(a) Basic earnings per share	Cents	Cents
Profit attributable to the company's ordinary equity holders	200.1	140.0
(b) Diluted earnings per share		
Profit attributable to the company's ordinary equity holders	198.6	138.9
(c) Reconciliations of earnings used in calculating earnings per share	\$'000	\$'000
Profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	200,066	139,810
(d) 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	99,998,748	99,834,317
Adjustments for calculation of diluted earnings per share:		
Options and Rights	714,235	804,055
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	100,712,983	100,638,372

(e) Information concerning the classification of securities

(i) Options and Rights

Options and rights granted under the SEOP and SEPRP are considered potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and performance rights have not been included in the determination of basic earnings per share. Option and rights details are set out in note 34.

Notes to the Financial Statements *continued*

10 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Cash at bank and on hand	400,849	376,763
Client account ¹	631,618	513,611
	1,032,467	890,374

(a) Reconciliation to Statement of Cash Flows

Cash and cash equivalents	1,032,467	890,374
Bank overdrafts (note 23)	(4,850)	(5,136)
Balance per Statement of Cash Flows	1,027,617	885,238

(b) Reconciliation of profit after tax to net cash inflow from operating activities

Profit for the year	200,066	139,810
Depreciation and amortisation	50,260	49,991
Impairment charges against assets	-	27,917
Net (gain) / loss on disposal of non-current assets	969	2,539
Net (gain) / loss on revaluation of investment	-	(744)
Net (gain) / loss on sale of financial assets at fair value	(2,013)	(2,315)
Share of (profits) / losses of associate and joint venture partnership not received as dividends or distributions	340	600
Non-cash financing costs	(82)	1,509
Net exchange differences	(6,675)	1,492
(Increase) / decrease in trade and other receivables	(45,374)	(73,780)
(Increase) / decrease in deferred tax assets	2,439	8,465
(Increase) / decrease in inventories	88	135
Increase / (decrease) in trade creditors and other payables	137,009	(2,617)
Increase / (decrease) in provision for income taxes payable	527	3,079
Increase / (decrease) in deferred tax liabilities	(1,089)	(3,058)
Increase / (decrease) in other provisions	4,563	1,889
Net cash inflow / (outflow) from operating activities	341,028	154,912

(c) Risk exposure

The group's exposure to interest rate risk is discussed in note 32.

The maximum exposure to credit risk at the reporting period's end is the carrying amount of each class of cash and cash equivalents disclosed above.

¹ Refer to note 1 for further information on restatement of client cash and client creditors.

11 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Trade receivables	415,974	369,213
Less: Provision for impairment of receivables	(6,346)	(5,633)
	409,628	363,580
GST receivable	2,707	2,430
Prepayments	27,650	26,669
Accrued interest	12,091	9,690
Other receivables	3,067	7,117
	45,515	45,906
Total trade and other receivables	455,143	409,486

(a) Impaired trade receivables

At 30 June 2012, current group trade receivables with a nominal value of \$6,346k (2011: \$5,633k) were impaired. The impaired receivables mainly relate to discrepancies under discussion with corporate clients.

Movements in the provision for impairment of receivables are as follows:

At 1 July	5,633	6,267
Bad debts expense	4,677	3,408
Changes due to foreign exchange translation	(159)	(378)
Receivables written off during the year as uncollectible	(3,805)	(3,664)
	6,346	5,633

The creation and release of the impaired receivables provision is included in selling expenses in the income statement.

(b) Past due but not impaired

At 30 June 2012, group trade receivables of \$50,187k (2011: \$41,484k) were past due but not impaired. These receivables are due from a number of large corporate customers and suppliers and full recovery is expected because of contractual agreements. The trade receivables' past due but not impaired ageing analysis is as follows:

Up to 9 months	50,187	40,876
Over 9 months	-	608
	50,187	41,484

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, these amounts are expected to be received when due.

(c) Other receivables

These amounts 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.

(d) Foreign exchange and interest rate risk

Excluding other receivables as noted in (c), all receivables are non-interest bearing.

Information about the group's exposure to foreign currency risk and interest rate risk relating to receivables is provided in note 32.

Notes to the Financial Statements *continued*

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting period's end is each class of receivables' carrying amount. Refer to note 32 for more information on the group's risk management policy and the credit quality of the entity's trade receivables.

12 CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2012 \$'000	2011 \$'000
Listed debt securities	-	6,680
Unlisted debt securities	53,051	53,439
	53,051	60,119

Changes in the fair value of available-for-sale financial assets are recognised as a separate component within equity until the instrument is sold, collected or otherwise disposed of or until an investment is determined to be impaired and then transferred to the income statement.

These are bearing interest at between 0% and 10.75% (2011: 0% and 10.75%).

The weighted average interest rate for the year was 3.98% (2011: 4.88%).

(a) Unlisted securities

Unlisted securities are traded in the secondary market.

(b) Assets pledged as security

Available-for-sale financial assets have not been pledged as collateral for liabilities.

(c) Impairment and risk exposure

The maximum exposure to credit risk at the reporting period's end is the fair value of all available-for-sale securities.

No impairment charge was written off to the income statement during the period (2011: nil).

13 CURRENT ASSETS – FINANCIAL ASSETS AT FVTPL

	Consolidated	
	2012 \$'000	2011 \$'000
Debt securities at FVTPL	6,802	4,790

14 CURRENT ASSETS – CURRENT TAX RECEIVABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Income tax receivable	10,477	10,130

15 OTHER FINANCIAL ASSETS

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Current		
Loans to related parties (refer to note 35 for terms of the loans)	829	1,889
(b) Non-current		
Loans to related parties (refer to note 35 for terms of the loans)	7,073	5,304

16 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2012 \$'000	2011 \$'000
Current liabilities		
Forward foreign exchange contracts – held-for-trading ((a)(i))	481	4,845-
Total current derivative financial instrument liabilities	481	4,845
Non-current liabilities		
Interest rate swaps – cash flow hedges ((a)(ii))	283	121-
Total non-current derivative financial instrument liabilities	283	121-

(a) Instruments used by the group

The group uses derivative financial instruments in the normal course of business to hedge exposure to interest and foreign exchange rate fluctuations, in accordance with the group's financial risk management policies (refer to note 32).

(i) Forward exchange contracts

The group has entered into forward foreign exchange contracts that are economic hedges but do not satisfy hedge accounting requirements. These contracts are subject to the same risk management policies as all other derivative contracts (refer to note 32 for details) but foreign gains or losses on these contracts are recognised through the income statement.

(ii) Forward exchange contracts

The group's bank loans currently bear an average variable interest rate of 5.19% (2011: 5.57%). The group protects part of the loans from exposure to interest rate fluctuation by entering into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 67% (2011: 57%) of the variable loan principal outstanding and are timed to settle and reset as each loan repayment falls due. The fixed interest rate is 0.88% (2011: 0.88%) and the variable rates are between 0.25% and 0.58% (2011: 0.25% and 0.49%).

The contracts require settlement of net interest receivable or payable every 90 days. Settlement dates coincide with the dates on which interest is due on the underlying debt up to September 2013. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective. It is re-classified into profit and loss when the hedged interest expense is recognised. In the year ended 30 June 2012, no ineffectiveness was recognised.

(b) Risk exposures

Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 32.

Notes to the Financial Statements *continued*

17 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2012	Freehold land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Opening balance at 1 July 2011			
Cost	39,658	248,754	288,412
Accumulated depreciation	(3,954)	(145,535)	(149,489)
Net book amount at 1 July 2011	35,704	103,219	138,923
Year ended 30 June 2012			
Opening cost	39,658	248,754	288,412
Additions	67	44,507	44,574
Disposals	-	(16,059)	(16,059)
Exchange differences	(1,148)	(324)	(1,472)
Closing cost	38,577	276,878	315,455
Opening accumulated depreciation	(3,954)	(145,535)	(149,489)
Depreciation expense	(1,257)	(36,327)	(37,584)
Depreciation on disposals	-	14,988	14,988
Exchange differences	110	31	141
Closing accumulated depreciation	(5,101)	(166,843)	(171,944)
At 30 June 2012			
Cost	38,577	276,878	315,455
Accumulated depreciation	(5,101)	(166,843)	(171,944)
Net book amount at 30 June 2012	33,476	110,035	143,511

17 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT *continued*

	Freehold land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2011			
Opening balance at 1 July 2010			
Cost	41,039	237,430	278,469
Accumulated depreciation	(2,877)	(127,177)	(130,054)
Net book amount at 1 July 2010	38,162	110,253	148,415
Year ended 30 June 2011			
Opening cost	41,039	237,430	278,469
Additions	605	39,233	39,838
Acquisitions	-	205	205
Disposals	(248)	(10,779)	(11,027)
Exchange differences	(1,738)	(17,335)	(19,073)
Closing cost	39,658	248,754	288,412
Opening accumulated depreciation	(2,877)	(127,177)	(130,054)
Depreciation expense	(1,236)	(36,366)	(37,602)
Depreciation on disposals	32	7,981	8,013
Exchange differences	127	10,027	10,154
Closing accumulated depreciation	(3,954)	(145,535)	(149,489)
At 30 June 2011			
Cost	39,658	248,754	288,412
Accumulated depreciation	(3,954)	(145,535)	(149,489)
Net book amount at 30 June 2011	35,704	103,219	138,923

(a) Impairment charge

There were no impairment charges in 2012 or 2011.

Notes to the Financial Statements *continued*

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000	Brand names and customer relationships \$'000	Other intangible assets ² \$'000	Total \$'000
Year ended 30 June 2012				
Opening balance at 1 July 2011				
Cost	275,467	63,293	52,837	391,597
Accumulated depreciation	-	(10,527)	(35,696)	(46,223)
Net book amount at 1 July 2011	275,467	52,766	17,141	345,374
Year ended 30 June 2012				
Opening cost	275,467	63,293	52,837	391,597
Additions	-	-	10,943	10,943
Acquisitions ¹	130	-	-	130
PPA adjustment	511	-	-	511
Disposals	-	-	(2,242)	(2,242)
Exchange differences	7,561	1,220	352	9,133
Closing cost	283,669	64,513	61,890	410,072
Opening accumulated amortisation	-	(10,527)	(35,696)	(46,223)
Amortisation expense	-	(3,098)	(8,370)	(11,468)
Amortisation on disposals	-	-	1,133	1,133
Exchange differences	-	(608)	(284)	(892)
Closing accumulated amortisation	-	(14,233)	(43,217)	(57,450)
At 30 June 2012				
Cost	283,669	64,513	61,890	410,072
Accumulated amortisation	-	(14,233)	(43,217)	(57,450)
Net book amount at 30 June 2012	283,669	50,280	18,673	352,622

¹ Go Voluntourism was acquired in Canada during the period for \$130k.

