



APPENDIX 4E

FLIGHT CENTRE LIMITED (FLT)
ABN 25 003 377 188

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

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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 27 August 2013. The directors have the power to amend and reissue the financial report.

Results for announcement to the market

Results in brief

	June 2013 \$'000	June 2012 \$'000	Change \$'000	Change %
Total transaction value (TTV) ¹	14,259,262	13,238,126	1,021,136	8%
Revenue	1,985,795	1,827,179	158,616	9%
Net profit before tax	349,209	290,351	58,858	20%
Net profit after tax	246,082	200,066	46,016	23%

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).

Dividends

	Amount per Security Cents	100% Franked Amount Cents
30 June 2013		
Interim dividend	46.0	46.0
Final dividend ²	91.0	91.0
30 June 2012		
Interim dividend	41.0	41.0
Final dividend ³	71.0	71.0

2. The record date for determining entitlements to the final 91.0 cents per share dividend for the year ended 30 June 2013 is 20 September 2013. The payment date for the final dividend is 18 October 2013.
3. Final dividend of 71.0 cents per share for the year ended 30 June 2012 was declared 28 August 2012.

Net tangible assets

	June 2013 \$	June 2012 \$
Net tangible asset backing per ordinary security	6.57	5.04

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
27 August 2013

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 2013.

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

J.A. Eales was appointed a director on 13 September 2012 and continues in office at the date of this report.

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:

	2013 \$'000	2012 \$'000
71.0 cents per fully paid ordinary share final ordinary dividend for the year ended 30 June 2012 (2011: 48.0 cents), paid on 12 October 2012	71,103	47,988
46.0 cents per fully paid share interim ordinary dividend for the year ended 30 June 2013 (2012: 41.0 cents) paid on 19 April 2013	46,192	41,008
	117,295	88,996

Result overview

Flight Centre Limited (FLT) has announced record results for 2012/13.

The company achieved a \$349.2million profit before tax (PBT) for the year to June 30 2013, a 20.3% increase on the record \$290.4million PBT achieved during 2011/12.

Excluding \$6.1million in non-cash gains related to FLT's small portfolio of company-owned head office properties (reflecting reversals of impairment on property), underlying PBT increased 18.2% to \$343.1million.

Results exceeded expectations, with the company initially expecting a \$305million-\$315million PBT and subsequently upgrading guidance to \$325million-\$340million in May and \$338million-\$342million at the start of July.

Actual net profit after tax (NPAT) increased 23% to \$246.1million, taking earnings per share to \$2.46.

TTV increased 7.7% to a record \$14.3billion, while gross profit increased 8.7% to \$2billion.

Income margin was 13.9%, slightly above 2011/12. Underlying net margin increased from 2.2% to 2.4%, its highest level since 2002.

FLT's continued focus on cost control contributed to this net margin growth.

Rent costs increased at a slower rate than shop and business growth, meaning average rent decreased, while sales and marketing costs declined year-on-year. Lowering cost per enquiry remains a priority, but FLT's overall investment in sales and marketing is likely to increase year-on-year in the future, as has been the case historically.

Shop and sales staff numbers both increased 5% to 2,481 and 12,701 respectively.

Balance sheet, cash and cash flow

FLT again strengthened its balance sheet and finished the year with a \$1.26billion global cash and investment portfolio, which included \$433.8million in general (company) funds.

Debt decreased to \$46.2million, giving FLT a \$387.6million positive net debt position.

During 2012/13, FLT capitalised on the Australian dollar's strength by retiring a \$USD60million loan (2008 Liberty acquisition). The company also indicated it would consider removing an additional \$AUD30million in debt relating to the Asian corporate travel businesses in the future.

Cash flow followed traditional patterns, with funds accumulating during peak second half booking periods for payment to suppliers after peak travel periods during the first half of 2013/14. A full year \$370million operating cash inflow was recorded, compared to a \$341million inflow during 2011/12.

FLT's directors declared a fully franked \$0.91 per share final dividend to be paid on October 18, 2013 (Record date for shareholders: September 20, 2013). This is 28.2% higher than the 2011/12 final dividend (\$0.71 per share) and takes full year returns to a record \$1.37 per share.

In total, \$138million will be returned to shareholders via the combined interim and final dividend payments, 55.9% of FLT's actual NPAT and a 22.3% increase on the previous highest full year return to shareholders (\$1.12 per share during 2011/12).

FLT has now returned more than \$400million to shareholders during the past four years in dividends alone.

During the same period, the company has:

- Increased general cash by more than \$270million, from \$160.9million (June 30, 2009) to \$433.8million (June 30, 2013)
- Lowered bank debt by \$55.5million from \$86.1million to \$30.6million; and
- More than quadrupled its market capitalisation, with FLT's share price increasing from \$8.65 (June 30, 2009) to \$39.33 (June 30, 2013)

This market capitalisation growth contributed to FLT's elevation into the S&P/ASX100 during 2012/13, along with the global MSCI index.

Operational review

Operational highlights included:

- Profits from all 10 countries for the third consecutive year
- Record earnings before interest and tax (EBIT) from FLT's three largest businesses – Australia, the United Kingdom and the United States – plus the emerging Singapore and Greater China businesses
- Improved results in New Zealand, South Africa and India; and
- Healthy sales growth and continued profitability in both Canada and Dubai, but bottom-line results were down compared to last year

Sales increased in both leisure and corporate travel and both off and online – flightcentre.com.au's TTV increased more than 20% during the year – as the company continued its transition to a blended travel model.

Key results drivers included:

- Business expansion
- Margin improvement, as outlined previously
- Productivity gains through various initiatives that have been implemented in recent years; and
- FLT's brand and geographic diversity

While Australia was again the major result driver, FLT's international businesses collectively contributed almost \$75million to group EBIT.

UK EBIT has now doubled in two years to \$AUD32million – a result more than 30% higher than the previous record – despite economic uncertainty domestically and in Europe.

The USA business recorded \$10.9million in EBIT, its third consecutive profit and a 11% year-on-year increase.

The acquired Liberty leisure and GOGO wholesale businesses were again profitable, while the corporate business opened in four new cities, increased profits and generated 40% of overall TTV in the USA.

In Australia, FLT's leisure travel business performed strongly, particularly during the second half, to more than offset slightly softer domestic corporate travel results.

Flight Centre brand continued to grow, while combined EBIT from FLT's stable of niche leisure brands almost doubled.

The Australian corporate travel businesses generated record EBIT and turnover in excess of \$2billion to consolidate its position as the country's largest corporate travel manager. Results were, however, lower than initial expectations.

Globally, FLT's dedicated corporate brands turned over \$4.3billion, 31% of group TTV.

FCm Travel Solutions was judged the world's Best Travel Management Company at the World Travel Awards for the second successive year, in addition to winning a string of regional awards.

The FCm network also continues to expand into new markets, through company owned businesses (11 countries) and partnerships (70 countries) with independent local travel management companies, to meet multinational clients' needs.

Elsewhere in the business, FLT continued its strategic investment in the projects and systems that will ultimately underpin its transition from a leisure and corporate travel agent to an innovative travel retailer.

This transition will see FLT deliver the best alternatives to customers within their chosen travel segments by ensuring brands retain special meaning within the marketplace, offer unique products and allow customers to buy those products seamlessly.

The commitment to developing and bringing exclusive new products to market saw Flight Centre launch its range of Red Label Fares in June 2013.

The Captain's Red Label Fares come with various value-added inclusions, along with a Price Drop Protection feature that means Flight Centre will refund the price difference if a customer finds a cheaper advertised fare within 30 days of paying in full for his or her ticket.

FLT's moves to create a seamless customer experience through a blended leisure travel model also gained momentum, as capabilities were enhanced across all sales channels.

When fully implemented, the blended model will allow customers to interact with FLT and its consultants in any sales channel at any time with the full product range available worldwide.

Implementation will take place in three phases.

Phases one and two are now in place for Flight Centre brand in Australia, as outlined in previous market announcements.

In Phase Three, FLT will unveil a fully integrated offering that allows customers to switch seamlessly across different devices and between sales channels.

Outside the travel sector, cycle joint venture Pedal Group generated \$36.1million in sales, 20.7% growth, and almost \$1million EBIT during its fourth full year.

Growth strategies

During 2012, FLT outlined a five-year strategic blueprint focused on retail efficiency, area-based structure, corporate travel growth, supplier relationships, enquiry management, customer care and helping its emerging businesses become successful sooner.

While these strategies remain in place and are gaining traction, they are now part of the broader plan to help FLT evolve from a leisure and corporate travel agent into a best-in-world travel retailer in the short to medium term.

