



APPENDIX 4E

FLIGHT CENTRE LIMITED (FLT)
ABN 25 003 377 188

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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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

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 these financial statements.

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

Results for announcement to the market

Results in brief

	June 2012 \$'000	June 2011 \$'000	Change \$'000	Change %
Total transaction value (TTV) ¹	13,238,126	12,199,508	1,038,618	9%
Revenue ²	2,028,958	1,862,428	166,530	9%
Gross profit	1,827,179	1,678,105	149,074	9%
Net profit before tax	290,351	213,093	77,258	36%
Net profit after tax	200,066	139,810	60,256	43%

1. TTV is un-audited, non-IFRS financial information and does not represent revenue in accordance with Australian Accounting Standards. Flight Centre's revenue is derived from TTV, as outlined in note 1(d)(ii).
2. Revenue from the sale of travel services is predominantly recorded at the time of issuing travel documents, consistent with an agency relationship. Different regulations in the UK mean that FLT's UK business must recognise part of its revenue on an availed basis under a principal relationship. This has no influence on the overall group's operations as an agent, as outlined in note 1.

Dividends

	Amount per Security Cents	100% Franked Amount Cents
30 June 2012		
Interim dividend	41.0	41.0
Final dividend ³	71.0	71.0
30 June 2011		
Interim dividend	36.0	36.0
Final dividend ⁴	48.0	48.0

3. The record date for determining entitlements to the final 71.0 cents per share dividend for the year ended 30 June 2012 is 21 September 2012. The payment date for the final dividend is 12 October 2012.
4. Final dividend of 48.0 cents per share for the year ended 30 June 2011 was declared 23 August 2011.

Net tangible assets

	June 2012 \$	June 2011 \$
Net tangible asset backing per ordinary security	5.04	3.95

Compliance statement

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

Signed:



G.F. Turner
Director
28 August 2012

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.F.Barrow
P.R.Morahan
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 ordinary 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
	<u>88,996</u>	<u>79,878</u>

Review of operations

FLT achieved a record \$290.4million profit before tax (PBT) for the year to June 30 2012, an 18.4% increase on the underlying \$245.2million PBT achieved during 2010/11.

The result was 36% above the \$213.1million actual PBT achieved in 2010/11, when FLT incurred \$32.1million in non-cash impairment charges and one-off donations, and slightly above upgraded guidance (\$285million-\$290million) for 2011/12. Net profit after tax (NPAT) topped \$200million for the first time – five years after FLT achieved its first \$100million NPAT and 10 years after the \$50million milestone was achieved. FLT's \$200.1million NPAT took earnings per share beyond \$2.

TTV increased 8.5% to \$13.2billion and has now more than tripled during the past decade, while gross profit increased 8.9% to \$1.8billion.

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 2,362, while sales staff numbers increased 6% to 12,130. At June 30, 80% of FLT's global workforce (15,208 people) held sales positions.

FLT again strengthened its balance sheet and finished the year with a \$1.09billion global cash and investment portfolio, which included \$400.8million in company cash.

Debt decreased to \$107.2million at June 30 2012 (2011: \$167.8million), giving the company a \$293.6million positive net debt position at year-end.

While FLT repaid some borrowings during 2011/12, the shift to a company-funded Business Ownership (unsecured note) Scheme was primarily responsible for this debt reduction.

A \$341.0million operating cash inflow was recorded over the full year, compared to a \$154.9million inflow during 2010/11. Healthy global TTV growth was the major contributor to the year-on-year improvement in operating cash flow.

Review of operations (continued)

FLT continued to benefit from its scale and diversity.

Both its 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 FLT consolidated its position as Australia's largest corporate travel manager and won market-share globally.

The company also generated more income from overseas. Together, FLT's overseas businesses contributed more than \$60million to group earnings before interest and tax (EBIT) during 2011/12.

All 10 countries were profitable (EBIT) for the second consecutive year and Australia, the United Kingdom, the United States, Greater China, Singapore and Dubai delivered records.

After losing more than \$60million three years ago, the USA business generated almost \$10million in EBIT during 2011/12, double the \$5million target for the year. UK EBIT increased 53% in Australian dollars, despite the economic uncertainty in Europe.