² Other intangible assets predominantly relate to software.

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS *continued*

	Goodwill \$'000	Brand names and customer relationships \$'000	Other intangible assets ² \$'000	Total \$'000
Year ended 30 June 2011				
Opening balance at 1 July 2010				
Cost	325,682	68,824	50,047	444,553
Accumulated amortisation	-	(9,472)	(31,133)	(40,605)
Net book amount at 1 July 2010	325,682	59,352	18,914	403,948

Year ended 30 June 2011				
Opening cost	325,682	68,824	50,047	444,553
Additions	-	-	7,896	7,896
Acquisitions	15,812	-	-	15,812
PPA adjustment	293	-	-	293
Disposals	-	-	(3,117)	(3,117)
Impairment	(27,917)	-	-	(27,917)
Contingent consideration	91	-	-	91
Exchange differences	(38,494)	(5,531)	(1,989)	(46,014)
Closing cost	275,467	63,293	52,837	391,597

Opening accumulated amortisation	-	(9,472)	(31,133)	(40,605)
Amortisation expense	-	(3,034)	(7,415)	(10,449)
Amortisation on disposals	-	-	1,267	1,267
Exchange differences	-	1,979	1,585	3,564
Closing accumulated amortisation	-	(10,527)	(35,696)	(46,223)

At 30 June 2011				
Cost	275,467	63,293	52,837	391,597
Accumulated amortisation	-	(10,527)	(35,696)	(46,223)
Net book amount at 30 June 2011	275,467	52,766	17,141	345,374

(a) Impairment tests

Goodwill is allocated to the group's cash generating units (CGUs) identified according to relevant business and country of operation. Each segment includes a number of separately identifiable CGUs. A segment level summary of the goodwill allocation is presented below.

Goodwill	Australia \$'000	UK \$'000	United States \$'000	Other countries ¹ \$'000	Total \$'000
2012	49,928	71,032	129,392	33,317	283,669
2011	49,928	70,964	121,805	32,770	275,467

¹Other countries consist of a number of individually insignificant CGUs.

A CGU's recoverable amount is determined based on the higher of value-in-use calculations and fair value less cost to sell.

FLT has performed all impairment tests based on value-in-use in the 2012 and 2011 financial years.

The value-in-use calculations use cash flow projections based on management-approved financial budgets covering a five-year period. Cash flows beyond five years were not used. Terminal growth rates between 0% and 3% (2011: 0% and 2%) are applied to all CGUs and the discount rate is calculated each year based on market data.

Notes to the Financial Statements *continued*

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS *continued*

(b) Key assumptions used for value-in-use calculations

Goodwill	Discount rate ¹	
	2012 %	2011 %
CGU		
Australia	14.8	16.4
India	20.0	16.4
United States	14.6	15.6
UK	14.8	16.4
Other countries	14.8	16.4

¹ In performing the value-in-use calculations for each CGU, the company has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows.

For the purposes of impairment testing, weighted average growth rates of 0% are used for all CGUs, with the exception of Liberty and India, where rates between 2% and 3% (2011: 0% and 2%) are used to extrapolate cash flows beyond the budget period.

These assumptions have been used for the analysis of each CGU within the business segment.

(c) Impairment charge

The \$27,917k goodwill impairment charge during 2010/11 related to the Liberty CGU within the United States segment. FLT acquired Liberty, the US retail business, together with the GoGo wholesale business, in 2008 and wrote-off a portion of goodwill associated with this CGU because of lower than expected trading results since acquisition and for the forecast period.

(d) Impact of possible changes in key assumptions

With regard to the assessment of the recoverable amounts of the Australia, UK, United States and other country segments, management believes that no reasonably possible change in any of the above key assumptions will cause the segment's carrying value to materially exceed its recoverable amount.

19 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method – carrying value	Consolidated	
	2012 \$'000	2011 \$'000
Interests in joint ventures (b)	7,347	5,897
Total	7,347	5,897
Share of (loss) / profit of investments accounted for using the equity method		
Shares in associates (a)	-	11
Interests in joint ventures (b)	(340)	(611)
Total	(340)	(600)

Shares in associates and interests in joint ventures

The equity method of accounting is used to account for investments in associates and joint ventures.

(a) Investments in associates

On 17 December 2010, FC USA Inc. (an FLT subsidiary) acquired the remaining 74% shareholding of Boston-based Garber's Travel Service, Inc., a corporate travel management business, incorporated in the United States. Garber was accounted for as a subsidiary at 30 June 2011 and was subsequently amalgamated with FC USA Inc.

(b) Interests in joint ventures

FLT is involved in four joint ventures as follows:

- A 50% shareholding in Employment Office Australia Pty Ltd, a recruitment business incorporated in Australia
- A 50% shareholding in Intrepid Retail Group Pty Ltd, an adventure travel business incorporated in Australia
- A 50% shareholding in Pedal Group Pty Ltd.
Pedal Group has a 100% shareholding in 99 Bikes Pty Ltd, a Brisbane-based chain of retail bike stores, and a 100% shareholding in Advance Traders (Australia) Pty Ltd, a Brisbane-based wholesale bike company. All companies are incorporated in Australia
- Back-Roads Touring Co. Ltd, a coach touring company incorporated in the UK
FLT initially acquired 100% of the equity but subsequently issued shares to a third party in what was deemed to be a dilution of 25% of FLT's shareholding. The third party also obtained an option to purchase a further 25% shareholding. The third party's purchase and option over Back-Roads' shares meant that from 2 February 2009 FLT had joint control over Back-Roads and would account for the entity as a joint venture. In January 2012, the third party purchased an additional 8%, which reduced FLT's ownership interest to 67%.

Joint venture information is presented in accordance with the accounting policy described in note 1(b)(iii) and is set out below.

Name	Ownership interest		Carrying value of investment	
	2012	2011	2012 \$'000	2011 \$'000
Employment Office Australia Pty Ltd	50%	50%	2,861	2,528
Intrepid Retail Group Pty Ltd	50%	50%	3,590	1,925
Pedal Group Pty Ltd	50%	50%	896	1,444
Back Roads Touring Co. Ltd	67%	75%	-	-
			7,347	5,897

Share of joint venture revenues, expenses and results	2012 \$'000	2011 \$'000
Revenues	24,168	16,995
Expenses	(24,508)	(17,606)
Profit / (loss) after income tax	(340)	(611)

Share of joint venture assets and liabilities		
Current assets	12,296	12,281
Non-current assets	2,357	2,025
Total assets	14,653	14,306
Current liabilities	3,789	5,043
Non-current liabilities	7,124	5,639
Total liabilities	10,913	10,682
Net assets	3,740	3,624

Share of joint venture commitments		
Lease commitments	6,306	6,195
Capital expenditure commitments	-	178

Joint venture information is presented in accordance with the accounting policy described in note 1(b)(iii) and is set out below.

Notes to the Financial Statements *continued*

20 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b)(i):

Name of entity	Country of incorporation	Class of shares/ Ownership	Equity holding	
			2012 %	2011 %
Australian OpCo Pty Ltd ¹	Australia	Ordinary	100	100
Escape Travel Franchising Pty Ltd	Australia	Ordinary	100	100
Flight Centre (China) Pty Ltd	Australia	Ordinary	100	100
Flight Centre Foundation Pty Ltd	Australia	Ordinary	100	100
Flight Centre Foundation Trust ⁶	Australia	Ordinary	100	100
Flight Centre Property Pty Ltd	Australia	Ordinary	100	100
Flight Centre Technology Pty Ltd ¹	Australia	Ordinary	100	100
Flight Centre Office Trust	Australia	Ordinary	100	100
Moneywise Global Home Loans Pty Ltd ⁵	Australia	Ordinary	100	-
Moneywise Global Personal Tax Services Pty Ltd ⁵	Australia	Ordinary	100	-
Moneywise Global Pty Ltd	Australia	Ordinary	100	100
P4 Finance Pty Ltd ¹	Australia	Ordinary	100	100
Shanghai Journey Pty Ltd	Australia	Ordinary	100	100
Tibbar Global Pty Ltd (formerly Australian AssetCo Pty Ltd)	Australia	Ordinary	100	100
Travel Money Currency Exchange Pty Ltd	Australia	Ordinary	100	100
Travel Money Holdings Pty Ltd	Australia	Ordinary	100	100
Travel Services Corporation Pty Ltd ¹	Australia	Ordinary	100	100
Garber Travel (Canada) Inc	Canada	Ordinary	100	100
The Flight Shops Inc	Canada	Ordinary	100	100
The Flight Shops Inc	Canada	Preference	100	100
A.I.T International Ticketing (Beijing) Limited ³	China	Ordinary	100	100
Flight Centre – Comfort Business Travel Services Co Ltd ³	China	Ordinary	95	95
Shanghai CiEvent Business Consulting Co Ltd	China	Ordinary	100	100
FC Investment Consulting Co. Ltd	China	Ordinary	100	100
American International Travel Limited ³	Hong Kong	Ordinary	100	100
CH Services Limited	Hong Kong	Ordinary	100	100
GCH Services Limited	Hong Kong	Ordinary	100	100
FCm Travel Solutions (India) Private Limited ³	Republic of India	Ordinary	100	100
Flight Centre (Mauritius) Limited	Mauritius	Ordinary	100	100
FFA Limited ⁴	New Zealand	Ordinary	-	100
Flight Centre (NZ) Limited	New Zealand	Ordinary	100	100
Travel Money (NZ) Limited	New Zealand	Ordinary	100	100
Flight Centre Property (South Africa) (Proprietary) Limited	Republic of Sth Africa	Ordinary	100	100
Flight Centre (South Africa) Pty Ltd	Republic of Sth Africa	Ordinary	100	100
Pendoring Contracting Pty Ltd	Republic of Sth Africa	Ordinary	100	100
FCm Singapore Pte Ltd	Singapore	Ordinary	100	100
Britannic Travel Limited	United Kingdom	Ordinary	100	100
Britannic Travel Wholesale Limited	United Kingdom	Ordinary	100	100
Flight Centre Moneywise Limited	United Kingdom	Ordinary	100	100

Name of entity	Country of incorporation	Class of shares/ Ownership	Equity holding	
			2012 %	2011 %
Flight Centre (UK) Wholesale Limited	United Kingdom	Ordinary	100	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	100	100
Garber's Travel Services Limited	United Kingdom	Ordinary	100	100
Gapyear.com Limited	United Kingdom	Ordinary	100	100
The Gapyear Company Limited	United Kingdom	Ordinary	100	80
Flight Centre USA Holding Corp	USA	Ordinary	100	100
Garber's Travel Service, Inc. ⁶	USA	Ordinary	-	100
FC USA Inc	USA	Ordinary	100	100
Flight Centre (ME) Limited	United Arab Emirates	Ordinary	100	100
FCm Travel Solutions (L.L.C) ²	United Arab Emirates	Ordinary	49	49

¹ These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 36

² FCm Travel Solutions (L.L.C), incorporated in Dubai, is considered an FLT subsidiary. The 51% equity holding is a local statutory requirement. Further, in accordance with Accounting Standards, FLT is considered to control the company with a 49% equity holding, due to management control (directorships, company secretary acting under FLT instruction and day-to-day management)

³ All entities have a 30 June year-end except for FCm Travel Solutions (India) Private Limited (31 March), American International Travel Limited (31 December), A.I.T International Ticketing (Beijing) Limited (31 December) and Flight Centre – Comfort Business Travel Services Co Ltd (31 December). These entities are required to have these year-end dates due to local statutory reporting requirements. These entities are consolidated into the group's 30 June year-end using their monthly figures from July to June

⁴ This entity has been deregistered during the 30 June 2012 financial year

⁵ These entities have been acquired or incorporated during the 30 June 2012 financial year

⁶ Garber's Travel Service, Inc. has been amalgamated with FC USA Inc.