This evolution is built around seven key themes that apply to all leisure, corporate and wholesale businesses globally:

- Brand and specialisation: Developing brands that truly specialise in specific areas of travel and have clear customer value propositions (CVPs)
- Unique product: Making, combining and sourcing exclusive FLT products and services, rather than simply selling suppliers' products. FLT's brands will have targeted product ranges in line with their specialisations – for example Flight Centre's Red Label Fares and Student Flights' Black Market Flights
- Experts, not agents: Ensuring each brand's people are experts in understanding the brand's speciality and that they in turn are backed by "travel gurus", who are readily available if additional expertise is required
- Redefining the shop: Ensuring corporate, wholesale and retail spaces reflect that FLT's people are retailers first and foremost, not office workers
- Blended access: Ensuring FLT's brands are always available to customers. They can touch, browse and buy FLT's products when and how they want – online, offline, shop, email, chat, phone or SMS
- Information: Gaining a better understanding of customer habits and proactively using this information, thereby delivering and developing better products and increasing FLT's relevance to customers; and

- A sales and marketing machine, focused on lead and enquiry generation: Ensuring each brand has the best and most BDMs, an advertising plan and deployment that delivers the opportunity to increase market share

While significant progress has already been made in each area, the company's progression towards its "killer theme" –its evolution from a leisure and corporate travel agent into a best-in-world travel retailer –will continue over the next few years.

In addition to FLT's major strategic goals, operational plans are in place to enhance year-on-year profitability and productivity in all brands and businesses globally.

This includes Flight Centre brand in Australia, FLT's most mature business.

In addition to introducing new tools and developing new travel products, opportunities for the company's flagship leisure brand include expansion in specialist areas, generating a better return on existing real estate and creating a more disciplined sales process via the Global Sales Academy, which is now fully deployed within the Australian leisure business.

The company is also including new features for customers in its shops and, where possible, opening UK-style hyperstores in capital cities and major regional centres. The newest hyperstore, the second in Australia, will open in Brisbane's Queen Street Mall next month.

Elsewhere within FLT's key business segments, FLT's UK management team continues to focus on its internal goal of delivering just under GBP1.5billion in TTV by 2017.

Three new hyperstores are scheduled to open during 2013/14 – in Victoria (London), Bristol and Leeds – as part of the plan to develop a UK-wide footprint of flagship shops.

UK shop and business numbers are expected to increase 11% during 2013/14.

Work also continues on a UK blended retail model, based on the system that is now in place in Flight Centre brand in Australia and within FLT's corporate businesses.

In the USA, FLT is set for its largest year of growth since acquiring Liberty/GOGO in 2008.

This will see:

- New hyperstores, featuring flagship Liberty stores, opening in Boston, Chicago and Philadelphia
- New superstores created within the current retail footprint, as new teams are added to existing stores. This includes new teams in the Flight Center brand, which operates in the USA as a 24/7 specialist airfare brand that primarily services web enquiry
- A transactional website launched for Liberty late in the first half; and
- Expansion in the range of unique product that Liberty and GOGO offer

The corporate business will open in Atlanta and Minneapolis, giving it a 17-city presence.

While overall US results are improving, FLT continues to monitor the acquired Liberty and GOGO businesses' current and forecast performance to ensure goodwill balances are appropriate. The acquired India business's results will also be closely monitored.

Outlook – 2013/14

In terms of 2013/14 guidance, FLT will target a PBT between \$370million and \$385million, assuming stable conditions and excluding possible goodwill adjustments or significant unforeseen items that may arise.

If achieved, a result within this range will represent:

- 8-12% growth on the underlying 2012/13 result
- FLT's 15th record PBT in 19 years as a public company; and
- The 17th time PBT will have surpassed the prior year result in 19 years

July and August trading results are positive and FLT is currently experiencing reasonable growth, albeit based on relatively low comparatives during the same period last year.

FLT's sales network is expected to grow by 8-10% during 2013/14, in line with historical expansion plans but above the level of growth achieved during 2012/13.

Growth will predominantly be organic, although FLT expects to pursue some strategic acquisition opportunities. Acquisitions are likely to be businesses that can be vertically integrated, without the company taking on significant capital assets.

At an operational level, key risks for the business to address in any given year include:

- Increased use of alternative distribution means (suppliers and/or customers bypassing agents)
- Significant economic uncertainty (GFC-style downturns) that may adversely affect demand
- Global pandemics (for example SARS) that may cause travellers to bypass affected areas
- Reliance on the Australian business to drive overall group results
- Cost control, given that major expense items (wages, advertising and rent) typically increase while margins remain steady
- Leadership, staff development and recruitment to meet FLT's growth needs; and
- Inconsistent customer service

As outlined previously, FLT's diversity and the strategies that are in place globally aim to address these risks in the short-term and, at the same time, buffer the company from future shocks.

For example, the company is actively targeting customers who prefer to book online by delivering better websites and functionality as part of blended travel. Development of unique FLT products also provides the company and its consultants with key points of difference to both online and bricks and mortar rivals.

FLT's major global presence in leisure and corporate travel, plus the strength of its balance sheet, can shield it from the full effects of economic downturns or issues (including unrest, conflict or disease) that may affect travel to particular destinations.

Reliance on the Australian business to drive overall company results is gradually decreasing, as FLT gains scale in key international markets.

Cost control is an ongoing priority, as is enhancing productivity through a raft of new initiatives to help FLT's leisure and corporate travel consultants and account managers complete more sales each day.

To address FLT's recruitment and development needs, comprehensive training programs are in place to identify talent, develop leaders and enhance expertise.

Several initiatives are in place to improve customer service, including the Global Sales Academy, which is now fully deployed within the Australian leisure business and in various other areas throughout the world including the UK.

FLT does not expect the Australian dollar's recent volatility to significantly affect its business or to fundamentally change Australian travel habits, as customers typically respond to currency shifts by adjusting "at-destination" spending (upgrade or downgrade plans).

The company believes airfare prices, overall affordability of international travel and consumer confidence, specifically job uncertainty, are more likely to affect the Australian outbound market.

A lower Australian dollar may also translate to higher profit contributions from FLT's international businesses.

In terms of capital management, FLT continues to build cash and will have almost \$200million in franking credits after paying its 2012/13 final dividend.

This cash balance will allow the company to capitalise on opportunities that will create future shareholder value, including acquisitions, and buffer it from any future economic downturns.

FLT's cash policy is to maintain sufficient funds to cover three months' operating expenses.

If and when surplus cash is generated, FLT will consider returning excess funds to shareholders. While all options will be considered, the board's current intention is to create longer term shareholder value by increasing dividend yields, rather than one-off distributions.

FLT awaits the outcome of the competition law test case the ACCC initiated against it during the 2012 calendar year.

The test case was heard in October 2012, with a ruling to be delivered at a date that has not yet been determined. FLT does not expect any updates before the judge's ruling.

Matters subsequent to the end of the financial year

On 27 August 2013, FLT's directors declared a fully franked 91.0 cents per share final dividend on ordinary shares for the 2013 financial year. The total amount of the dividend is \$91 million. The combined interim and final dividend payments represent a \$138 million return to shareholders, 55.9% of FLT's NPAT.

No other material matters have arisen since 30 June 2013.

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: 52	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 & nomination committee member Audit committee member	17,915	-
G.W.Smith BCom, FCA, FAICD Age: 53	FLT director since 2007. Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered Accountant. Director of Tourism Events Queensland and Michael Hill International Limited since 2012.	Independent Non-executive director Remuneration & nomination committee chairman Audit committee member	15,000	-
P.F.Barrow FCA,FAICD Age: 62	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 from 2005 to 2010.	Independent Non-executive director Remuneration & nomination committee member Audit committee chairman	29,140	-
J.A.Eales BA Age: 43	FLT director since 2012. Director of GRM International, International Quarterback and Australian Rugby Union Limited. Co-founder of the Mettle Group in 2003, which was acquired by Chandler MacLeod in 2007. Occasional lecturer at Sydney's University of Notre Dame.	Independent Non-executive director Remuneration & nomination committee member	2,000	-
G.F.Turner BVSc Age: 64	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	15,244,487	-

Company secretary

The company secretary, Mr D.C. Smith (B.Com, LLB), was appointed on 31 January 2008 and has worked for FLT for 11 years. The assistant company secretary, Mr S.Kennedy (B. Bus, ACIS), has worked for FLT for 17 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 2013 and the number of meetings attended by each director were:

	Committee meetings							
	Full meetings of directors		Audit				Remuneration & Nomination	
	A	B	A	B	A	B		
P.R. Morahan	10	10	3	3	3	3		
G.W. Smith	10	10	3	3	3	3		
P.F. Barrow	10	10	3	3	3	3		
J.A. Eales	8	8	2	2	2	2		
G.F. Turner	10	10	*	*	*	*		

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 director and KMP remuneration details. This 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 Long-term incentives: BOS return multiples on redemption
- E Share-based compensation; and
- F 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 outlines FLT's remuneration policy and the philosophies that underpin it. Information is presented in a question and answer format and falls under six broad categories:

1. Remuneration philosophies and structures
2. Alignment with shareholder wealth creation
3. Director remuneration
4. Executive (KMP) remuneration
5. Executive LTIs; and
6. Remuneration governance

Additional details on FLT's long-term incentive programs can also be found in sections D and E of this report.