FLT's marketing and advertising initiatives again generated record customer enquiry, which translated to sales growth for the company's on and offline businesses.

While the global shop network again generated the overwhelming majority of TTV, online sales increased healthily.

In Australia, FLT's transactional website stable – which includes flightcentre.com.au, quickbeds.com and various other sites – recorded a 25% TTV increase.

Outlook – 2012/13

FLT expects to grow its global shop network and sales force by 6-8% during 2012/13. This will see the company add an additional 1,000 sales staff to its global workforce and open its 2,500th shop and business.

Assuming stable conditions, the company will initially target a PBT between \$305million and \$315million. The bottom of this range represents 5% growth on the record 2011/12 PBT.

FLT has initiated a five-year plan that will serve as its strategic blueprint through to 2017.

Major strategic goals are to:

1. Improve retail efficiency and shop operations to provide an exciting, inspiring and engaging in-store experience (Travel Shopping of the Future Project), which links with FLT's expanded online offerings
2. Focus on the area, a grouping of 12-20 shops and businesses, as the key operational unit – thinking small to grow big
3. Accelerate corporate travel growth
4. Enhance supply chain relationships for mutual benefit and unique product creation
5. Better manage and convert the record levels of enquiry FLT continues to generate
6. Enhance FLT's customer-centric focus to ensure the company's businesses are the preferred choices in their sectors; and
7. Ensure FLT's emerging businesses have the focus and resources to better create replicable, successful business models

FLT's retail transformation will see it marry its online capabilities – which now include transactional international airfares – to its comprehensive global shop network.

Rather than being a specialist on or offline travel agency, FLT wants to create a new category – a blended travel agency. This blended solution will offer customers instant and deep access to the company's product 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, extended shop hours, call centres, mobile phone services and more after-hours sales teams.

FLT will target continued growth in all markets.

Outlook – 2012/13 (Continued)

In Australia, growth opportunities 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.

UK-style hyperstores 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 cievevents sales teams.

While new Liberty shops will open when opportunities arise – expansion into Dallas and San Diego is planned for this year – more rapid growth will take place in the US corporate business, which is now one of FLT's fastest growing businesses.

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.

Both the leisure and corporate businesses will continue to grow in the UK.

FLT expects to expand its presence in the leisure and SME corporate sectors as part of its growth in regional hyperstores, while growth in business development managers is expected to help fuel FCm Travel Solutions' results.

In terms of capital management initiatives, FLT will consider reducing debt in the short-term. By adopting this strategy, FLT can potentially:

- Capitalise on the Australian dollar's current strength by reducing or removing \$USD60million in borrowings that relate to the 2008 Liberty acquisition; and
- Reduce interest expense by repaying about \$AUD30million in overdrafts and loans that relate to FLT's corporate businesses in China, Hong Kong and India

FLT's aim is 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.

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.

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

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
- B Details of remuneration
- C Service agreements
- D Share-based compensation; and
- E Additional information

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 measureable 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.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

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.

Actual earnings in any given year may, however, be higher or lower than these targeted packages, which means fixed remuneration may 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 10,000 options or 1,500 performance rights
- A mid tier of 25,000 options or 3,500 performance rights; and
- A top tier of 40,000 options or 5,500 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.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

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

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 measureable 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
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.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

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.

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.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (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 have 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.

Remuneration report (continued)

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.

Remuneration report (continued)

B Details of remuneration (continued)

Key management personnel and other group executives

	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	
	Cash salary and fees	Short term incentive	BOS interest ¹	Super-annuation	Termination benefits ²	Long service leave ³	Equity settled options / rights ⁴	
Name								Total
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 key management personnel compensation	1,901,689	3,599,143	996,849	205,562	-	(283,857)	413,785	6,833,171
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
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 key management personnel 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 14 to 17).

Remuneration report (continued)

B Details of remuneration (continued)

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 13).

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.

Remuneration report (continued)

D Share-based compensation (continued)

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 pre-determined profit targets are met.	30 June 2015	\$10.00	\$2.17 to \$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.

	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
Other key management personnel of the group				
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.
- (b) exercise price: \$10.00
- (c) grant date: 29 June 2009
- (d) expiry date: 30 June 2015
- (e) share price at grant date: \$8.65
- (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%

Remuneration report (continued)

D Share-based compensation (continued)

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:

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2012	2011
Other key management personnel of the group			
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 directors and 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 high 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 high 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.