21 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2012 \$'000	2011 \$'000
Doubtful debts	1,668	1,140
Employee benefits	17,059	15,084
Provision for asset write-down	472	536
Property, plant and equipment	9,083	7,700
Accruals	5,529	5,912
Investment write-down	3,415	4,965
Unearned income	1,048	350
Losses	8,089	13,063
Leasing	7,239	5,660
Provisions	4,102	4,502
Other	851	1,333
	58,555	60,245
Set-off of deferred tax liabilities pursuant to set-off provisions (note 26)	(8,591)	(7,842)
Net deferred tax assets	49,964	52,403
Deferred tax assets to be recovered within 12 months	21,235	20,008

Notes to the Financial Statements *continued*

21 NON-CURRENT ASSETS – DEFERRED TAX ASSETS *continued*

Deferred tax assets to be recovered after more than 12 months	37,320	40,237
	58,555	60,245

Movements	Financial assets \$'000	Employee benefits \$'000	Doubtful Debts \$'000	Depreciation \$'000
At 1 July 2010	6,533	13,428	1,734	7,000
Credited / (charged) to the income statement	(900)	1,429	(634)	589
Credited / (charged) directly to equity	-	212	-	-
Credited / (charged) to comprehensive income	(668)	-	-	-
Acquisition of subsidiaries	-	16	40	111
At 30 June 2011	4,965	15,085	1,140	7,700

Movements	Accruals \$'000	Leasing \$'000	Other \$'000	Total \$'000
At 1 July 2010	5,222	5,507	29,286	68,710
Credited / (charged) to the income statement	690	153	(9,807)	(8,480)
Credited / (charged) directly to equity	-	-	-	212
Credited / (charged) to comprehensive income	-	-	-	(668)
Acquisition of subsidiaries	-	-	304	471
At 30 June 2011	5,912	5,660	19,783	60,245

Movements	Financial assets \$'000	Employee benefits \$'000	Doubtful Debts \$'000	Depreciation \$'000
At 1 July 2011	4,965	15,085	1,140	7,700
Credited / (charged) to the income statement	(1,367)	1,342	528	1,383
Credited / (charged) directly to equity	-	632	-	-
Credited / (charged) to comprehensive income	(183)	-	-	-
Acquisition of subsidiaries	-	-	-	-
At 30 June 2012	3,415	17,059	1,668	9,083

Movements	Accruals \$'000	Leasing \$'000	Other \$'000	Total \$'000
At 1 July 2011	5,912	5,660	19,783	60,245
Credited / (charged) to the income statement	(383)	1,579	(5,221)	(2,139)
Credited / (charged) directly to equity	-	-	-	632
Credited / (charged) to comprehensive income	-	-	-	(183)
Acquisition of subsidiaries	-	-	-	-
At 30 June 2012	5,529	7,239	14,562	58,555

22 TRADE AND OTHER PAYABLES

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
(a) Current		
Trade payables	245,608	217,007
Client creditors ¹	756,421	651,974
Accrued unsecured note interest	5,478	5,423
Annual leave	27,930	24,986
Accrual for vouchers	1,560	1,527
Contingent consideration	45	125
	1,037,042	901,042
(b) Non-current		
Lease incentive liability	3,725	2,935
Contingent consideration	398	1,174
Straight-line lease liability	16,686	13,370
	20,809	17,479

Risk exposure

Information about the group's exposure to foreign exchange risk is provided in note 32.

	Consolidated	
	2011 \$'000	2010 \$'000
Contingent consideration		
<i>Current</i>		
As at 1 July	125	224
Additions due to acquisition	-	373
Payments	(738)	(1,348)
Reclassification from non-current	658	876
As at 30 June	45	125
<i>Non-current</i>		
As at 1 July	1,174	981
Additions due to acquisition	-	1,090
Movement attributable to change in FX	16	(112)
Change in growth assumptions	(134)	91
Reclassification to current	(658)	(876)
As at 30 June	398	1,174
Total contingent consideration	443	1,299

Contingent consideration is payable to previous owners of businesses that FLT has purchased. Payments are calculated on the acquired businesses' annual earnings growth rates. Future payments estimates are recognised as liabilities and have been discounted to their present values.

¹ Refer to note 1 for further information on restatement of client cash and client creditors.

Notes to the Financial Statements *continued*

23 BORROWINGS

	2012 \$'000	2011 \$'000
(a) Current		
<i>Secured</i>		
Bank overdrafts	4,850	5,136
Bank loans	7,546	6,650
<i>Unsecured</i>		
Bank loans	18,628	20,109
Unsecured notes principal	14,138	67,279
Total current borrowings	45,162	99,174
(b) Non-current		
<i>Secured</i>		
Bank loans	3,551	15,271
<i>Unsecured</i>		
Bank loans	58,462	53,330
Total non-current borrowings	62,013	68,601

Unsecured notes

These relate to the group's Business Ownership Scheme (BOS) and are repayable on demand by either party or upon termination of the note holder's employment. Interest is generally payable monthly, one month in arrears. Further details on the BOS are included in note 1(x).

The group's weighted average interest rate during the year was 29.50% (2011: 39.15%), calculated on the face value of the unsecured notes principal, net of BOS loans provided.

Bank overdrafts

Total secured overdraft facilities available to the group are \$7,140k (2011: \$6,317k). These bear interest in the range of 5% - 6.58% (2011: 5% - 6.85%).

Risk exposures

Details of the group's exposure to risks arising from borrowings are set out in note 32.

	2012 \$'000	2011 \$'000
Bank loan facilities		
Unused at balance date	504	706
Used at balance date	88,656	97,011
Total facilities	89,160	97,717

Bank loan facilities have an average maturity of 1.43 years at floating interest rates.

The current interest rates on bank loan facilities range from 1.60% - 12.25% (2011: 1.59% - 11.75%).

A purchase card facility of \$39,471k is available to the company (2011: \$30,952k).

Bank guarantees / Letter of credit facilities

Letters of credit facilities of \$169,804k are available to the company (2011: \$171,746k). The total letters of credit issued under these facilities was \$46,114k (2011: \$47,926k).

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 regulations.

(ii) Fair value

The carrying amounts of the group's current and non-current borrowings approximate their fair values. The fair values of current borrowings are their carrying amounts, as the impact of discounting is not significant.

	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
On balance sheet				
Non-traded financial liabilities				
Bank overdrafts	4,850	4,850	5,136	5,136
Bank loans	88,187	88,187	95,360	95,360
Unsecured notes principal	14,138	14,138	67,279	67,279
	107,175	107,175	167,775	167,775

(iii) Assets pledged as security for secured liabilities

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2012	2011
	\$'000	\$'000
Non-current		
Buildings	4,992	31,513
Total assets pledged as security	4,992	31,513

Notes to the Financial Statements *continued*

24 PROVISIONS

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Current		
Employee benefits – long service leave	14,536	11,980
(b) Non-current		
Employee benefits – long service leave	13,635	13,364
Make good provision	6,285	4,549
	19,920	17,913

Movements in provisions

Movements in each class of provision, other than employee benefits, for the financial year are set out below:

	Make good provision	
	2012 \$'000	2011 \$'000
Carrying amount at start of year	4,549	5,689
Additional provisions recognised	2,285	455
Increase / (decrease) in provision due to amounts used during the year	(373)	(294)
Increase / (decrease) in provision due to unused amounts	-	(1,029)
Increase / (decrease) in discounted amount arising from passage of time and discount rate adjustments	(194)	(123)
Increase / (decrease) due to changes in foreign currency exchange rates	18	(149)
Carrying amount at end of year	6,285	4,549

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.

(c) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued long service leave. The provision covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rate payments in certain circumstances.