A1: Remuneration philosophies and structures

What is FLT's remuneration philosophy?

In line with its belief in common sense over conventional wisdom, FLT has structured a simple remuneration system that is aligned with its core philosophies.

This remuneration framework balances participants' interests with those of the company and its shareholders by providing executives and other employees (excluding non-executive directors) with the security of fixed base pay (retainers) and opportunity to earn additional variable income (incentives) when FLT 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

FLT strongly believes in the value of incentives, a belief that is underlined in its core philosophies, and uses measurable and reliable outcome-based key performance indicators (KPIs) as the basis of its incentive and overall remuneration system globally. If the right outcomes are rewarded under this system, the company, its people and its shareholders will benefit.

FLT's philosophies also underline the company's belief in the importance of providing staff with ownership opportunities and the chance "to share in the company's success through outcome-based incentives, profit share, BOS and Employee Share Plans". Accordingly, ownership opportunities are built in to the company's remuneration structures to encourage FLT's people to behave as long-term stakeholders in the company and to adopt the strategies, discipline and behaviours that create longer term value.

Remuneration report (continued)

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

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

Executive remuneration includes a combination of:

- Base pay (fixed retainers)
- Short-term incentives (STIs) that are paid monthly and based on measurable KPIs (variable)
- BOS returns (variable)
- Long-term incentives (LTIs), in the form of share-based compensation and, in certain circumstances, BOS return multipliers (variable); and
- Other fixed remuneration, such as long service leave and superannuation contributions

Additional detail on each of these components is included below:

Components of executive remuneration

Base pay

Base pay (retainer) is fixed and represents a fraction of overall executive earnings. For example, the managing director and Australian-based KMP earned \$175,000 in base pay during 2012/13 (2011/12: \$175,000).

FLT does not guarantee annual retainer increases, but has elected to increase KMP base pay during 2013/14, a change that will be reflected in next year's remuneration report. This increase has been offset by a reduction in targeted STI earnings. The effect is, therefore, to lower the percentage of "at risk" income without altering targeted remuneration packages. Fifty per cent of targeted packages will now be fixed.

Short-term incentives (STIs)

STIs are paid monthly, based on measurable achievements against predetermined KPIs.

Executives earn STIs if:

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

FLT does not guarantee its executives will earn the full incentive component of their targeted remuneration package or, therefore, the annual package an executive will earn.

BOS returns

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

In return for this investment, the executive receives a variable return on investment that is tied to his or her individual business's performance. In basic terms, a BOS participant who has invested in a 10% interest in his or her business is entitled to 10% of the business's profit as a return on his or her investment.

The executive is exposed to the risks of his or her business, as neither FLT nor any of its group companies guarantees returns.

In accordance with the BOS prospectus, the board, via its remuneration and nomination committee, has the power to review and amend a BOS note if an individual return exceeds 35% of the BOS note's face value in any 12-month period.

As an incentive for senior executives to remain in their roles long-term, key executives may also be invited to participate in a BOS Multiplier program as outlined in Section D of this report. Under this program, invited senior executives are entitled to BOS return multiples of 4, 5, 10 and up to 15 times the BOS return in the last full financial year before their BOS note is redeemed.

Remuneration report (continued)

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

Share-based compensation

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

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

The ESP was available to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK during 2012/13.

In prior years, specific executives have been granted share options or performance rights under the SEOP and SEPRP respectively, as outlined in Section E of this report.

No new options or performance rights were granted during 2012/13.

Options and performance rights that vested during the year were granted under the existing plans and related to the company's performance during 2011/12. The options and performance rights that are related to FLT's 2012/13 achievements will vest on August 27, 2013, when FLT releases audited accounts.

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.

A2: Alignment with shareholder wealth creation

How does FLT align executive remuneration with shareholder wealth creation?

FLT's remuneration system consistently rates highly in pay for performance scales, with CEO Graham Turner judged Australia's best value CEO for his efforts in creating shareholder value during the 2012 financial year (Source: Egan & Associates and *The Australian Financial Review*).

FLT ties incentives to profit growth and other measurable KPIs 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 and shareholders benefit from higher than expected dividends and EPS, as experienced during 2010/11, 2011/12 and 2012/13; and
- Below targeted earnings when results and ultimately shareholder returns are below expectations, as experienced during 2008/09

The following table illustrates growth in shareholder wealth over the past five years. This period corresponds with the SEOP and has seen actual PBT increase from \$40.4million during 2008/09 to \$349.2million during 2012/13, 54.3% compound annual growth.

	2012/13	2011/12	2010/11	2009/10	2008/09
Actual profit before income tax	\$349.2M	\$290.4M	\$213.1M	\$198.5M	\$40.4M
Profit after tax	\$246.1M	\$200.1M	\$139.8M	\$139.9M	\$38.2M
Dividends (relating to the year)					
Interim	46.0c	41.0c	36.0c	26.0c	9.0c
Final	91.0c	71.0c	48.0c	44.0c	-
Earnings per share (basic)	245.6c	200.1c	140.0c	140.3c	38.3c
Share price at 30 June	\$39.33	\$18.93	\$21.62	\$16.63	\$8.65

Remuneration report (continued)

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

Will KMP remuneration automatically increase if FLT's PBT increases?

Year-on-year profit improvement will not necessarily translate to year-on-year earnings growth for executives, as targeted STI packages are based on FLT achieving a specific PBT target.

If FLT falls short of its growth target, profit-related STI earnings for KMP will finish below expectations. Conversely, profit-related STI earnings for KMP will exceed expectations if FLT exceeds its profit target for the year.

Despite FLT's success in recording a record PBT during 2012/13, STIs for several executives declined year-on-year.

How does FLT's remuneration system benefit both its employees and its shareholders?

For executives and employees in general benefits 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

For shareholders, benefits include:

- A clear short and long-term performance improvement focus, as year-on-year profit growth is a core component of FLT's remuneration system. KMP are required to deliver reasonable year-on-year growth to maintain consistent earnings
- 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

A3: Director remuneration

How are non-executive directors remunerated?

To preserve their independence, non-executive directors (NEDs) receive fixed fees. The fees reflect the positions' demands and responsibilities and are reviewed annually by FLT's remuneration and nomination committee.

Fees are benchmarked annually and 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.

NEDs are not eligible to participate in the ESP or BOS program and have elected not to participate in the SEOP or the SEPRP.

How are chairman's fees determined?

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

A4: Executive KMP remuneration structures

How are KMP incentivised?

As articulated in the company's philosophies, FLT strives to deliver a "magnificent return" to its shareholders. In line with this aim, KMP are incentivised to deliver profit and growth, which in turn drive shareholder returns. Executives are also incentivised to develop sustainable, long-term businesses and strategies, as year-on-year improvement is required to maintain STI earnings.

Remuneration report (continued)

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

KMP STIs for 2012/13 were based on the following:

- The CEO (Graham Turner) and CFO (Andrew Flannery) were incentivised on FLT's audited profit before tax (PBT) for the year
- The COO (Melanie Waters-Ryan) was incentivised on a combination of FLT's audited PBT (65% of targeted STI) and KPIs within her designated businesses (35%)
- The executive general managers of FLT's UK and US businesses (Chris Galanty and Dean Smith) were incentivised on their businesses' PBT results; and
- The leader of FLT's global corporate and Asian businesses (Rob Flint) was incentivised on a combination of global PBT (20%), global corporate results (30%) and EBIT generated by the company's Asian businesses (50%)

No executives were remunerated on external factors.

What percentage of overall remuneration is fixed for FLT executives?

All employees earn a mix of fixed and "at risk" remuneration. 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.

Accordingly, a significant portion of KMP remuneration is at risk and tied to the company's performance.

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 (STIs) that are paid monthly.

Changes introduced this financial year (2013/14) mean that the fixed retainer and superannuation component will now typically represent 50% of the targeted package for KMP.