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 right 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 pre-determined profit targets are met.	30 June 2015	\$0.00	\$16.24 - \$18.43

Remuneration report (continued)

D Share-based compensation (continued)

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.

	Number of performance rights granted during the year		Number of performance rights vested during the year	
	2012	2011	2012	2011
Other key management personnel of the group				
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. 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%

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:

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

Remuneration 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 PBT.

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 13 to 17, 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 & 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.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

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 directors' resolution.



G.F. Turner
Director

BRISBANE
28 August 2012



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.

Flight Centre Limited
Consolidated Balance Sheet
As at 30 June 2012

		Restated
	2012	2011
	\$'000	\$'000
Notes		
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	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 financial assets	15 829	1,889
Total current assets	<u>1,559,741</u>	<u>1,377,848</u>
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	<u>560,517</u>	<u>547,901</u>
Total assets	<u>2,120,258</u>	<u>1,925,749</u>
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	<u>1,154,694</u>	<u>1,074,520</u>
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	<u>108,435</u>	<u>110,613</u>
Total liabilities	<u>1,263,129</u>	<u>1,185,133</u>
Net assets	<u>857,129</u>	<u>740,616</u>
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	<u>857,129</u>	<u>740,616</u>

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

Flight Centre Limited
Consolidated Income Statement
For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
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.

Flight Centre Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

		2012	2011
	Notes	\$'000	\$'000
Profit attributable to members of Flight Centre Limited		200,066	139,810
Other comprehensive income:			
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.

Flight Centre Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

	Notes	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.

Flight Centre Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2012

		2012	Restated 2011
	Notes	\$'000	\$'000
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	<u>341,028</u>	<u>154,912</u>
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		<u>(49,981)</u>	<u>(17,134)</u>
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		<u>(148,585)</u>	<u>(66,740)</u>
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 year¹	10	<u>1,027,617</u>	<u>885,238</u>

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 consolidated financial statements

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*. Flight Centre Limited 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 & 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.

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.

1 Summary of significant accounting policies (continued)

(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.

1 Summary of significant accounting policies (continued)

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.

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. Flight Centre'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.

1 Summary of significant accounting policies (continued)

(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 substantially 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.

1 Summary of significant accounting policies (continued)

(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.

1 Summary of significant accounting policies (continued)

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 fair value through profit or loss 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 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 fair value through profit or loss. Financial assets carried at fair value through profit or loss 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.

1 Summary of significant accounting policies (continued)

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 fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss 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 fair value through profit and loss 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 assets are 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.

1 Summary of significant accounting policies (continued)

(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 flows' 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 & 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.

1 Summary of significant accounting policies (continued)

(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 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.

1 Summary of significant accounting policies (continued)

(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 options 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.

1 Summary of significant accounting policies (continued)

(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, 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 Finance Pty Ltd.

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 Finance Pty Ltd 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.

1 Summary of significant accounting policies (continued)

(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.

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, Flight Centre Limited, 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	EFFECTIVE DATE	NATURE OF CHANGE	LIKELY IMPACT ON FLT
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards</i> arising from AASB 9 and AASB 2010-7 <i>Amendments to Australian Accounting Standards</i> arising from AASB 9 (December 2010)	1 Jan 2013 FLT has not yet decided when to adopt the new standard	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	No impact on group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss 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.

1 Summary of significant accounting policies (continued)

[illegible]

1 Summary of significant accounting policies (continued)

STANDARD	EFFECTIVE DATE	NATURE OF CHANGE	LIKELY IMPACT ON FLT
		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	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 The group is assessing the impact of these amendments.
AASB 13 <i>Fair value measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	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	Released in September 2011 Explains how to measure fair value and aims to enhance fair value disclosures.	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
Revised AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>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</i>	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	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	Since FLT does not have any defined benefit obligations, the amendments will not have any impact on the group's financial statements

1 Summary of significant accounting policies (continued)

STANDARD	EFFECTIVE DATE	NATURE OF CHANGE	LIKELY IMPACT ON FLT
Revised IAS 1 <i>Presentation of Financial Statements</i>	1 July 2012 FLT intends to adopt the new standard from 1 July 2012	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	This amendment will not affect the measurement of any items recognised in the balance sheet or the income statement in the current period
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	1 July 2013 Amendments cannot be adopted earlier	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.	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 the 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).