The entire provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued 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:

	2012 \$'000	2011 \$'000
Leave obligations expected to be settled after 12 months	2,574	1,930

25 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000
Provision for taxation	57,473	57,479

26 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000

The balance comprises temporary differences attributable to:

Trade and other receivables	5,954	6,043
Property, plant and equipment	4,579	5,218
Unrealised foreign exchange	331	497
Investments	282	423
Prepayments	1	3
Leasing	2,797	2,097
Other	57	60
	14,001	14,341

Set-off of parent entity's deferred tax liabilities pursuant to set-off provisions (note 21)	(8,591)	(7,842)
Net deferred tax liabilities	5,410	6,499

Deferred tax liabilities to be settled within 12 months	8,045	8,294
Deferred tax liabilities to be settled after more than 12 months	14,001	14,341
	14,341	17,399

	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
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Movements in deferred tax liabilities:

At 1 July 2010	4,057	9,929	536	2,877	17,399
Charged/ (credited) to profit or loss	1,986	(4,711)	(39)	(294)	(3,058)
At 30 June 2011	6,043	5,218	497	2,583	14,341

At 1 July 2011	6,043	5,218	497	2,583	14,341
Charged/ (credited) to profit or loss	(89)	(639)	(166)	554	(340)
At 30 June 2012	5,954	4,579	331	3,137	14,001

Notes to the Financial Statements *continued*

27 CONTRIBUTED EQUITY

(a) Share capital		2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Fully paid ordinary shares	(b) (c)	100,047,288	99,953,554	382,989	381,308

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1 July 2010	Opening balance	99,780,631		378,931
27 July 2010	Employee Share Plan	1,929	\$17.83	34
26 August 2010	Employee Share Plan	1,953	\$18.71	37
27 September 2010	Employee Share Plan	1,881	\$22.81	43
27 October 2010	Employee Share Plan	1,527	\$22.79	35
30 November 2010	Employee Share Plan	1,825	\$23.74	43
29 December 2010	Employee Share Plan	1,665	\$24.60	41
31 January 2011	Employee Share Plan	6,618	\$24.54	162
28 February 2011	Employee Share Plan	7,518	\$23.11	174
8 March 2011	Senior Executive Option Plan	120,000	\$10.00	1,200
29 March 2011	Employee Share Plan	7,131	\$21.00	150
29 April 2011	Employee Share Plan	6,409	\$23.25	149
31 May 2011	Employee Share Plan	1,986	\$22.57	45
31 May 2011	Employee Share Plan	5,021	\$22.57	113
28 June 2011	Employee Share Plan	7,460	\$20.21	151
30 June 2011	Closing balance	99,953,554		381,308
1 July 2011	Opening balance	99,953,554		381,308
29 July 2011	Employee Share Plan	6,291	\$21.91	138
31 August 2011	Employee Share Plan	8,075	\$19.05	154
16 September 2011	Senior Executive Performance Rights Plan	7,000	-	-
30 September 2011	Employee Share Plan	7,957	\$17.55	140
28 October 2011	Employee Share Plan	7,513	\$18.02	135
28 October 2011	Employee Share Plan	1	\$22.06	-
30 November 2011	Employee Share Plan	7,460	\$18.54	138
30 December 2011	Employee Share Plan	7,413	\$18.13	134
31 January 2012	Employee Share Plan	4,682	\$19.09	89
29 February 2012	Employee Share Plan	7,733	\$21.31	165
30 March 2012	Employee Share Plan	7,018	\$21.23	149
30 April 2012	Employee Share Plan	7,045	\$20.95	148
31 May 2012	Employee Share Plan	8,091	\$18.46	149
29 June 2012	Employee Share Plan	7,455	\$19.09	142
30 June 2012	Closing balance	100,047,288		382,989

(c) Ordinary shares

Ordinary shares 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 ordinary shares 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.

(d) Employee Share Plan

Information relating to the ESP is set out in the remuneration report and in note 34.

(e) Senior Executive Option Plan

Information relating to the SEOP, including details of options issued during the financial year, is set out in the remuneration report and in note 34.

(f) Senior Executive Performance Rights

Information relating to the SEPRP, including details of rights issued during the financial year, is set out in the remuneration report and in note 34.

(g) Capital management

FLT maintains a conservative 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 (refer to note 23), general cash (refer to note 10) and equity attributable to the parent's equity holders (refer to notes 27 and 28). In recent years, the company has initiated strategies to strengthen its balance sheet by increasing general cash and maintaining moderate debt levels, with a view to creating greater shareholder value in the future.

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, the current policy is to return 50-60% of NPAT to shareholders.

	Consolidated	
	2012 \$'000	2011 \$'000
Total borrowings	107,175	167,775
Total equity	857,129	740,616
Gearing ratio	13%	23%

28 RESERVES AND RETAINED PROFITS

(a) Retained profits

Balance 1 July	Consolidated	
	2011 \$'000	2010 \$'000
Profit for the year	434,049	374,802
Dividends	200,066	139,810
Movement in available-for-sale reserve	(88,996)	(79,878)
Capital redemption reserve	-	(685)
Balance at 30 June	545,119	434,049

(b) Reserves

Available-for-sale investments revaluation reserve	(2,704)	(3,343)
Share-based payments reserve	4,518	2,679
Foreign currency translation reserve	(72,634)	(74,004)
Hedging reserve – cash flow hedges	(159)	(73)
	(70,979)	(74,741)

Notes to the Financial Statements *continued*

Movement in reserves:

Consolidated	
2012 \$'000	2011 \$'000

Available-for-sale investments revaluation reserve

Balance 1 July	(3,343)	(5,697)
Revaluation gross	898	2,386
Movement in value to retained earnings	-	685
Deferred tax (note 21)	(259)	(717)
Balance 30 June	(2,704)	(3,343)

Share-based payments reserve

Balance 1 July	2,679	2,325
Share-based payment expense	1,207	142
Deferred tax (note 21)	632	212
Balance 30 June	4,518	2,679

Foreign currency translation reserve

Balance 1 July	(74,004)	(38,773)
Net exchange differences on translation of foreign operations	1,370	(35,231)
Balance 30 June	(72,634)	(74,004)

Hedging reserve – cash flow hedges

Balance 1 July	(73)	(936)
Fair value adjustments	(162)	814
Deferred tax (note 21)	76	49
Balance 30 June	(159)	(73)

Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets are recognised in other comprehensive income, as described in note 1(k), and accumulated in a separate reserve within equity. Amounts are reclassified in profit and loss when the associated assets are sold or impaired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income, as described in note 1(c), and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit and loss when the net investment is disposed of.

(iv) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as describe in note 1(l). Amounts are reclassified to profit and loss when the associated hedged transaction affects profit and loss.

29 COMMITMENTS

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Within one year	102,821	94,636
Later than one year but not later than five years	260,814	244,596
Later than five years	31,014	37,811
	394,649	377,043

The operating leases above relate primarily to occupancy leases of varying terms, generally between five and seven years, and have escalation clauses and renewal rights. Included in the above are contingent rental payments, including escalation based on fixed dollar or percentage increases, as stated in the lease agreement.

30 BUSINESS COMBINATIONS

Prior year acquisition – The Gapyear Company Limited

(i) Summary of acquisition

On 7 October 2010, Flight Centre (UK) Limited, a 100% subsidiary of FLT, purchased 80% of shares in The Gapyear Company Limited (Gapyear) for £800k. As part of the purchase agreement, Flight Centre (UK) Limited also had an option to acquire the remaining 20% of shares from founder Tom Griffiths. The option means that Flight Centre (UK) Limited had effectively acquired a 100% interest in the subsidiary at the date of the business combination. As such, no non-controlling interest was recognised. This option was exercised on 1 September 2011 for the minimum payment. The contingent consideration was not required to be paid and was released to the income statement.

The acquisition will allow cost effective generation of travel-related enquiry in the “gap year” niche market and generate advertising revenue.

From the acquisition date to June 2011 year-end, Gapyear contributed a \$395k net loss and \$207k revenue to FLT. Had the acquisition occurred on 1 July 2010, net loss for the year ended 30 June 2011 attributable to Gapyear would have been \$399k and revenue of \$328k.

FLT has finalised the purchase price allocation and recognised the fair values of the identifiable assets and liabilities of Gapyear based at the reporting date. Business combination accounting is detailed below. These amounts have been calculated using the group's accounting policies.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	\$'000
Cash paid	1,292
Contingent consideration ¹	441
Deferred consideration	309
Total purchase consideration	2,042
Fair value of net identifiable assets acquired	44
Goodwill	1,998

¹ Deferred and contingent consideration arose on acquisition in relation to the option to acquire the remaining 20% of shares. Deferred consideration has been recognised for the minimum payment required to acquire the remaining 20%. The fair value of contingent consideration of \$441k was estimated by applying the income approach. The fair value estimates are based on a discount rate of 15.9% (group WACC at acquisition date) and assumed probability adjusted NPAT of Gapyear of between £785k and £873k.

The goodwill is attributable to the increased access to the global gap year travel market, which will contribute to the group's overall revenue and profitability.

Notes to the Financial Statements *continued*

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:

Cash consideration	1,292
Less: Cash acquired	(44)
Outflow of cash	1,248

(iii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	44	44
Accounts receivable	100	100
Property, plant and equipment	27	27
Trade creditors	(17)	(17)
Provision for tax	(43)	(43)
Non-current trade creditors	(67)	(67)
Net identifiable assets acquired	44	44

(iv) Acquisition-related costs

Acquisition-related costs of \$21k have been recorded as an expense in the income statement and in operating cash flows in the statement of cash flows.

Prior year acquisition – Garber's Travel Service, Inc.

(i) Summary of acquisition

On 17 December 2010, Flight Centre USA Inc. (an FLT subsidiary) acquired the remaining 74% shareholding of Garber's Travel Service, Inc. (Garber), a Boston-based corporate travel management business.

From the acquisition date to 30 June 2011 year-end, Garber contributed a net profit of \$1,117k to FLT and revenue of \$11,705k. Had the acquisition occurred on 1 July 2010, the net profit for the year ended 30 June 2011 attributable to Garber would have been \$1,176k and revenue of \$21,908k.

These amounts have been calculated using the group's accounting policies and consequential tax effects.

FLT has finalised the purchase price allocation for Garber. Final fair values are listed below.

Purchase consideration	\$'000
Cash paid	10,485
Deferred consideration	713
Fair value of previously held equity interest	7,927
Total purchase consideration	19,125
Fair value of net identifiable assets acquired	5,503
Goodwill	13,622

A gain of \$744k was recognised in revaluing the previously held equity interest to fair value at the acquisition date and is reported in Other Income.

The goodwill is attributable to increased access to the US corporate travel market, which will contribute to the group's overall revenue and profitability.

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:

Cash consideration	10,485
Less: Cash acquired	(6,486)
Outflow of cash	3,999

(iii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	6,486	6,486
Accounts receivable	1,216	1,216
Other assets	231	231
Property, plant and equipment	178	178
Investments	118	-
Deferred tax assets	495	495
Trade and other payables	(1,956)	(1,956)
Provisions	(688)	(1,147)
Net identifiable assets acquired	6,080	5,503

The fair value of assets and liabilities acquired is based on book values with adjustments for tangible assets where the fair value can be measured reliably. Acquisition provisions were created of \$651k for termination payments payable to three existing employees. Under the employee contracts, these termination payments were payable upon Garber's acquisition by an external third party.

(iv) Acquisition-related costs

Acquisition-related costs of \$213k have been recorded as an expense in the income statement and in operating cash flows in the statement of cash flows.

31 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 executive team (the chief operating decision makers) in assessing performance and in determining resource allocation. The executive team currently consists of the following members:

- Managing director
- Chief financial officer
- Chief operating officer
- Executive general manager – marketing
- Executive general manager – Peopleworks; and
- Executive general manager – global corporate

The board and executive team consider, organise and manage the business from a geographic perspective, being the country of origin where the service was provided. Discrete financial information about each of these operating businesses is reported monthly to the board and executive team, via a group Financial Report.