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

These variations between actual and targeted remuneration packages will arise because:

- Senior executive STIs are tied to FLT's profit growth and actual earnings cannot be accurately measured at the start of a year, when targeted packages are set
- Some KMP earn additional BOS returns that are not factored into targeted STI packages. These returns are variable (tied to individual business profit) and cannot be quantified at the beginning of the year; and
- KMP may earn additional remuneration via FLT's LTI programs

While some organisations recommend that at least 50% of annual remuneration should be fixed, FLT's commitment to rewarding its people for actual outcomes achieved mean that it is impossible to predetermine the total remuneration that an executive will actually earn and, therefore, the level of fixed income that will ultimately represent 50% of earnings.

How do the targeted packages that KMP are offered differ from overall earnings?

Targeted packages are built around fixed retainers, superannuation and anticipated short-term incentive earnings. As outlined above, additional factors, including LTIs, BOS returns and long service leave provisions, are included in the KMP earnings that are disclosed in this annual report.

Are non-financial KPIs used in FLT's LTI and STI programs?

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

Remuneration report (continued)

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

Are executive STIs capped?

For KMP, profit-related STIs are effectively uncapped because they are tied to audited global profit results.

Effectively, KMP earn a percentage of global profit or a percentage of their business's profit. This percentage is calculated in such a way that the executive will earn his or her profit-related STI target (other STIs may also be in place) if FLT or the executive's business achieves its profit growth target.

For example, an executive who was targeted to earn \$30,000 in profit-related STIs if FLT achieved a \$300million PBT could be offered 0.01% of FLT's audited profit result.

While there is no cap on profit-related incentives, decelerator mechanisms are in place. The effect of these mechanisms is that executive earnings slow if the company achieves a pre-determined stretch profit target. As outlined in greater detail elsewhere in this report, the remuneration and nomination committee also has the discretion to adjust KPIs during the course of the year if executive earnings exceed targeted packages.

A5: Executive LTIs

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

LTIs for executives predominantly relate to the company's SEOP and SEPRP.

Under these plans, participating executives become entitled to a maximum of 40,000 options (under the SEOP) or 5,500 performance rights (SEPRP) if FLT achieves pre-determined year-on-year profit growth targets that are set at the start of each year.

Options or performance rights are available in three tiers:

- A low tier of 10,000 options or 1,500 performance rights if the company hits its low tier PBT target
- A mid tier of 25,000 options or 3,500 performance rights if the company hits its mid tier PBT target; and
- A top tier of 40,000 options or 5,500 performance rights if the company hits its top tier PBT target

No options or performance rights will vest if FLT does not achieve its targets.

Additional details are included in Section E of this report.

Why is PBT used as the performance condition for the SEOP and SEPRP?

FLT believes profit is a fundamental indicator of business performance – a key measure of whether it is providing customers with a product and service they value – and is a logical foundation for long and short-term incentive plans. Key executives can directly influence profit, it translates directly to earnings per share and dividends, both of which underpin shareholder investment in FLT, and it is an integral component of other performance measures that are commonly used in LTI programs, including Total Shareholder Returns (TSR).

The current senior executive option and performance rights plans are entering their final year. During 2013/14, FLT's board will consider future LTI plans for FLT's senior executives. The board will also consider including additional performance metrics and longer performance periods for vesting in any future offerings.

Are other LTIs in place, in addition to the SEOP and SEPRP?

FLT recognises that its senior executives are integral to its success and are likely to be targeted by competitors globally, both in the travel sector and by retailers generally.

Accordingly, in some cases FLT offers an additional LTI that is aligned to the company's BOS structures worldwide and is designed to lock a small group of key executives into senior roles at specific locations for the medium to long-term. Three KMP, Melanie Waters-Ryan, Dean Smith and Chris Galanty, have been included in this BOS Multiplier program initially.

Under this program, each participating executive becomes entitled to a one-off BOS return multiplier upon the BOS note's redemption if the participant remains in his or her role, or an equivalent or more senior position, for between five and 15 years. Additional details are included in Section D.

Remuneration report (continued)

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

A6: Remuneration governance

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

FLT's non-executive directors sit on the company's remuneration and nomination committee. This committee proactively oversees and monitors executive remuneration and provides specific recommendations on remuneration and incentive structures, policies and practices and other employment terms for directors and senior executives.

In making its recommendations, the committee considers:

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

The remuneration and nomination committee formally monitors remuneration details for KMP and other high earners quarterly.

The committee can adjust KPIs at any time in situations where actual earnings are likely to excessively exceed targeted packages or if a material change occurs within the business. For example, the committee could normalise earnings by excluding an acquired business's contributions for the purposes of calculating short and long-term incentives. During 2012/13, \$6.1million in gains relating to reversals of impairment of FLT's head office properties were excluded from incentive calculations.

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

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

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

As executive incentive earnings are predominantly linked to global PBT results, they are subject to rigorous internal and external audit processes.

Options and performance rights are tied to full year PBT results and only vest each August, when FLT's auditors formally sign-off on the company's accounts for the relevant period.

STI payments are made monthly and are adjusted during future periods if required.

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

As outlined previously, the remuneration and nomination committee proactively monitors earnings and can alter STIs, in addition to having discretion to amend, add to, revoke or substitute elements of the SEPRP and SEOP in certain circumstances.

Remuneration report (continued)

B Details of remuneration

FLT performed strongly during 2012/13 and achieved record results that exceeded the company's targets.

Accordingly, overall remuneration provided to KMP increased during the year. The most significant movements were in the areas of BOS returns (reflecting FLT's improved performance) and provisions, accounting measures that quantify long service leave and BOS Multiplier program obligations that may be payable in future years.

The following tables outline KMP remuneration details for the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year ended 30 June 2013. Board and KMP are as defined in AASB 124 Related Party Disclosures and are responsible for planning, directing and controlling the entity's activities.

Board of Directors

Non-executive directors

P.R. Morahan

G.W. Smith

P.F. Barrow

J.A. Eales (appointed 13 September 2012)

Other Group KMP

R. Flint – executive general manager – global corporate and Asia

M. Waters-Ryan – chief operating officer

A. Flannery – chief financial officer

C. Galanty – executive general manager – UK, South Africa

D.W. Smith – executive general manager – USA

Executive director

G.F. Turner

Parent Entity

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

Two executives who were previously considered KMP, C. Bowman (executive general manager - global marketing) and M. Murphy (executive general manager – global Peopleworks), were not considered KMP from 1 July 2012.

Remuneration report (continued)

B Details of remuneration (continued)

KMP and other group executives

Name	Short-term employee benefits			Post-employment benefits ²	Total benefit received	Long-term benefits		Share-based payments	Total	
	Cash salary and fees	Short term incentive	BOS interest ¹	Super-annuation		Long service leave ³	BOS Multiplier provision ⁴	Equity settled options / rights ⁵		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Non-executive directors</i>										
P.R.Morahan										
2013	176,881	-	-	15,919	192,800	-	-	-	192,800	
2012	170,000	-	-	15,300	185,300	-	-	-	185,300	
G.W.Smith										
2013	130,880	-	-	11,779	142,659	-	-	-	142,659	
2012	124,000	-	-	11,160	135,160	-	-	-	135,160	
P.F.Barrow										
2013	130,880	-	-	11,779	142,659	-	-	-	142,659	
2012	124,000	-	-	11,160	135,160	-	-	-	135,160	
J.A.Eales (appointed 13 September 2012)										
2013	106,080	-	-	9,547	115,627	-	-	-	115,627	
<i>Executive directors</i>										
G.F.Turner										
2013	175,000	636,029	-	25,000	836,029	47,275	-	-	883,304	
2012	175,000	648,051	-	25,000	848,051	(158,779)	-	-	689,272	
<i>Other group KMP</i>										
R. Flint										
2013	175,000	510,993	338,327	25,000	1,049,320	(3,173)	-	67,834	1,113,981	
2012	175,000	271,570	253,207	25,000	724,777	39,483	-	100,209	864,469	
M. Waters-Ryan										
2013	175,000	521,209	481,777	25,000	1,202,986	25,047	960,000	56,989	2,245,022	
2012	175,000	504,747	450,721	25,000	1,155,468	(46,650)	-	78,394	1,187,212	
A. Flannery										
2013	175,000	636,029	-	25,000	836,029	56,386	-	56,989	949,404	
2012	175,000	648,051	-	25,000	848,051	(36,271)	-	78,394	890,174	
C. Galanty										
2013	229,148	329,124	419,723	-	977,995	-	600,000 ⁴	-	1,577,995	
2012 (restated)	230,203	336,600	292,921	-	859,724	-	500,000 ⁴	-	1,359,724	
D.W.Smith										
2013	217,597	257,180	151,322	-	626,099	-	105,000 ⁴	1,905	733,004	
2012 (restated)	203,486	509,563	-	17,942	730,991	-	155,000 ⁴	1,427	887,418	
C. Bowman										
2013	-	-	-	-	-	-	-	-	-	
2012	175,000	361,944	-	25,000	561,944	(41,874)	-	78,394	598,464	
M. Murphy										
2013	-	-	-	-	-	-	-	-	-	
2012	175,000	318,617	-	25,000	518,617	(39,766)	-	78,394	557,245	
<i>Total KMP compensation</i>										
2013	1,691,466	2,890,564	1,391,149	149,024	6,122,203	125,535	1,665,000	183,717	8,096,455	
2012 (restated)	1,901,689	3,599,143	996,849	205,562	6,703,243	(283,857)	655,000	415,212	7,489,598	

¹ BOS interest shown above does not take into account financial liabilities (principal repayments) that may relate to this investment.