	2012	2011
Notes	\$'000	\$'000

3 Revenue

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
	<u>1,752,034</u>	<u>1,605,623</u>

<i>Revenue from the sale of travel as principal</i>	230,845	211,258
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Other revenue

Rents and sub-lease rentals	5,181	4,899
Interest	40,349	40,124
Royalties	549	524
	<u>46,079</u>	<u>45,547</u>

4 Other income & expenses

Other income

Net foreign exchange gains	2,979	-
Gain on revaluation of previously held equity investment	-	744
Gain on sale of financial assets at fair value	2,013	2,315
	<u>4,992</u>	<u>3,059</u>

Other expenses

Net foreign exchange losses	-	7,095
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	Notes	2012 \$'000	Restated 2011 \$'000
5 Expenses			
Profit before income tax includes the following specific expenses:			
<i>Depreciation</i>			
Buildings	17	1,257	1,236
Plant and equipment	17	36,327	36,366
Total depreciation		37,584	37,602
<i>Amortisation</i>			
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
		-	27,917
<i>Finance costs</i>			
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
<i>Employee benefits expense</i>			
Defined contribution superannuation expense		48,774	43,288
Other employee benefits expense		902,842	823,211
Total employee benefits expense		951,616	866,499
<i>Net loss on disposal of property, plant and equipment and intangible assets</i>		969	2,539
<i>Rental expense relating to operating leases ¹</i>			
Lease payments		113,743	108,517
<i>Impairment losses - financial assets</i>			
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.

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:

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

The group's policy is to employ PwC 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.

Notes	2012 \$'000	2011 \$'000
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7 Income tax expense

(a) Income tax expense

Current tax	87,049	66,995
Deferred tax	1,799	5,422
Adjustments for current tax of prior periods	<u>1,437</u>	<u>866</u>
Income tax expense	<u>90,285</u>	<u>73,283</u>

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

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

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

Profit before income tax expense	<u>290,351</u>	<u>213,093</u>
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Tax at the Australian tax rate of 30% (2011 - 30%)	87,105	63,928
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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	<u>38</u>	<u>554</u>
	<u>89,524</u>	<u>78,163</u>

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	<u>1,437</u>	<u>866</u>
	<u>761</u>	<u>(4,880)</u>

Income tax expense	<u>90,285</u>	<u>73,283</u>
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(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	28(b)	<u>(632)</u>	<u>(212)</u>
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(d) Tax expense / (income) relating to items of other comprehensive income

Available-for-sale financial assets	<u>183</u>	<u>668</u>
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(e) Tax losses

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

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

7 Income tax expense (continued)

(f) Tax consolidation legislation

Flight Centre Limited 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.

Parent	
2012	2011
\$'000	\$'000

8 Dividends

(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
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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
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88,996	79,878
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(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
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(c) Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30 %

199,676	159,054
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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).

	2012	2011
9 Earnings per share		
(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
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	99,998,748	99,834,317
Adjustments for calculation of diluted earnings per share:		
Options and Rights	<u>714,235</u>	<u>804,055</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	100,712,983	100,638,372
(e) Information concerning the classification of securities		
(i) Options and Rights		
Options and rights granted under the Senior Executive Option Plan and Senior Executive Performance Rights Plan 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.		

	2012	Restated 2011
	\$'000	\$'000

10 Current assets - Cash and cash equivalents

Cash at bank and on hand	400,849	376,763
Client account ¹	<u>631,618</u>	<u>513,611</u>
	<u>1,032,467</u>	<u>890,374</u>

(a) Reconciliation to Statement of Cash Flows

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

(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	<u>341,028</u>	<u>154,912</u>

(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.

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

(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	<u>(3,805)</u>	<u>(3,664)</u>
	<u>6,346</u>	<u>5,633</u>

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	<u>-</u>	<u>608</u>
	<u>50,187</u>	<u>41,484</u>

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.

(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.