Three reportable segments have been identified based on the information included in the Financial Report, including the aggregation of five operating segments for Australia. The aggregation was on the basis of similarity of service provided, economic returns and regulatory environment.

Notes to the Financial Statements *continued*

31 SEGMENT INFORMATION *continued*

(b) Types of products and services

FLT and its controlled entities operate predominately in the sale of travel and travel-related services industry. As indicated above, the group is organised and managed globally into geographic areas.

(c) 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.

(d) Accounting policies and inter-segment transactions

The group's accounting policies in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period. If items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This avoids asymmetrical allocations within segments, which management believes would be inconsistent.

(e) Segment information presented to the board of directors and executive team

The segment information provided to the board and executive team for the reportable segments for the years ended 30 June 2012 and 30 June 2011 is shown in the tables on the following pages.

Alternative profit measures

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

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

FLT's chief decision makers also use an adjusted EBIT measure to assess the group's performance. The adjustments take into account various operational items that are integral to the business's performance, including interest paid on the BOS unsecured note program and finance leases and interest received on cash generated by FLT's wholesale businesses. Further adjustments may also occur to reflect specific items that are not trading related. A reconciliation of these non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the table on the following pages.

Segment assets and liabilities

The amounts provided to the board and executive team in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements. These reports do not allocate total assets or total liabilities based on the operations of each segment or by geographical location, except for cash and cash equivalents, which is reported to the board and executive team by segment. This is included in the tables on the following pages.

30 June 2012	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other segment ¹ \$'000	Total \$'000
TTV ²	7,844,901	1,684,309	1,154,358	2,410,034	144,524	13,238,126

Total segment revenue	1,130,714	202,835	165,612	301,095	144,202	1,944,458
Inter-segment revenue	(108,272)	679	(8,600)	(1,491)	-	(117,684)
Revenue from external customers	1,022,442	203,514	157,012	299,604	144,202	1,826,774

Alternative profit measures

Gross profit	1,022,782	203,514	157,012	299,669	144,202	1,827,179
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Statutory EBITDA	260,477	17,965	29,723	40,029	(17,519)	330,675
Depreciation and amortisation	(25,972)	(7,892)	(3,808)	(9,868)	(2,720)	(50,260)
Statutory EBIT	234,505	10,073	25,915	30,161	(20,239)	280,415
Interest income	882	251	1,269	(412)	38,359	40,349
BOS interest expense	(18,663)	(194)	(1,563)	(3,448)	(1,222)	(25,090)
Other interest expense	(1,216)	(2,328)	(53)	17	(1,937)	(5,517)
Other non-material items	31	-	123	2	38	194
Net profit before tax and royalty	215,539	7,802	25,691	26,320	14,999	290,351
Royalty	22,265	-	(12,828)	(9,437)	-	-
Net profit before tax and after royalty	237,804	7,802	12,863	16,883	14,999	290,351

Reconciliation of Statutory EBIT to Adjusted EBIT

Statutory EBIT	234,505	10,073	25,915	30,161	(20,239)	280,415
Interest income ³	858	2	-	1,335	11,511	13,706
BOS interest expense	(18,663)	(194)	(1,563)	(3,448)	(1,222)	(25,090)
Other interest expense ⁴	(1)	(24)	-	-	-	(25)
Net foreign exchange (gains) / losses on intercompany loans	(13)	-	-	77	692	756
Other non-material items	1	-	-	(85)	(19)	(103)
Adjusted EBIT	216,687	9,857	24,352	28,040	(9,277)	269,659

Share of profit/(loss) from associates and joint ventures	(340)	-	-	-	-	(340)
Net gain on financial assets at FVTPL	2,013	-	-	-	-	2,013
Cash and cash equivalents	1,314,683	118,461	90,001	92,744	(583,422)	1,032,467

Notes to the Financial Statements *continued*

31 SEGMENT INFORMATION *continued*

30 June 2011	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other segment ¹ \$'000	Total \$'000
TTV ²	7,171,693	1,492,087	1,074,197	2,335,107	126,424	12,199,508

Total segment revenue	1,030,876	187,578	152,962	306,428	125,407	1,803,251
Inter-segment revenue	(106,234)	1,602	(7,067)	(13,304)	-	(125,003)
Revenue from external customers	924,642	189,180	145,895	293,124	125,407	1,678,248

Alternative profit measures

Gross profit	924,896	188,425	145,990	293,030	125,764	1,678,105
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Statutory EBITDA	234,008	(16,983)	21,664	48,010	(29,763)	256,936
Depreciation and amortisation	(25,080)	(8,542)	(4,254)	(10,333)	(1,782)	(49,991)
Statutory EBIT	208,928	(25,525)	17,410	37,677	(31,545)	206,945
Interest income	682	169	571	2,857	35,845	40,124
BOS interest expense	(20,803)	(146)	(1,487)	(2,598)	(1,715)	(26,749)
Other interest expense	(1,300)	(2,689)	(55)	(3,578)	274	(7,348)
Other non-material items	59	1	(11)	71	1	121
Net profit before tax and royalty	187,566	(28,190)	16,428	34,429	2,860	213,093
Royalty	17,968	-	(6,711)	(11,257)	-	-
Net profit before tax and after royalty	205,534	(28,190)	9,717	23,172	2,860	213,093

Reconciliation of Statutory EBIT to Adjusted EBIT	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other segment ¹ \$'000	Total \$'000
Statutory EBIT	208,928	(25,525)	17,410	37,677	(31,545)	206,945
Interest income ³	640	(3)	(2)	1,257	10,056	11,948
BOS and interest expense ⁴	(20,806)	(158)	(1,487)	(2,593)	(1,715)	(26,759)
Net foreign exchange (gains) / losses on intercompany loans	-	-	-	(164)	3,987	3,823
Gain on revaluation of investment	-	(744)	-	-	-	(744)
Impairment charge	-	27,917	-	-	-	27,917
FCm implementation costs	-	-	-	(4,510)	4,510	-
Other non-material items	2,550	-	(14)	(113)	(887)	1,536
Adjusted EBIT	191,312	1,487	15,907	31,554	(15,594)	224,666
Share of profit/(loss) from associates and joint ventures	(611)	11	-	-	-	(600)
Net gain on financial assets at FVTPL	2,315	-	-	-	-	2,315
Cash and cash equivalents ⁵	1,109,579	91,578	28,716	95,646	(435,145)	890,374

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

² Refer to note 1(d)(ii) for further information on TTV, which is an un-audited non-IFRS measure

³ Land wholesale interest only.

⁴ Interest expense includes finance lease charges only.

⁵ Refer to note 1 for further information on restatement of client cash and client creditors

(f) Segment information presented to the board and executive team – Revenue

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

Revenues from external customers are derived from the sale of travel and travel-related services. The revenues from this group of similar services are provided in the tables on the previous page. As indicated, the group is organised and managed globally into geographic areas.

Revenue is calculated on a consistent basis across all segments. Segment revenue reconciles to total revenue as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Segment revenue	1,944,458	1,803,251
Inter-segment sales elimination	(117,684)	(125,003)
Total segment revenue to external customers	1,826,774	1,678,248
Revenue from the sale of travel as principal	230,845	211,258
Gross profit from sale of travel as principal	(29,066)	(26,935)
Share of profit/(loss) from associates and joint ventures	340	600
Gain on revaluation of previously held equity investment	-	(744)
Other non-material revenue items	65	1
Total revenue	2,028,958	1,862,428

Segment revenue reconciles to gross profit as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Segment revenue	1,944,458	1,803,251
Inter-segment sales elimination	(117,684)	(125,003)
Total segment revenue to external customers	1,826,774	1,678,248
Share of profit/(loss) from associates and joint ventures	340	600
Gain on revaluation of previously held equity investment	-	(744)
Other non-material revenue items	65	1
Gross profit	1,827,179	1,678,105

Notes to the Financial Statements *continued*

32 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The group's overall risk management program focuses on financial markets' unpredictability and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The group uses different methods to measure different types of risk to which it is exposed.

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 investment of excess liquidity. 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 specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The group holds the following financial assets and liabilities:

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Financial assets		
Cash and cash equivalents ¹	1,032,467	890,374
Available-for-sale financial assets	53,051	60,119
Financial assets at FVTPL	6,802	4,790
Trade and other receivables	455,143	409,486
Other financial assets	7,902	7,193
	1,555,365	1,371,962
Financial liabilities		
Trade and other payables ¹	1,009,067	875,931
Contingent consideration	443	1,299
Borrowings	107,175	167,775
Derivative financial instruments	764	4,966
	1,117,449	1,049,971

¹ Refer to note 1 for further information on restatement of client cash and client creditors.

(a) Market risk

(i) 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.

To manage the foreign exchange risks arising from the future principal and interest payments required on foreign currency denominated borrowings, the group has a multi-currency debt facility which allows principal and interest payments to be denominated into the relevant entity's functional currency for the underlying borrowings' full terms.

The group's exposure to foreign currency risk at the end of the reporting period is set out below:

	Consolidated	
	2012 \$'000	2011 \$'000
Trade receivables		
US Dollar	9,421	9,410
Great Britain Pound	744	475
Canadian Dollar	15	414
Euro	509	259
Chinese Renminbi	62	49
Royal Brunei Dollar	-	2,414
Fijian Dollar	355	-
Other	391	327
Trade payables		
US Dollar	22,903	19,550
Great Britain Pound	1,926	2,274
Canadian Dollar	2,447	1,406
Fijian Dollar	5,865	5,770
Thai Baht	5,919	5,578
Euro	4,661	5,035
Hong Kong Dollar	2,413	1,652
New Zealand Dollar	2,100	3,116
Malaysian Ringgit	1,083	1,346
French Pacific Franc	618	710
Singapore Dollar	2,047	1,388
South African Rand	705	-
Other	252	1,135

(ii) Price risk

The group is exposed to securities price risk. This arises from group investments classified on the balance sheet as available-for-sale or FVTPL.

To manage price risk arising from investments in securities, the investment portfolio is diversified in accordance with the limits established within the group's treasury policy.

Notes to the Financial Statements *continued*

(b) Credit risk

Credit risk is managed on a group basis. This risk arises from cash and cash equivalents, investment securities and derivative financial instruments, as well as credit exposure to corporate and retail customers, including outstanding receivables and committed transactions. Credit risk arising from cash and cash equivalents, investment securities and derivative financial instruments is managed in accordance with group treasury policy. Limits are set on credit rating, type of security, counterparty exposure and maturity.

Credit risk management assesses corporate clients' credit quality by analysing external credit ratings, financial position and security available where appropriate. Individual risk limits are established for all 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.