² No termination benefits (leave entitlements and redundancy payments owing to employees at the date of termination) were paid during the year.

³ Long service leave (LSL) includes amounts accrued during the year. LSL provisions are linked to overall executive remuneration (which consists of the short-term benefits noted above) and, therefore, vary from year to year. Negative amounts are sometimes recognised, as provisions naturally adjust after periods of stronger than anticipated growth.

⁴ BOS Multiplier program provisions are linked to profit and, therefore, vary from year to year. The long-term benefits that are included above for C. Galanty and D.W. Smith relate to the BOS Multiplier program which was initiated in prior years. The 2012 provisions were omitted from the 2012 financial statements and have now been included in the restated remuneration listed above for 2011/12. An additional \$740,000 and \$205,000 provision relating to 2011 has also been provided for C. Galanty and D.W. Smith respectively. These provisions may be payable to the executive in future years if longevity targets are reached. These provisions have been included in the current year profit as the provisions do not impact the disclosure of prior year profits on the basis of materiality.

⁵ Share-based payments represent amounts expensed in relation to options/rights granted under the SEOP/SEPRP (refer pages 20 to 24).

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	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
FLT directors						
P.R. Morahan	100	100	-	-	-	-
G.W. Smith	100	100	-	-	-	-
P.F. Barrow	100	100	-	-	-	-
J.A. Eales (appointed 13 September 2012)	100	-	-	-	-	-
G.F. Turner	27	6	73	94	-	-
Other group KMP						
R. Flint	17	28	77	61	6	11
M. Waters-Ryan	10	13	45	80	45	7
A. Flannery	26	18	68	73	6	9
C. Galanty	15	17	47	46	38	37
D.W. Smith	30	25	56	57	14	18
Previous KMP						
C. Bowman	-	26	-	61	-	13
M. Murphy	-	29	-	57	-	14

	2013 %
Remuneration consisting of share options for the year	
R. Flint	6
M. Waters-Ryan	3
A. Flannery	6

To encourage key executives to continue in their roles for the long-term, various KMP are in line to earn multipliers on their BOS returns (upon redemption) if they achieve certain longevity targets. The targets for participating KMP are outlined in Section D of this report.

C Service agreements

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

The company does not pay sign-on bonuses and requires KMP to provide at least 12 weeks' written notice of their intention to leave FLT. Termination payments are assessed on a case-by-case basis. If the terminated senior executive has a BOS note, FLT will also be required to repay the BOS note's face value to the executive, in line with the redemption rules that apply to the BOS program generally. FLT is not bound, under the terms of any executive's employment contract, to provide termination benefits beyond those that are required by law.

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

D Long-term incentives: BOS return multiples on redemption

To encourage key executives to continue in their roles for the long-term, various KMP are in line to earn multipliers on their BOS returns (upon redemption) if they achieve certain length of service targets.

As outlined in Section A of this report, three KMP currently participate in this program.

They are:

- Melanie Waters-Ryan, FLT's chief operating officer and the leader of the company's Australian business
- Dean Smith, executive general manager of FLT's USA business; and
- Chris Galanty, FLT's UK and South Africa executive general manager

Remuneration report (continued)

D Long-term incentives: BOS return multiples on redemption (continued)

Under the program's terms, if the BOS note is redeemed between five and ten years, the BOS holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by five, being the applicable redemption multiple.

If the BOS note is redeemed after 10 years, the holder will be entitled to a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by 10, the applicable redemption multiple.

For certain BOS holders, including Ms Waters-Ryan and Mr Smith, the BOS note's 10th anniversary is its final maturity date and it must then be redeemed.

For Mr Galanty, the BOS note matures after 15 years and it must then be redeemed. In this instance, the BOS note holder is eligible for a one-off payment equivalent to the BOS return for the last full financial year before the date of redemption, multiplied by 15, the applicable redemption multiple.

In all cases, the BOS note's face value will be deducted from the final payment.

E 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. Four executives currently participate in the plan, which was launched in the 2009 financial year.

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%). The current plan runs for five years, with participating executives eligible to earn 10,000, 25,000 or 40,000 options during each of these years if FLT achieves specific annual PBT targets.

As outlined in section A:

- The low tier of 10,000 options becomes available (vests) to each participating executive if FLT achieves its low tier PBT target
- The mid tier of 25,000 options becomes available (vests) to each participating executive if FLT achieves its mid tier PBT target; and
- The top tier of 40,000 options becomes available (vests) to each participating executive if FLT achieves its top tier PBT target

The targets are based on FLT achieving predetermined year-on-year PBT growth. If the company does not achieve, its low tier target, no options vest.

Options relating to 2012/13 vested on August 27, 2013 when FLT released audited accounts for the year.

For 2012/13, participating executives will earn the top tier of 40,000 options, based on FLT achieving a PBT in excess of \$340 million, its top tier target for the year and a result 17% above the record \$290.4 million achieved during 2011/12.

For SEOP purposes, FLT's low and mid-tier PBT targets for 2012/13 were \$320million and \$330million respectively. Had FLT achieved its initial market guidance – a PBT between \$305million and \$315million – no options would have vested.

The relevant portion of the expense relating to these options has been recognised during the period ended 30 June 2013 (refer to Equity settled options on page 18).

Three PBT growth targets have been set for 2013/14:

- A \$375million low tier target
- A \$390million mid tier target; and
- A \$405million top tier target

If FLT achieves the mid-point in its initial market guidance (\$370million-\$385million PBT), participating executives will qualify for the low tier of options.

Remuneration report (continued)

E Share-based compensation (continued)

The board, via its remuneration and nomination committee, has the discretion to alter, modify, add to or repeal all or any of the plan's rules. The board can also amend profit targets if material changes occur during the course of the year.

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 KMP (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 33 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2013	2012	2013	2012
Other group KMP				
M. Waters-Ryan	-	-	40,000	25,000
A. Flannery	-	-	40,000	25,000

As no options were granted or lapsed during the period, the value of options granted and lapsed is \$ nil.

C. Bowman and M. Murphy each had 25,000 options vest in 2012. An additional 40,000 options will vest for both executives in August 2013, based on FLT's performance in 2012/13. However, they were not considered KMP for 2013.

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 2010 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)

E Share-based compensation (continued)

Shares provided on exercise of remuneration options

Details of ordinary FLT shares provided to KMP 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	
		2013	2012
Other group KMP			
M. Waters-Ryan	26 February 2013	35,000	-
M. Waters-Ryan	5 March 2013	70,000	-
A. Flannery	12 September 2012	20,000	-

Details on the amounts directors and KMP paid at the exercise date were as follows:

Exercise date	Amount paid per share	Value at Exercise Date*
12 September 2012	\$10.00	\$293,000
26 February 2013	\$10.00	\$752,500
5 March 2013	\$10.00	\$1,636,600

*the value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

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 a senior executive who has not participated in the SEOP.

Under the terms of the current offer, the participant is eligible for up to 22,000 performance rights (maximum of 5,500 per year over four years) 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 and nomination committee, annually during the term.

If the low tier profit target is reached for a financial year (and all other performance conditions are met) the participating executive 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) the participating executive 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) the participating executive 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.

Performance rights related to FLT's results during 2012/13 will vest during 2013/14, when the company releases its audited accounts for the 2013 financial year. Targets for 2013/14 are identical to the targets that are in place under the SEOP and as outlined in the previous section.

FLT's board, via its remuneration and nomination committee, can amend terms of the plan or any performance rights granted under it. The board can also amend profit targets if material changes occur during the course of the year.

Remuneration report (continued)

E Share-based compensation (continued)

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

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 33 to the financial statements.

	Number of performance rights granted during the year		Number of performance rights vested during the year	
	2013	2012	2013	2012
Other group KMP				
R. Flint	-	-	5,500	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%

Shares provided on exercise of remuneration options

Details of ordinary FLT shares provided to KMP after performance rights were exercised are set out below:

	Date of exercise of rights	Number of ordinary shares issued on exercise of rights during the year	
		2013	2012
Other group KMP			
R. Flint	30 August 2012	5,500	3,500

Details on the amounts directors and KMP paid at the exercise date were as follows:

Exercise date	Amount paid per share	Value at Exercise Date*
30 August 2012	\$0.00	\$132,000

*the value at the exercise date of performance rights that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the rights at that date.