	2012 \$'000	2011 \$'000
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12 Current assets - Available-for-sale financial assets

Listed debt securities	-	6,680
Unlisted debt securities	<u>53,051</u>	<u>53,439</u>
	<u>53,051</u>	<u>60,119</u>

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 fair value through profit and loss

Debt securities at fair value through profit and loss	<u>6,802</u>	<u>4,790</u>
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14 Current assets - Current tax receivables

Income tax receivable	<u>10,477</u>	<u>10,130</u>
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15 Other financial assets

Current

Loans to related parties	<u>829</u>	<u>1,889</u>
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Non-current

Loans to related parties	<u>7,073</u>	<u>5,304</u>
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Refer to note 35 for terms of the loans to related parties.

2012 \$'000	2011 \$'000
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16 Derivative financial instruments

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) Interest rate swap contracts - cash flow hedges

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.

17 Non-current assets - Property, plant and equipment

	Freehold land & buildings \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2012			
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 & 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.

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

18 Non-current assets - Intangible assets (continued)

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

¹ Other 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.

(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.

2012	2011
\$'000	\$'000

19 Non-current assets - Investments accounted for using the equity method

Investments accounted for using the equity method – carrying value

Interest in joint ventures (b)	<u>7,347</u>	<u>5,897</u>
Total	<u>7,347</u>	<u>5,897</u>

Share of (loss) / profit of investments accounted for using the equity method

Shares in associates (a)	-	11
Interest in joint ventures (b)	<u>(340)</u>	<u>(611)</u>
Total	<u>(340)</u>	<u>(600)</u>

Shares in associates and interest 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's Travel Service, Inc. 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	2011
			\$'000	\$'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%	<u>-</u>	<u>-</u>
			<u>7,347</u>	<u>5,897</u>

	2012	2011
	\$'000	\$'000

19 Non-current assets - Investments accounted for using the equity method (continued)

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

Share of joint venture revenue, expenses and results

Revenues	24,168	16,995
Expenses	<u>(24,508)</u>	<u>(17,606)</u>
Profit / (loss) after income tax	<u>(340)</u>	<u>(611)</u>

Share of joint venture assets and liabilities

Current assets	12,296	12,281
Non-current assets	<u>2,357</u>	<u>2,025</u>
Total assets	<u>14,653</u>	<u>14,306</u>
Current liabilities	3,789	5,043
Non-current liabilities	<u>7,124</u>	<u>5,639</u>
Total liabilities	<u>10,913</u>	<u>10,682</u>
Net assets	<u>3,740</u>	<u>3,624</u>

Share of joint venture commitments

Lease commitments	6,306	6,195
Capital expenditure commitments	-	178

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	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
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

20 Subsidiaries (continued)

- 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 date 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.

Notes	2012 \$'000	2011 \$'000
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21 Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

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		<u>851</u>	<u>1,333</u>
		<u>58,555</u>	<u>60,245</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	26	<u>(8,591)</u>	<u>(7,842)</u>
Net deferred tax assets		<u>49,964</u>	<u>52,403</u>
Deferred tax assets to be recovered within 12 months		21,235	20,008
Deferred tax assets to be recovered after more than 12 months		<u>37,320</u>	<u>40,237</u>
		<u>58,555</u>	<u>60,245</u>

21 Non-current assets - Deferred tax assets (continued)

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

		Restated
	2012	2011
Notes	\$'000	\$'000

22 Trade and other payables

(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
	<u>1,037,042</u>	<u>901,042</u>

(b) Non-current

Lease incentive liability	3,725	2,935
Contingent consideration	398	1,174
Straight-line lease liability	16,686	13,370
	<u>20,809</u>	<u>17,479</u>

Risk exposure

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

Contingent consideration

Current

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	<u>45</u>	<u>125</u>

Non-current

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	<u>398</u>	<u>1,174</u>

Total contingent consideration	<u>443</u>	<u>1,299</u>
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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.

23 Borrowings

(a) Current

Secured

Bank overdrafts	4,850	5,136
Bank loan	7,546	6,650

Unsecured

Bank loan	18,628	20,109
Unsecured notes principal	14,138	67,279
Total current borrowings	45,162	99,174

(b) Non-current

Secured

Bank loan	3,551	15,271
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Unsecured

Bank loan	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.