Credit risk on financial guarantees and letters of credit is disclosed in note 23.

Financial assets' credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Equivalent S&P Rating			Internally Rated			
	AA and above \$'000	AA- to A- \$'000	BBB+ to BBB \$'000	Non- investment grade / unrated \$'000	Closely monitored customers ¹ \$'000	No default customers ² \$'000	Total \$'000
At 30 June 2012							
Cash and cash equivalents	72,191	910,522	42,291	7,463	-	-	1,032,467
Available-for-sale financial assets	15,405	10,038	27,546	62	-	-	53,051
Financial assets at FVTPL	-	4,255	-	2,547	-	-	6,802
Trade and other receivables	-	-	-	-	6,346	448,797	455,143
Other financial assets	-	-	-	-	-	7,902	7,902
Restated							
At 30 June 2011							
Cash and cash equivalents ³	634,725	219,935	32,741	2,973	-	-	890,374
Available-for-sale financial assets	20,629	10,457	24,474	4,559	-	-	60,119
Financial assets at FVTPL	-	2,243	-	2,547	-	-	4,790
Trade and other receivables	-	-	-	-	6,241	403,245	409,486
Other financial assets	-	-	-	-	-	7,193	7,193

¹ Closely monitored customers have either had a provision raised against them or have payments outstanding greater than nine months but no specific provision has been raised

² No default customers have no late payments or other breaches of trading terms which would require a provision to be raised

³ Refer to note 1 for further information on restatement of client cash and client creditors

(c) Liquidity risk

Prudent liquidity risk management requires FLT to maintain sufficient cash and marketable securities, access to additional funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the end of the year, FLT held deposits at call of \$380,589k (2011: \$251,612k) that are readily available for managing liquidity risk. Because of the underlying business's dynamic nature, committed credit lines are available to maintain funding flexibility.

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities) and cash and cash equivalents (refer note 10) on the basis of expected cash flows. This is generally carried out at local level in the group's operating companies in accordance with established practice and limits. These limits vary by location to take into account local market liquidity. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The group's access to undrawn borrowing facilities and the financial liabilities' maturities at the reporting period's end are disclosed in note 23.

Maturities of financial liabilities

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

	Less than 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Group – 2012						
<i>Non-derivatives</i>						
Non-interest bearing – trade and other payables	1,009,112	263	135	-	1,009,510	1,009,510
Variable rate – borrowings	50,042	60,252	2,189	4,986	117,469	107,175
Total non-derivatives	1,059,154	60,515	2,324	4,986	1,126,979	1,116,685
<i>Derivatives</i>						
Net settled	714	50	-	-	764	764
Restated						
Group – 2011						
<i>Non-derivatives</i>						
Non-interest bearing – trade and other payables ¹	876,056	229	945	-	877,230	877,230
Variable rate – borrowings	84,719	15,068	81,265	3,245	184,297	167,775
Total non-derivatives	960,775	15,297	82,210	3,245	1,061,527	1,045,005
<i>Derivatives</i>						
Net settled	5,115	(48)	(102)	-	4,965	4,966

¹ Refer to note 1 for further information on restatement of client cash and client creditors.

(d) Cash flow and fair value interest rate risk

The group holds a number of interest bearing assets which are issued at variable interest rates. FLT's income and operating cash flows are, therefore, exposed to changes in market interest rates.

Borrowings issued at variable rates expose the group to cash flow interest rate risk. The variable rate borrowings and interest rate swap contracts outstanding at reporting date are disclosed in notes 23 and 16 respectively.

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

The group's receivables are carried at amortised cost. They are, therefore, not subject to interest rate risk as defined in AASB 7.

The group uses floating-to-fixed interest rate swaps to manage its cash flow interest rate risk. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Notes to the Financial Statements *continued*

(e) Fair value measurement

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

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

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) Quoted prices in non-active markets for identical assets or liabilities or inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2012				
Assets				
Available-for-sale financial assets	-	53,051	-	53,051
Financial assets at FVTPL	-	6,802	-	6,802
Total assets	-	59,853	-	59,853
Liabilities				
Contingent consideration	-	-	443	443
Derivative financial instruments	-	764	-	764
Total liabilities	-	764	443	1,207

30 June 2011				
Assets				
Available-for-sale financial assets	6,680	53,439	-	60,119
Financial assets at FVPTL	-	4,790	-	4,790
Total assets	6,680	58,229	-	64,909
Liabilities				
Contingent consideration	-	-	1,299	1,299
Derivative financial instruments	-	4,966	-	4,966
Total liabilities	-	4,966	1,299	6,265

Details on fair value calculations for financial instruments traded in active and in inactive markets are included in note 1(k) and 1(m), along with financial liabilities' fair value calculations.

	Contingent consideration
	\$'000
Opening balance 1 July 2010	1,205
Other increases/(decreases)	206
Gains/(losses) recognised in other comprehensive income	(112)
Closing balance 30 June 2011	1,299
Other increases/(decreases)	(722)
Gains/(losses) recognised in other comprehensive income	(134)
Closing balance 30 June 2012	443

Summarised sensitivity analysis

Sensitivity figures are pre-tax. The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk. The movement in equity excludes movements in retained earnings.

Consolidated		Interest rate risk				Foreign exchange risk				Other price risk ²			
		-1%	-1%	+1%	+1%	-10%	-10%	+10%	+10%	-1%	-1%	+1%	+1%
	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012													
Financial assets													
Cash and cash equivalents	1,032,467	(10,325)	-	10,325	-	1,911	-	(1,666)	-	-	-	-	-
Available-for-sale financial assets	53,051	(458)	-	458	-	-	-	-	-	-	63	-	(62)
Financial assets at FVTPL	6,802	(68)	-	68	-	-	-	-	-	-	-	-	-
Trade and other receivables	455,143	-	-	-	-	1,278	-	(1,045)	-	-	-	-	-
Other financial assets	7,902	(79)	-	79	-	-	-	-	-	-	-	-	-
Financial liabilities													
Trade and other payables	1,009,067	-	-	-	-	(5,882)	-	4,813	-	-	-	-	-
Contingent consideration	443	(3)	-	3	-	-	-	-	-	-	-	-	-
Borrowings current	45,162	310	-	(310)	-	-	-	-	-	-	-	-	-
Borrowings non-current	62,013	620	-	(620)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	764	(277)	-	601	-	15,290	-	(13,352)	-	-	(315)	-	607
Total increase / (decrease)		(10,280)	-	10,604	-	12,597	-	(11,250)	-	-	(252)	-	545

Notes to the Financial Statements *continued*

Consolidated		Interest rate risk				Foreign exchange risk				Other price risk ²			
		-1%	-1%	+1%	+1%	-10%	-10%	+10%	+10%	-1%	-1%	+1%	+1%
2011	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets													
Cash and cash equivalents ¹	890,374	(8,904)		8,904	-	3,518	-	(2,879)	-	-	-	-	-
Available-for-sale financial assets	60,119	(526)	-	526	-	-	-	-	-	-	140	-	(137)
Financial assets at FVTPL	4,790	(48)	-	48	-	-	-	-	-	-	-	-	-
Trade and other receivables	409,486	-	-	-	-	1,483	-	(1,213)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	7,193	(72)	-	72	-	-	-	-	-	-	-	-	-
Financial liabilities													
Trade and other payables ¹	875,931	-	-	-	-	(9,935)	-	8,129	-	-	-	-	-
Contingent consideration	1,299	(13)	-	13	-	-	-	-	-	-	-	-	-
Borrowings current	99,174	319	-	(319)	-	-	-	-	-	-	-	-	-
Borrowings non-current	68,601	686	-	(686)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	4,966	(137)	-	558	-	13,456	-	(11,010)	-	-	(837)	-	1,108
Total increase / (decrease)		(8,695)	-	9,116	-	8,522	-	(6,973)	-	-	(697)	-	971

¹ Refer to note 1 for further information on restatement of client cash and client creditors

² Other price risk represents a 1% shift in yield curve on debt securities

33 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated	
	2012 \$	2011 \$
Short-term employee benefits	6,497,681	5,998,012
Post-employment benefits	205,562	1,123,839
Share-based payments	413,785	390,056
Long-term benefits	(283,857)	291,705
	6,833,171	7,803,612

Detailed remuneration disclosures are provided in sections A-E of the remuneration report on pages 16 to 28.

(b) Equity instrument disclosures relating to key management personnel

(i) Options and performance rights provided as remuneration and shares issued on exercise of such

Details of options or performance rights provided as remuneration and shares issued on the exercise of such, together with terms and conditions, can be found in section D of the remuneration report on pages 24 to 27.

(ii) Option and performance rights holdings

The number of options and performance rights over ordinary FLT shares held during the financial year by FLT's group key management personnel, including their personally related parties, is set out below.

Directors are not eligible to participate in the Employee Share Plan and have elected not to participate in the employee option plans or the SEPRP.

	Balance at start of the year	Granted as compensation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
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2012

Other key management personnel of the group

R. Flint ¹	22,000	-	(3,500)	(2,000)	16,500	-	16,500
M. Waters-Ryan	200,000	-	-	(15,000)	185,000	65,000	120,000
A. Flannery	160,000	-	-	(15,000)	145,000	25,000	120,000
C. Galanty	-	-	-	-	-	-	-
C. Bowman	160,000	-	-	(15,000)	145,000	25,000	120,000
D.W. Smith	-	-	-	-	-	-	-
M. Murphy	200,000	-	-	(15,000)	185,000	65,000	120,000

2011

Other key management personnel of the group

S.C.O'Brien (resigned 15 Mar 11)	200,000	-	(40,000)	(160,000)	-	-	-
R. Flint ¹	-	22,000	-	-	22,000	-	22,000
M. Waters-Ryan	200,000	-	-	-	200,000	40,000	160,000
A. Flannery	200,000	-	(40,000)	-	160,000	-	160,000
C. Galanty	-	-	-	-	-	-	-
C. Bowman	200,000	-	(40,000)	-	160,000	-	160,000
D.W. Smith	-	-	-	-	-	-	-
M. Murphy	200,000	-	-	-	200,000	40,000	160,000

¹ R. Flint participated in the Senior Executive Performance Rights Plan. All others participated in the Senior Executive Option Plan

Notes to the Financial Statements *continued*

(iii) Share holdings

The numbers of shares held during the financial year by each FLT director and other key group management personnel, including their personally related parties, is set out below.