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

Remuneration report (continued)

E Share-based compensation (continued)

Employee Share Plan (ESP)

During 2012/13, 73,438 shares were issued and allocated to employees under the terms of the company's ESP (2012: 86,734). For every four shares employees bought 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 33 to the financial statements and in Section A of this report.

Details of ordinary FLT shares provided to KMP are set out below:

	Number of ordinary shares issued during the year	
	2013	2012
Other group KMP		
D.W. Smith	331	299

F Additional information

Details of remuneration: cash bonuses, options and performance rights, BOS Multiplier Program

For each incentive and grant of options or performance rights included in the tables on pages 18 to 24, 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 \$
Other group KMP								
R. Flint	100	-	2011	33.3%	0%	2012-2015	nil	75,696
M. Waters-Ryan	100	-	2009	21.6%	0%	2011-2015	nil	56,447
A. Flannery	100	-	2009	27.6%	0%	2011-2015	nil	56,447
C. Galanty	100	-	-	-	-	-	-	-
D.W. Smith	100	-	-	-	-	-	-	-

	BOS Multiplier Program						
	Grant Date	Vested %	Forfeited %	Financial years in which BOS Return Multiple may vest	Minimum total BOS Return Multiple*	Maximum total BOS Return Multiple*	
Other group KMP							
R. Flint	-	-	-	-	-	-	
M. Waters-Ryan	1 July 2012	-	-	2018 - 2023	nil	10 times	
A. Flannery	-	-	-	-	-	-	
C. Galanty	1 July 2010	-	-	2016 - 2026	nil	15 times	
D.W. Smith	1 July 2010	-	-	2016 - 2021	nil	10 times	

* The BOS Holder will be entitled to and paid an amount equivalent to his or her BOS return for the last full financial year before the redemption date, multiplied by the applicable redemption multiple. As the BOS return multiple is dependent on profit during the vesting period, the maximum amount cannot be reliably estimated.

Non-executive directors receive fixed fees for service, do not receive short or long-term incentives and do not participate in the BOS or BOS Multiplier Program.

Remuneration report (continued)

F Additional information (continued)

The BOS's Face Value is guaranteed and cannot decrease in value and will always be deducted from the final redemption multiple payment.

For KMP, no redemption multiple will be paid if redemption occurs before the note's fifth anniversary. If the BOS is redeemed after its fifth anniversary but before its tenth anniversary, the holder will forgo the rights to any future multiple and will receive payment based on the fifth anniversary (5 times) multiple only. If applicable, if the BOS is redeemed on or after its tenth anniversary but before its 15th anniversary, the holder will forgo the rights to any future multiple and will receive payment based on the tenth anniversary (10 times) multiple only.

If the BOS note is redeemed between five and 15 years as the result of the holder transferring into a comparable or more senior role within the company, an affiliate or a related body corporate, the redemption multiple will be the number of full years the BOS note has been held. This redemption multiple will then be applied to the holder's BOS returns for the last full financial year before the date of redemption. The same calculation will apply if a material part of the holder's business unit is sold.

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	365,000
12 August 2011	30 June 2015	\$0.00	11,000

Indemnification and insurance of officers

An Officers' Deed of Indemnity, Access and Insurance is in place for directors, KMP, 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.

Indemnification of auditors

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

Proceedings on behalf of the company

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

Non-audit services

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

Ernst & Young was appointed lead auditor at the AGM on 30 October 2012. PwC was the lead auditor for the period ended 30 June 2012. Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out in note 6.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

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
27 August 2013



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

In relation to our audit of the financial report of Flight Centre Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Alison de Groot
Partner
27 August 2013

Flight Centre Limited
Consolidated Balance Sheet
As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	1,227,019	1,032,467
Available-for-sale financial assets	12	36,803	53,051
Financial assets at fair value through profit and loss	13	-	6,802
Trade and other receivables	11	502,235	455,143
Current tax receivables	14	4,527	5,042
Inventories		966	972
Derivative financial instruments	16	13,416	-
Other financial assets	15	-	829
Total current assets		<u>1,784,966</u>	<u>1,554,306</u>
Non-current assets			
Property, plant and equipment	17	158,683	143,511
Intangible assets	18	366,689	352,622
Investments accounted for using the equity method	19	4,105	7,347
Deferred tax assets	21	50,694	49,964
Other financial assets	15	7,407	7,073
Total non-current assets		<u>587,578</u>	<u>560,517</u>
Total assets		<u>2,372,544</u>	<u>2,114,823</u>
LIABILITIES			
Current liabilities			
Trade and other payables	22	1,178,571	1,037,042
Borrowings	23	43,550	45,162
Provisions	24	16,369	14,536
Current tax liabilities	25	49,011	52,038
Derivative financial instruments	16	-	481
Total current liabilities		<u>1,287,501</u>	<u>1,149,259</u>
Non-current liabilities			
Trade and other payables	22	22,132	20,809
Borrowings	23	2,636	62,013
Provisions	24	30,094	19,920
Deferred tax liabilities	26	3,987	5,410
Derivative financial instruments	16	-	283
Total non-current liabilities		<u>58,849</u>	<u>108,435</u>
Total liabilities		<u>1,346,350</u>	<u>1,257,694</u>
Net assets		<u>1,026,194</u>	<u>857,129</u>
EQUITY			
Contributed equity	27	388,069	382,989
Reserves	28	(35,781)	(70,979)
Retained profits		673,906	545,119
Total equity		<u>1,026,194</u>	<u>857,129</u>

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

Flight Centre Limited
Consolidated Income Statement
For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue			
Revenue from the sale of travel services	3	1,944,557	1,781,100
Other revenue	3	41,238	46,079
Total revenue		1,985,795	1,827,179
Other income	4	18,755	4,992
Expenses			
Employee benefits	5	(1,038,120)	(951,616)
Sales and marketing		(137,581)	(145,422)
Rental expense relating to operating leases	5	(116,488)	(113,743)
Amortisation and depreciation	5	(49,812)	(50,260)
Finance costs	5	(31,524)	(30,413)
Share of profit / (loss) of joint ventures and associates accounted for using the equity method	19	(1,004)	(340)
Other expenses	5	(280,812)	(250,026)
Profit before income tax expense		349,209	290,351
Income tax expense	7	(103,127)	(90,285)
Profit attributable to members of Flight Centre Limited		246,082	200,066

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

		Cents	Cents
Basic earnings per share	9	245.6	200.1
Diluted earnings per share	9	244.2	198.6

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

Flight Centre Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

		2013	2012
	Notes	\$'000	\$'000
Profit attributable to members of Flight Centre Limited		246,082	200,066
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	28	2,318	898
Changes in the fair value of cash flow hedges	28	285	(162)
Net exchange differences on translation of foreign operations	28	31,383	1,370
Income tax expense on items of other comprehensive income	7	(819)	(183)
Other comprehensive income		33,167	1,923
Total comprehensive income for the year attributable to FLT members		279,249	201,989

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 2013

	Notes	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total \$'000
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
Balance at 1 July 2012		382,989	(70,979)	545,119	857,129
Profit for the year		-	-	246,082	246,082
Other comprehensive income		-	33,167	-	33,167
Total comprehensive income for the year		-	33,167	246,082	279,249
Transactions with owners in their capacity as owners:					
Employee share-based payments	27 / 28	5,080	2,031	-	7,111
Dividends provided for or paid	8	-	-	(117,295)	(117,295)
Balance at 30 June 2013		388,069	(35,781)	673,906	1,026,194

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 2013

	2013	2012
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (including GST)	1,914,125	1,770,039
Payments to suppliers and employees (including GST)	(1,446,170)	(1,352,542)
Dividends received	550	470
Royalties received	492	568
Interest received	39,464	37,497
Interest paid	(31,575)	(27,638)
Income taxes paid	(106,563)	(87,366)
Net cash inflow from operating activities	370,323	341,028
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	5,412	(2,001)
Payments for property, plant and equipment	(40,781)	(44,574)
Payments for intangibles	(10,615)	(10,943)
Payments for the purchase of investments	-	(9,000)
Proceeds from sale of investments	28,217	17,209
Loans advanced to related parties	(2,799)	(3,095)
Loans repaid by related parties	3,726	2,423
Net cash (outflow) from investing activities	(16,840)	(49,981)
Cash flows from financing activities		
Proceeds from borrowings	11,428	5,613
Repayment of borrowings	(68,272)	(66,892)
Proceeds from issue of shares	4,795	1,690
Dividends paid to company's shareholders	(117,295)	(88,996)
Net cash (outflow) from financing activities	(169,344)	(148,585)
Net increase in cash held	184,139	142,462
Cash and cash equivalents at the beginning of the financial year	1,027,617	885,238
Effects of exchange rate changes on cash and cash equivalents	15,263	(83)
Cash and cash equivalents at end of the year	1,227,019	1,027,617

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, except as stated below. The financial report is for the consolidated entity consisting of Flight Centre Limited (FLT) and its subsidiaries.