(i) Financing arrangements

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 / Letters 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.

23 Borrowings (continued)

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

(iii) Assets pledged as security for secured liabilities

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

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

	2012 \$'000	2011 \$'000
24 Provisions		
(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
	<u>19,920</u>	<u>17,913</u>

Movements in provisions

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

Make Good Provision

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	<u>6,285</u>	<u>4,549</u>

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:

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

25 Current liabilities - Current tax liabilities

Provision for taxation	57,473	57,479
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26 Non-current liabilities - Deferred tax liabilities

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
	<u>14,001</u>	<u>14,341</u>

Set-off of parent entity's deferred tax liabilities pursuant to set-off provisions (note 21)	<u>(8,591)</u>	<u>(7,842)</u>
Net deferred tax liabilities	<u>5,410</u>	<u>6,499</u>
Deferred tax liabilities to be settled within 12 months	5,956	6,047
Deferred tax liabilities to be settled after more than 12 months	<u>8,045</u>	<u>8,294</u>
	<u>14,001</u>	<u>14,341</u>

Movements in deferred tax liabilities:	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
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	<u>6,043</u>	<u>5,218</u>	<u>497</u>	<u>2,583</u>	<u>14,341</u>
 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	<u>5,954</u>	<u>4,579</u>	<u>331</u>	<u>3,137</u>	<u>14,001</u>

27 Contributed equity

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

(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 Employee Share Plan is set out in the remuneration report and in note 34.

27 Contributed equity (continued)

(e) Senior Executive Option Plan

Information relating to the Senior Executive Option Plan, 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 Plan

Information relating to the Senior Executive Performance Rights Plan, 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 board's current policy is to return 50-60% of net profit after tax to shareholders.

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

28 Reserves and retained profits

(a) Retained profits

Balance 1 July	434,049	374,802
Profit for the year	200,066	139,810
Dividends	(88,996)	(79,878)
Movement in Available-for-sale investments revaluation reserve	-	(685)
Balance at 30 June	<u>545,119</u>	<u>434,049</u>

(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)
	<u>(70,979)</u>	<u>(74,741)</u>

Movement in reserves:

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	<u>(2,704)</u>	<u>(3,343)</u>

	2012	2011
	\$'000	\$'000

28 Reserves and retained profits(continued)

(b) Reserves (continued)

Share-based payments reserve

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

Foreign currency translation reserve

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

Hedging reserve – cash flow hedges

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

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:

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	<u>31,014</u>	<u>37,811</u>
	<u>394,649</u>	<u>377,043</u>

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 will be 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:

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

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.

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary

Cash consideration	1,292
Less: Cash acquired	<u>(44)</u>
Outflow of cash	<u>1,248</u>

(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	<u>44</u>	<u>44</u>

(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.

30 Business combinations (continued)

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.

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

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 the increased access to the United States 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	<u>3,999</u>

(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	<u>6,080</u>	<u>5,503</u>

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.

(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, under FLT's policies. 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 non-IFRS 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 & 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.

31 Segment information (continued)

June 2012	Australia	United States	United Kingdom	Rest of World	Other Segment ¹	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment information						
TTV²	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
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

31 Segment information (continued)

June 2011	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other Segment ¹ \$'000	Total \$'000
Segment information						
TTV²	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
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						
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 & 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.

31 Segment information (continued)

(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:

	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:

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

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:

	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 fair value through profit and loss	6,802	4,790
Trade and other receivables	455,143	409,486
Other financial assets	<u>7,902</u>	<u>7,193</u>
	<u>1,555,365</u>	<u>1,371,962</u>
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	<u>764</u>	<u>4,966</u>
	<u>1,117,449</u>	<u>1,049,971</u>

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

32 Financial risk management (continued)

(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:

	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 fair value through the profit and loss (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.

32 Financial risk management (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			Non investment grade / unrated	Internally Rated		Total
	AA and above	AA- to A-	BBB+ to BBB		Closely monitored customers ¹	No default customers ²	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 fair value through profit and loss	-	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 fair value through profit and loss	-	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.

32 Financial risk management (continued)

(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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group - 2012						
Non-derivatives						
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
Derivatives – net settled	714	50	-	-	764	764
Restated Group - 2011						
Non-derivatives						
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
Derivatives – 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.