	Balance at the start of the year	Received during the year on the exercise of options/rights	Other changes during the year	Balance at the end of the year
--	----------------------------------	--	-------------------------------	--------------------------------

2012

Directors of Flight Centre Limited

Ordinary shares

P. Morahan	17,915	-	-	17,915
G. Smith	15,000	-	-	15,000
P. Barrow	30,000	-	(860)	29,140
G. Turner	15,811,201	-	(347,001)	15,464,200

Other key management personnel of the group

Ordinary shares

R. Flint	-	3,500	(3,500)	-
M. Waters-Ryan	4,159	-	-	4,159
A. Flannery	256	-	-	256
C. Galanty	2,002	-	-	2,002
C. Bowman	40,226	-	-	40,226
D.W. Smith	128	-	299	427
M. Murphy	3,000	-	-	3,000

2011

Directors of Flight Centre Limited

Ordinary shares

P. Morahan	17,915	-	-	17,915
G. Smith	15,000	-	-	15,000
P. Barrow	35,000	-	(5,000)	30,000
G. Turner	15,844,535	-	(33,334)	15,811,201

Other key management personnel of the group

Ordinary shares

S. O'Brien (resigned 15 March 2011)	100,000	40,000	(15,000)	125,000
R. Flint	28,300	-	(28,300)	-
M. Waters-Ryan	4,159	-	-	4,159
A. Flannery	256	40,000	(40,000)	256
C. Galanty	2,002	-	-	2,002
C. Bowman	181	40,000	45	40,226
D.W. Smith		-	128	128
M. Murphy	3,000	-	-	3,000

(c) Other transactions with key management personnel

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 generally.

In total \$2,068k (2011:\$2,050k) of BOS unsecured notes were held by KMP with associated loans provided by FLT subsidiaries of \$320k (2011: \$525k), net interest of \$997k (2011:\$1,108k) was paid on these unsecured notes. The only KMP who held a loan during the period was C. Galanty.

34 SHARE-BASED PAYMENTS

(a) Senior Executive Option Plan

Options can be granted to executives at the board's discretion under the SEOP, which was established in March 2006 and has been offered to four executive team members.

Directors have elected not to participate in the plans.

The plan rules provide that the total number of options which can be on issue at any time is limited such that the number of shares resulting from exercising all unexercised options does not exceed 5% of the company's then issued capital.

Additional details are provided in the remuneration report and in the summary below:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Expired during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
2012									
29/06/09	30/06/15	\$10.00	720,000	-	(60,000)	-	-	660,000	180,000
Weighted average exercise price			\$10.00	-	\$10.00	-	-	\$10.00	\$10.00
2011									
29/06/09	30/06/15	\$10.00	1,000,000	-	(160,000)	-	(120,000)	720,000	80,000
Weighted average exercise price			\$10.00	-	\$10.00	-	\$10.00	\$10.00	\$10.00

No options were exercised during the year ended 30 June 2012. The weighted average share price at date of exercise of options exercised during the year ended 30 June 2011 was \$21.89. The weighted average remaining contractual life of share options outstanding at the end of the period was 3.0 years (2011: 4.0 years).

Fair value of options granted

Current year

No options were granted during the year ended 30 June 2012.

Prior year

No options were granted during the year ended 30 June 2011.

Notes to the Financial Statements *continued*

(b) Senior Executive Performance Rights Plan (SEPRP)

Performance rights can be granted to executives at the board's discretion under the SEPRP, which was established in April 2010 and has been offered to two senior executives.

Directors have elected not to participate in the plan.

The plan rules provide that the total number of performance rights which can be on issue at any time is limited such that the number of shares resulting from exercising all unexercised rights does not exceed 5% of FLT's then issued capital.

Additional details are provided in the remuneration report and in the summary below:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Expired during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
2012									
12/08/11	30/06/15	\$0.00	44,000	-	(4,000)	-	(7,000)	33,000	-
Weighted average exercise price			-	-	\$0.00	-	\$0.00	\$0.00	-
2011									
12/08/11	30/06/15	\$0.00	-	44,000	-	-	-	44,000	-
Weighted average exercise price			-	\$0.00	-	-	-	\$0.00	-

The weighted average share price at the date of exercise of rights exercised during the year ended 30 June 2012 was \$18.00 (2011: n/a).

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 3.0 years (2011: 4.0 years).

Fair value of options granted

Current year

No performance rights were granted during the year ended 30 June 2012.

Prior year

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date.

This amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes pricing model as outlined in note 1(q)(iv).

The model inputs for performance rights granted on 12 August 2011 are as follows:

- (a) performance rights are granted for no consideration. Each tranche vests upon release of the audited financial statements based on achievement of certain profit targets at each year-end, from 30 June 2011 to 30 June 2014.
- (b) exercise price: \$0.00
- (c) grant date: 12 August 2011
- (d) expiry date: 30 June 2015
- (e) share price at grant date: \$18.45
- (f) expected price volatility of the company's shares: 30%
- (g) expected dividend yield: 4.31%
- (h) risk-free interest rate: 3.65% 3.73%

(c) Employee Share Plan (ESP)

FLT's current ESP was approved by the board in September 2010.

Under the plan, eligible employees are granted a conditional right to one matched share for every four shares purchased (for cash consideration), subject to vesting conditions. A participant who satisfies the vesting conditions will become entitled to the matched shares on the last day of the vesting period. The plan is open to full and part-time permanent employees (excluding directors) of FLT companies in participating countries. Employees must have commenced employment with their FLT employer in a participating country at least three months prior to the first acquisition date of acquired shares under the plan. Employees are not required to participate in the plan.

Acquired shares that are purchased by or on behalf of the participants may be shares that are newly issued by FLT or shares purchased on-market. For participants in Australia, New Zealand and the United Kingdom acquired shares are held in trust by the Plan Trustee. For participants in the United States and Canada, acquired shares are held in the participant's name on the FLT Share Registry. South Africa operates a cash-settled, share-based payment plan under the same vesting conditions and rights.

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 granted. The market value of matched shares allocated (but not issued) under the plan, measured as the weighted average price of shares traded on the ASX in the five trading days prior to those shares being allocated, is recognised in the balance sheet as part of reserves over the period that the matched share vests. A corresponding expense is recognised in employee benefit costs.

Offers under the plan may only be made to eligible employees if approved by the board.

Acquired shares issued under the plan may be sold at any time, subject to the FLT Share Trading Policy and any restrictions as set out in the offer. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

The number of shares issued to plan participants is the employee contribution amount divided by 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.

Where shares are issued to employees of subsidiaries within the group, the subsidiaries compensate the FLT parent entity for the fair value of these shares.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2012 \$'000	2011 \$'000
Options issued under the SEOP	314	261
Performance rights issued under the SEPRP	200	259
Matched shares allocated under ESP	279	61
	793	581

Notes to the Financial Statements *continued*

35 RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the group is Flight Centre Limited.

(b) Subsidiaries and joint ventures

Interests in subsidiaries are set out in note 20 and interests in joint ventures are set out in note 19. FLT is a joint venture partner in Pedal Group Pty Ltd. The other joint venture partners are related parties, namely Graham Turner's family company, Gainsdale Pty Ltd (25%), and Matthew Turner (25%).

(c) Key management and personnel compensation

Disclosures relating to key management personnel are set out in note 33.

(d) Transactions with related parties

	2012 \$	2011 \$
Income from joint venture related parties		
Management fees	968,617	305,202
Fit-out	729,522	661,325
Travel and conference	233,163	349,308
Advertising and marketing	1,127,935	34,077
Rent	353,202	226,819
IT services	189,600	169,355
Other	265,710	172,423
Expenses to joint venture related parties		
Overrides expense	769,912	376,091
Marketing expense	300,000	-
Recruitment advertising expense	2,336,515	2,147,653
Income from director-related entities		
Service Fee income	12,825	-
Expenses to director-related entities		
Conference expense	173,323	284,220
Travel Expo expense	1,190,030	750,844

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 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.

(e) Outstanding balances

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

	2012 \$	2011 \$
Joint ventures		
Current receivables	363,294	57,890
Current payables	245,235	417,096
Director-related entities		
Current receivables	12,825	-
Prepaid expenses	84,241	21,421
Current payables	-	7,149

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.

(f) Loans to/from related parties	2012 \$'000	2011 \$'000
Loans to other related parties		
Beginning of the year	7,193	4,192
Loans advanced	3,095	4,297
Loans repaid	(2,423)	(1,492)
Interest charged	495	349
Loans forgiven	(279)	-
Foreign exchange movement	(179)	(153)
End of year	7,902	7,193

No provisions for doubtful debts have been raised in relation to any outstanding balances.

All loans to related parties were made on normal commercial terms and conditions and at market rates except that the repayment terms range from no fixed term to 10 years. The interest rate on loans during the year ranged from 2.92% - 8.17% (2011: 2.92% - 8.17%).

No loans to / from director-related entities were in place during the 2012 or 2011 financial years.

Disclosures relating to loans to key management personnel are set out in note 33.

(g) 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.

36 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' report.

Two separate Deeds of Cross Guarantee are in effect. The subsidiaries subject to the deeds are:

- 1) Flight Centre Limited, Australian OpCo Pty Ltd, P4 Finance Pty Ltd & Travel Services Corporation Pty Ltd
- 2) Flight Centre Limited and Flight Centre Technology Pty Ltd

The Class Order requires the company and each of the subsidiaries to enter into a Deed of Cross Guarantee. The deed's effect is that the company guarantees each creditor payment in full of any debt if any of the subsidiaries are wound up under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

P4 Finance Pty Ltd became a party to the Deed on 25th July 2011, by virtue of a Deed of Assumption. Travel Services Corporation Ltd became a party to the deed on 20th June 2007 by virtue of a Deed of Assumption. It has been a dormant entity since becoming a party to the deed.

The above companies represent a Closed Group for the purposes of the Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by FLT, they also represent the Extended Closed Group.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the company and the subsidiaries listed above.

Notes to the Financial Statements *continued*

Flight Centre Limited, Australian OpCo Pty Ltd, P4 Finance Pty Ltd & Travel Services Corporation Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
2012 \$'000	Restated 2011 \$'000	2012 \$'000	Restated 2011 \$'000

Income statement

Revenue from the sale of travel services	1,030,978	984,740	814,605	828,702
Other revenue	124,478	56,465	140,078	60,269
Selling expenses	(718,310)	(645,931)	(583,930)	(575,201)
Administration / support expenses	(166,320)	(153,987)	(168,145)	(136,663)
Finance costs	(19,028)	(22,080)	(17,897)	(17,180)
Foreign exchange gains/(losses) (net)	2,345	(6,730)	1,961	(6,477)
Share of profit from joint venture	(340)	(611)	(340)	(611)
Profit before income tax expense	253,803	211,866	186,332	152,839
Income tax expense	(76,373)	(64,947)	(55,947)	(46,535)
Profit for the year	177,430	146,919	130,385	106,304

Statement of comprehensive income

Changes in the fair value of available-for-sale assets	822	2,428	822	2,428
Income tax expense on items of other comprehensive income	(247)	(728)	(247)	(728)
Total comprehensive income for the year	178,005	148,619	130,960	108,004

Summary of movements in consolidated retained profits

Retained profits at the beginning of the financial year	433,968	367,612	332,504	306,763
Movement in available-for-sale reserves	-	(685)	-	(685)
Profit from ordinary activities after income tax expense	177,430	146,919	130,385	106,304
Dividends provided for or paid	(88,996)	(79,878)	(88,996)	(79,878)
Retained profits at the end of the financial year	522,402	433,968	373,893	332,504

Set out below is the consolidated balance sheet of the company and the subsidiaries listed above.