Presentation of transactions recognised in other comprehensive income

From 1 July 2012 FLT applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit and loss. These changes are included in the statement of comprehensive income.

Presentation of expenses in consolidated income statement

For the half year ended 31 December 2012 and going forward, the group has voluntarily changed the presentation of expenses in the consolidated income statement from function to nature. The group determined the further disclosure of the nature of the expenses provided more relevant information to the financial statements' users.

The prior year expense presentation by function cannot be readily mapped into the nature as presented currently for the prior year. As such, the detail of the reclassifications has not been disclosed.

The adjustment is shown in the consolidated income statement and the comparative amounts in the prior period have also been adjusted to show the nature of the expense. The amount of expenses recorded in each period presented has not changed, only the presentation has changed.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. FLT is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

New & 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 2012 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 2012.

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 judgment when applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2013 and the subsidiaries' results for the year then ended. FLT and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the transferred asset's impairment. Subsidiaries' accounting policies have been changed, where necessary, to ensure consistency with the group's policies.

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

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

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for by the parent 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 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 the associate's behalf.

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.

After applying the equity method, the group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the group calculates the impairment amount as the difference between the associate's recoverable amount and its carrying value, then recognises the loss as a 'Share of losses of an associate' in the income statement.

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

(iii) Joint ventures

Interests in joint venture entities, which are jointly controlled 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.

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

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. In this case, a loss on a transaction is recognised immediately.

1 Summary of significant accounting policies (continued)

Upon loss of joint control, the group measures and recognises its remaining investment at its fair value. The difference between the investment's carrying amount upon loss of joint control and the remaining investment's fair value and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in associate.

(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 group equity owners. An ownership change 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 has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in each of the group entities' financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is FLT's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the prevailing exchange rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exceptions arise if the gains and losses are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rates 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.

1 Summary of significant accounting policies (continued)

(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 recorded when travel documents are issued, consistent with an agency relationship.

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

Presentation of revenue from travel services

Revenue from the sale of travel services is recorded when travel documents are issued, consistent with an agency relationship. Previously, part of FLT's United Kingdom revenue was reported on a gross and an availed basis under a principal relationship. Management has conducted a comprehensive review of the local UK travel agency rules and determined that it is appropriate in the group's consolidated financial statements to record FLT's UK revenue when travel documents are issued, consistent with an agency relationship and in line with the rest of the group on a net basis. The change in accounting method only relates to disclosures and has no material impact on revenue, net income or consolidated earnings per share. The change has been applied retrospectively.

(ii) Total transaction value (TTV)

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

(iii) Lease income

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

(iv) Interest income

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

(v) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(vi) Royalties

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on each jurisdiction's applicable income tax rate. Adjustments are made for changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses.

The current income tax charge is based on tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns when applicable tax regulation is subject to interpretation. Where appropriate, it establishes provisions on the basis of amounts expected to be paid to the tax authorities.

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

1 Summary of significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity controls the timing of the temporary differences' reversals and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity. In these cases, the tax is also recognised in other comprehensive income or directly in equity.

Tax consolidation legislation

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

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

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

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

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Leases

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

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

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for a subsidiary's acquisition comprises the transferred assets' fair values, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes any contingent consideration arrangement's fair value and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Where equity instruments are issued in an acquisition, the instruments' fair values are their published market prices at the exchange date. Transaction costs arising on equity instruments' issue are recognised directly in equity.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the acquired subsidiary's net identifiable assets and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, future amounts payable are discounted to their present value at the exchange date. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1 Summary of significant accounting policies (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as equity are not remeasured and subsequent settlement is accounted for within equity. Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are impairment tested annually or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use. To assess impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are independent of the cash inflows from other assets or asset groups (cash-generating units). Impaired non-financial assets, other than goodwill, are reviewed for possible reversal of the impairment at each reporting date.

(i) Trade receivables

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

Ongoing reviews are conducted to determine trade receivables' collectability. Debts known to be uncollectible are written off. An impairment provision is established when there is objective evidence that the group will not be able to collect all amounts due, according to the receivables' original terms. The debtor's significant financial difficulties, probability that the debtor will enter bankruptcy or financial reorganisation and payment default or delinquency are considered indicators that trade debtors are impaired. The impaired amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The impairment amount is recognised in the income statement in other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the 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.

1 Summary of significant accounting policies (continued)

(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.

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).

1 Summary of significant accounting policies (continued)

(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 are 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 instruments that do not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(m) Fair value estimation

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

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

The fair value of financial instruments that are not traded in active markets is determined using independent third parties. The fair value of interest rate swaps is calculated as the estimated future cash 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, because of 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 impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)). A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

1 Summary of significant accounting policies (continued)

The reversal is limited so that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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 acquired subsidiary or associate's net identifiable assets at the acquisition date.

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

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 30).

(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 impairment tested annually or more frequently if events or changes in circumstances indicate they may be impaired. Key factors taken into account in assessing the useful life of brands are:

- The brands are well established and protected by trademarks across the globe. The trademarks are generally subject to an indefinite number of renewals upon appropriate application; and
- There are currently no legal, technical or commercial obsolescence factors applying to the brands which indicate that the life should be considered limited

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

(iii) Other intangible assets - software

Research costs associated with software development are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the project is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised includes all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Capitalised software is amortised using the straight-line method over the project's period of expected future benefits, which varies from 2.5 to 5 years.

(p) Trade and other payables

These amounts are liabilities for goods and services provided to the group prior to the financial years end, but not yet paid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) 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.

1 Summary of significant accounting policies (continued)

(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 33.

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

The fair value of options granted under FLT's SEOP or rights granted under FLT's SEPRP is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the options/rights.

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

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

Employee Share Plans

Share-based benefits are offered to full-time and permanent part-time employees through FLT's global Employee Share Plan. For every four shares purchased by the employee, FLT grants a conditional right to one matched share. Under the previous Australian-based plan, which expired on 30 June 2011, for every nine shares employees purchased at market value, FLT issued an additional share. Matched shares are expensed over the period that they vest with a corresponding increase in reserves.

(v) Profit-sharing and bonus plans

A liability for employee benefits in the form of profit-sharing and bonus plans is recognised as payable when there is a contractual obligation or valid expectation that payment will be made. Employee profit-sharing and bonus payments are recognised and paid monthly.

(vi) Termination benefits

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

(vii) BOS multiple

A liability for the employee benefit of the potential BOS return multiple has been recognised as a provision when there is a contractual obligation or valid expectation that payment will be made.

(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.

1 Summary of significant accounting policies (continued)

(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 and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow relating to any item included in the same class of obligations is small.

To measure provisions at present value at the reporting period's end, management estimates the expenditure required to settle the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Provision increases brought about by the passage of time are recognised as interest expenses.

(t) Contributed equity

Ordinary shares are classified as equity (note 27).

Incremental costs directly attributable to new share or option issues are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to shares or options issued for a business acquisition are not included in the acquisition's cost as part of the purchase consideration.

If the entity reacquires its own equity instruments, as the result of a share buy-back for example, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(u) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission's Class Order 98/100.

(v) Dividends

Provision is made by the parent entity for any dividend declared, being appropriately authorised and no longer at the entity's discretion on or before the end of the financial year but not distributed at balance date.

(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

1 Summary of significant accounting policies (continued)

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 (BOS)

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

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

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

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

(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 global task force.

(z) Inventories

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

(aa) Financial guarantee contracts

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

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

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

(ab) Consumption tax

Revenues, expenses and assets are recognised net of the amount of associated consumption tax, unless the consumption tax incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the asset acquisition's cost or as part of the expense.

Receivables and payables include consumption taxes receivable or payable. The net amount of consumption tax recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The consumption tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(ac) Parent entity financial information

The financial information for the parent entity, FLT, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements.