32 Financial risk management (continued)

(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.

32 Financial risk management (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 fair value through profit and loss	-	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 fair value through profit and loss	-	4,790	-	4,790
Total assets	<u>6,680</u>	<u>58,229</u>	-	<u>64,909</u>
Liabilities				
Contingent consideration	-	-	1,299	1,299
Derivative financial instruments	-	4,966	-	4,966
Total liabilities	-	<u>4,966</u>	<u>1,299</u>	<u>6,265</u>

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

32 Financial risk management (continued)

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	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Other price risk ²			
		-1%	-1%	+1%	+1%	-10%	-10%	+10%	+10%	-1%	-1%	+1%	+1%
2012		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	1,032,467	(10,325)	-	10,325	-	1,911	-	(1,666)	-	-	-	-	-
Available-for-sale financial assets	53,051	(458)	-	458	-	-	-	-	-	-	63	-	(62)
Financial assets at FV through P&L	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
Consolidated	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Other price risk ²			
		-1%	-1%	+1%	+1%	-10%	-10%	+10%	+10%	-1%	-1%	+1%	+1%
2011		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 FV through P&L	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

	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	<u>(283,857)</u>	<u>291,705</u>
	<u>6,833,171</u>	<u>7,803,612</u>

Detailed remuneration disclosures are provided in sections A-E of the remuneration report on pages 7 to 18.

(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 14 to 17.

(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 compen- sation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
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.

33 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(iii) Share holdings

The numbers of shares held during the financial year by each director of Flight Centre Limited 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 (SEOP)

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 Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year 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.

34 Share-based payments (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 Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year 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 rights 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%

34 Share-based payments (continued)

(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 Senior Executive Option Plan	314	261
Performance rights issued under the Senior Executive Performance Rights Plan	200	259
Matched shares allocated under Employee Share Plan	<u>279</u>	<u>61</u>
	<u>793</u>	<u>581</u>

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 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:

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

<i>Loans to joint venture related parties</i>	\$'000	\$'000
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	<u>7,902</u>	<u>7,193</u>

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.

	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	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
		Restated		Restated
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

36 Deed of cross guarantee (continued)

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	
	Restated		Restated	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'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 fair value through profit and loss	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	<u>1,127,948</u>	<u>994,812</u>	<u>996,080</u>	<u>867,929</u>
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 financial assets	7,073	5,228	7,073	5,228
Total non-current assets	<u>605,977</u>	<u>600,848</u>	<u>641,930</u>	<u>634,788</u>
Total assets	<u>1,733,925</u>	<u>1,595,660</u>	<u>1,638,010</u>	<u>1,502,717</u>
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	<u>794,523</u>	<u>747,242</u>	<u>844,838</u>	<u>753,399</u>
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	<u>32,161</u>	<u>33,705</u>	<u>32,161</u>	<u>33,789</u>
Total liabilities	<u>826,684</u>	<u>780,947</u>	<u>876,999</u>	<u>787,188</u>
Net assets	<u>907,241</u>	<u>814,713</u>	<u>761,011</u>	<u>715,529</u>
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	<u>907,241</u>	<u>814,713</u>	<u>761,011</u>	<u>715,529</u>

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

37 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts.

	Parent	
	2012	Restated 2011
	\$'000	\$'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	<u>368,826</u>	<u>326,844</u>
Total shareholders' equity	<u>753,665</u>	<u>707,589</u>
Profit after tax for the year	<u>130,978</u>	<u>109,094</u>
Total comprehensive income	<u>131,552</u>	<u>110,794</u>

(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	<u>4,276</u>	<u>4,051</u>
	<u>113,561</u>	<u>67,257</u>

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.

37 Parent entity financial information (continued)

(d) Contractual commitments

Operating leases

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

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	<u>11,340</u>	<u>14,038</u>
	<u>247,393</u>	<u>228,300</u>

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

On 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.

No other matters have arisen since 30 June 2012.

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 92 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

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*.



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*.

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
28 August 2012

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Corporate Directory

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Auditor

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Stock exchange listings

Flight Centre Limited shares are listed on the Australian Securities Exchange

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