	Flight Centre Limited, Australian OpCo Pty Ltd, P4 Finance Pty Ltd & Travel Services Corporation Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2012 \$'000	Restated 2011 \$'000	2012 \$'000	Restated 2011 \$'000
Current assets				
Cash and cash equivalents ¹	755,331	693,863	677,346	643,241
Available-for-sale financial assets	48,844	56,057	48,844	56,057
Financial assets at FVTPL	6,802	4,790	6,802	4,790
Trade and other receivables	314,954	237,659	261,071	161,398
Current tax receivables	1,145	1,276	1,145	1,276
Inventories	43	28	43	28
Other financial assets	829	1,139	829	1,139
Total current assets	1,127,948	994,812	996,080	867,929
Non-current assets				
Property, plant and equipment	52,479	46,517	61,827	55,107
Intangible assets	68,306	66,940	67,733	65,144
Investments accounted for using the equity method	448,612	447,161	476,937	475,486
Deferred tax assets	29,507	35,002	28,360	33,823
Other non-current assets	7,073	5,228	7,073	5,228
Total non-current assets	605,977	600,848	641,930	634,788
Total assets	1,733,925	1,595,660	1,638,010	1,502,717
Current liabilities				
Trade and other payables ¹	708,751	609,174	793,102	690,321
Borrowings	10,433	59,639	71,725	59,639
Provisions	14,402	11,892	14,402	11,892
Current tax liabilities	60,432	61,668	(34,896)	(13,322)
Derivative financial instruments	505	4,869	505	4,869
Total current liabilities	794,523	747,242	844,838	753,399
Non-current liabilities				
Trade and other payables	14,617	11,490	14,617	11,490
Borrowings	(430)	(1,616)	(430)	(1,616)
Provisions	17,974	15,989	17,974	15,989
Deferred tax liabilities	-	7,842	-	7,926
Total non-current liabilities	32,161	33,705	32,161	33,789
Total liabilities	826,684	780,947	876,999	787,188
Net assets	907,241	814,713	761,011	715,529
Equity				
Contributed equity	382,989	381,308	382,989	381,308
Reserves	1,850	(563)	4,129	1,717
Retained profits	522,402	433,968	373,893	332,504
Total equity	907,241	814,713	761,011	715,529

¹ Refer to note 1 for further information on restatement of client cash and client creditors

Notes to the Financial Statements *continued*

37 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts.

	Parent	
	2012 \$'000	Restated 2011 \$'000
Current assets ¹	1,019,370	869,602
Total assets	1,647,819	1,246,009
Current liabilities ¹	861,993	505,552
Total liabilities	894,154	538,420
<i>Shareholders' equity</i>		
Contributed equity	382,989	381,308
Reserves		
Available-for-sale investments revaluation reserve	(2,668)	(3,242)
Share-based payments reserve	4,518	2,679
Retained profits	368,826	326,844
Total shareholders' equity	753,665	707,589
Profit after tax for the year	130,978	109,094
Total comprehensive income	131,552	110,794

(b) Guarantees entered into by the parent entity

FLT has given the following guarantees:

Unsecured

Canada	2,116	4,896
United States	-	54
United Kingdom	64,214	12,848
Australia	2,957	5,628
Hong Kong	6,897	5,977
India	19,152	20,796
China	7,877	7,021
New Zealand	6,072	5,986
Other	4,276	4,051
	113,561	67,257

These guarantees have been provided directly by the parent entity or are letters of credit issued under the Syndicated Facility Agreement. No liability was recognised by the parent entity or the consolidated entity, as the guarantees' fair values are immaterial.

(c) Contingent liabilities of the parent entity

The parent entity had no contingent liabilities at 30 June 2012.

¹ Refer to note 1 for further information on restatement of client cash and client creditors.

(d) Contractual commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Parent	
	2012 \$'000	2011 \$'000
Within one year	64,683	58,041
Later than one year but not later than five years	171,370	156,221
Later than five years	11,340	14,038
	247,393	228,300

The operating leases above relate primarily to occupancy leases of varying terms, generally between five and seven years, and have escalation clauses and renewal rights. Not included in the above are contingent rental payments, which generally represent rental escalation, based on CPI.

38 CONTINGENCIES

The ACCC's competition law test case against FLT is scheduled for hearing in October. FLT is actively preparing for that hearing and its preparation has reinforced its view that the ACCC's case is misguided and will be rejected. As such, no contingent liability exists in respect of this matter.

The group had no other material contingent assets or liabilities.

39 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

28 August 2012, FLT's directors declared a fully franked 71.0 cents per fully paid ordinary share final ordinary dividend for the year ended 30 June 2012 (2011: 48.0 cents), as outlined in note 8. The interim and final combined dividend payments represent a \$112,042k return to shareholders, 56% of FLT's NPAT.

Directors' Declaration

No other matters have arisen since 30 June 2012.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 31 to 97 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- (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; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



G.F. Turner
Director
BRISBANE
28 August 2012

Auditor's Report



Independent auditor's report to the members of Flight Centre Limited

Report on the financial report

We have audited the accompanying financial report of Flight Centre Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Flight Centre Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's Opinion



Auditor's opinion

In our opinion:

- (a) the financial report of Flight Centre Limited is 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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 18 of the directors' report for the year ended 30 June 2012. 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.

Auditor's opinion

In our opinion, the remuneration report of Flight Centre Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten-style logo for PricewaterhouseCoopers, with the words 'PricewaterhouseCoopers' written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Steven Bosiljevac'.

Steven Bosiljevac
Partner

Brisbane
28 August 2012

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Shareholder Information (at 27 August 2012)

A. Distribution of equity securities

Number of shares:

	Number of shareholders
1 – 1000	7,982
1,001 – 5,000	1,932
5,001 – 10,000	211
10,001 – 100,000	133
100,001 and over	30

There were 246 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

Name	Ordinary shares	
	Number held	Percentage of issued shares
Gehar Pty Ltd	15,635,819	15.6%
Gainsdale Pty Ltd	15,400,000	15.4%
James Management Services Pty Ltd	13,039,750	13.0%
Friday Investments Pty Limited	4,078,394	4.1%
Bennelong Australian Equity Partners	3,153,695	3.2%
Deutsche Bank	2,109,598	2.1%
BlackRock Investment Mgt (Australia) (BGI)	2,010,948	2.0%
AMP Capital Investors	1,882,249	1.9%
Vinva Investment Mgt	1,874,241	1.9%
Lazard Asset Mgt Pacific Co	1,843,282	1.8%
Eley Griffiths Group	1,691,000	1.7%
K2 Asset Mgt	1,375,111	1.4%
Bennelong Funds Mgt	1,364,878	1.4%
Tribeca Investment Partners	1,179,562	1.2%
BT Investment Mgt	1,161,637	1.2%
Platypus Asset Mgt	1,100,912	1.1%
Macquarie Funds Group	1,084,790	1.1%
Antares Equities	1,050,291	1.0%
Northcape Capital	996,209	1.0%
Concise Asset Mgt	923,512	0.9%
	72,955,878	

Notes to the Financial Statements *continued*

C. Substantial holders

Substantial holders (including associate holdings) in the company are set out below:

Name	Ordinary shares	
	Number held	Percentage
Gehar Pty Ltd	15,635,819	15.6%
Gainsdale Pty Ltd	15,400,000	15.4%
James Management Services Pty Ltd	13,039,750	13.0%
National Australia Bank Limited and Associated Entities ¹	6,144,045	6.1%

¹ Based on NAB's filing with the ASX on 16 August 2012

Friday Investments Pty Limited and Trinity Holdings Pty Ltd are potentially substantial shareholders, as they are party to a pre-emptive agreement dated 5 October 1995 that also includes Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Friday Investments Pty Ltd and Trinity Holdings Pty Ltd held 4,078,394 shares and 750,000 shares respectively at 27 August 2012.

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 Preference Rights have no voting rights.

COMPANY VISION, PURPOSE AND PHILOSOPHIES

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

OUR VISION

“To be the world’s most exciting travel company, delivering an amazing experience to our people, customers and partners.”

OUR PHILOSOPHIES

1. OUR PEOPLE

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

2. OUR CUSTOMER

We recognise that our customers always have a choice. Therefore, a superior customer service experience, provided with honesty, integrity and a great attitude, is key to our company’s success, as is the travel experience we provide.

3. PROFIT

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

4. OWNERSHIP

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

5. INCENTIVES

Incentives are based on measurable and reliable outcome-based KPIs. We believe that “what gets rewarded, gets done”. If the right outcomes are rewarded, our company and our people will prosper.

6. BRIGHTNESS OF FUTURE

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

OUR PURPOSE

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

For our people this means our purpose is to open up their world by helping them develop professionally and personally.

For our customers this means opening up their world through the exciting medium of well-organised, targeted and great value travel experiences.

For our shareholders it is giving them a magnificent return on their investment.

7. OUR STANDARD SYSTEMS – ONE BEST WAY

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

8. FAMILY, VILLAGE, TRIBE

Our structure is simple, lean, flat and transparent, with accessible leaders.

There is a maximum of 4 and sometimes 5 layers. The village is an unfunded, self-help support group that forms an integral part of our structure.

1. Teams (the family) (minimum 3, maximum 7 members)
Villages (minimum 3, maximum 7 teams)
2. Areas (tribe) (minimum 10, maximum 20 teams)
3. Nations (minimum 8, maximum 15 areas)
4. Regions/States/Countries (minimum 4, maximum 8 nations)
5. Global Executive Team/Board.

9. TAKING RESPONSIBILITY

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

10. EGALITARIANISM AND UNITY

In our company, we believe that each individual should have equal privileges and rights. In leisure and corporate, in Australia and overseas, and in organically grown and acquired businesses, there should be no “them and us”.