1 Summary of significant accounting policies (continued)

(ad) Reclassification

Certain prior period amounts have been reclassified in order to conform to the current period's presentation as noted throughout note 1.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 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 2015 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 <i>AASB 139 Financial Instruments: Recognition and Measurement</i> and have not been changed.	The standard has not yet been finalised by the AASB, and therefore FLT will assess the impact of this standard once it is finalised.
AASB 10 <i>Consolidated Financial Statements</i> , AASB 11 <i>Joint Arrangements</i> , AASB 12 <i>Disclosure of Interests in other Entities</i> and revised AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> and AASB 2011-7 <i>Amendments to Australian Accounting Standards</i> arising from the <i>Consolidation and Joint Arrangements Standards</i>	1 Jan 2013 FLT has not adopted the new standards before their operative date, which means the standards will apply to the financial statements effective from 1 July 2013.	In August 2011, the AASB issued five new and amended standards to address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces the guidance on control and consolidation in <i>AASB 127 Consolidated and Separate Financial Statements</i> , and <i>Interpretation 12 Consolidation – Special Purpose Entities</i> . Core principle that a consolidated entity presents a parent and its subsidiaries as a single economic entity is unchanged, as is the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. Focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. New guidance on participating and protective rights and on agent/principal relationships.	The group has worked through the new guidance in the context of its various controlled entities and it has determined that FLT does have control. No change will be required from 1 July 2013.

1 Summary of significant accounting policies (continued)

STANDARD	EFFECTIVE DATE	NATURE OF CHANGE	LIKELY IMPACT ON FLT
		<p>AASB 11 introduces principles-based approach to joint arrangements accounting.</p> <p>Focus no longer on the legal structure of joint arrangements, but on how parties to the joint arrangement share rights and obligations.</p> <p>Based on the assessment of rights and obligations, joint arrangement will be classified as either a joint operation or joint venture.</p> <p>Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted.</p> <p>Joint operation parties will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.</p> <p>Also provides guidance for parties that participate in joint arrangements but do not share joint control.</p> <p>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.</p> <p>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.</p>	<p>The amendment is not expected to have any impact on the group's financial statements, as FLT has joint control. As joint ventures, they will continue to be accounted for using the equity method.</p> <p>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.</p> <p>For each JV that is material, FLT will need to disclose:</p> <ul style="list-style-type: none"> - dividends received from the joint venture or associate - other comprehensive income - cash, depreciation, interest income, interest expense, and income tax
<p>AASB 13 <i>Fair value measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i></p>	<p>1 Jan 2013</p> <p>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.</p>	<p>Released in September 2011.</p> <p>Explains how to measure fair value and aims to enhance fair value disclosures.</p>	<p>The group has determined that the standard will not have an impact on its current measurement techniques, or the information disclosed in the group's financial statements.</p>

1 Summary of significant accounting policies (continued)

STANDARD	EFFECTIVE DATE	NATURE OF CHANGE	LIKELY IMPACT ON FLT
<p>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></p>	<p>1 Jan 2013</p> <p>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.</p>	<p>In September 2011, the AASB released a revised standard on accounting for employee benefits.</p> <p>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 a discount rate to the net defined benefit liability or asset.</p> <p>Replaces expected return on plan assets currently in profit or loss.</p> <p>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.</p> <p>Changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits will be based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p>	<p>Since FLT does not have any defined benefit obligations, the amendments will not have any impact on the group's financial statements.</p> <p>The amendment is not expected to have a material impact on the group's financial statements.</p>

2 Critical accounting estimates, assumptions and judgments

Estimates and judgments 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) 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 reasonable 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 judgmental and is impacted by factors which are not completely under FLT's control. These factors include:

- Year-end differences – as supplier contract periods do not always correspond to FLT's financial year, judgments 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; and
- 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 2013, the carrying value of override receivables was \$141,874,000 (2012: \$132,007,000).

	2013	2012
	\$'000	\$'000

3 Revenue

Revenue from the sale of travel services

Commission and fees from the provision of travel	1,438,445	1,316,521
Revenue from the provision of travel	399,654	367,431
Other revenue from travel services	106,458	97,148
	1,944,557	1,781,100

Other revenue

Rents and sub lease rentals	5,511	5,181
Interest	35,306	40,349
Royalties	421	549
	41,238	46,079

4 Other income

Other income

Net foreign exchange gains	10,053	2,979
Gain on financial assets at fair value	2,572	2,013
Reversal of previous impairment of land and buildings	6,130	-
	18,755	4,992

		2013	2012
	Notes	\$'000	\$'000
5 Expenses			
Profit before income tax includes the following specific expenses:			
<i>Employee benefits expense</i>			
Defined contribution superannuation expense		53,584	48,774
Other employee benefits expense		984,536	902,842
Total employee benefits expense		<u>1,038,120</u>	<u>951,616</u>
<i>Rental expense relating to operating leases ¹</i>			
Lease expense		116,488	113,743
<i>Depreciation</i>			
Buildings	17	484	1,257
Plant and equipment	17	39,179	36,327
Total depreciation		<u>39,663</u>	<u>37,584</u>
<i>Amortisation</i>			
Customer relationships	18	3,391	3,098
Other intangibles	18	6,328	8,370
Borrowing costs		430	1,208
Total amortisation		<u>10,149</u>	<u>12,676</u>
<i>Finance costs</i>			
BOS interest expense		28,148	25,090
Interest and finance charges paid/payable		3,580	5,517
Unwind of make good provision discount	24(b)	(204)	(194)
Total finance costs		<u>31,524</u>	<u>30,413</u>
<i>Other expenses</i>			
Other occupancy costs		51,867	47,884
Consulting fees		42,676	31,079
Communication and IT		49,146	46,115
Other expenses		137,123	124,948
Total other expenses		<u>280,812</u>	<u>250,026</u>
<i>Other expenses include:</i>			
Net loss on disposal of property, plant and equipment and intangible assets		1,087	969
<i>Impairment losses - financial assets</i>			
Trade receivables	11(a)	12,695	4,677

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

Ernst & Young was appointed as the Lead Auditor at the AGM on 30 October 2012. PwC was the Lead Auditor for the period ended 30 June 2012.

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

	2013	2012
	Ernst & Young	PwC
	\$	\$
<i>Amounts received or due and receivable by Lead Auditor for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	908,872	901,230
Other services in relation to FLT and any other entity in the consolidated group		
Tax compliance	22,849	-
Assurance related	19,566	-
Special audits required by regulators	58,758	-
Other services	170,738	4,500
	<u>1,180,783</u>	<u>905,730</u>
<i>Amounts received or due and receivable by related practices of Lead Auditor for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	718,107	773,768
	<u>1,898,890</u>	<u>1,679,498</u>
<i>Amounts received or due and receivable by non Lead Auditor audit firms for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	51,534	139,292
Other services in relation to FLT and any other entity in the consolidated group		
Special audits required by regulators	1,334	-
Other services	29,203	62,849
	<u>82,071</u>	<u>202,141</u>
<i>Amounts received or due and receivable by related practices of non Lead Auditor audit firms for:</i>		
An audit or review of the financial report of FLT and any other entity in the consolidated group	-	-

7 Income tax expense

	Notes	2013 \$'000	2012 \$'000
(a) Income tax expense			
Current tax		105,751	87,049
Deferred tax		(1,359)	1,799
Adjustments for current tax of prior periods		(1,265)	1,437
Income tax expense		<u>103,127</u>	<u>90,285</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:			
(Increase) / decrease in deferred tax assets	21	(1,064)	2,139
Increase / (decrease) in deferred tax liabilities	26	(295)	(340)
		<u>(1,359)</u>	<u>1,799</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		<u>349,209</u>	<u>290,351</u>
Tax at the Australian tax rate of 30% (2012 - 30%)		<u>104,763</u>	<u>87,105</u>
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:			
Non-deductible / (assessable) amounts		1,001	2,381
Other amounts		(538)	38
		<u>105,226</u>	<u>89,524</u>
Tax losses not recognised		595	-
Effect of different tax rates on overseas income		(1,429)	(676)
Under / (over) provision of prior year's income tax		(1,265)	1,437
		<u>(2,099)</u>	<u>761</u>
Income tax expense		<u>103,127</u>	<u>90,285</u>
(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	<u>(1,613)</u>	<u>(632)</u>
(d) Tax expense / (income) relating to items of other comprehensive income			
Available-for-sale financial assets		<u>819</u>	<u>183</u>
(e) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		<u>4,400</u>	<u>90</u>
Potential tax benefit at 30% (30% - 2012)		<u>1,320</u>	<u>27</u>

All unused tax losses in 2013 and 2012 were incurred by entities in Hong Kong and 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	
	2013	2012
	\$'000	\$'000

8 Dividends

(a) Ordinary shares

Final ordinary dividend for the year ended 30 June 2012 of 71.0 cents (2011: 48.0 cents) per fully paid share, paid on 12 October 2012

	71,103	47,988
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Interim ordinary dividend for the year ended 30 June 2013 of 46.0 cents (2012: 41.0 cents) per fully paid share, paid on 19 April 2013

	46,192	41,008
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	117,295	88,996
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(b) Dividends not recognised at the end of the year

Since year-end, the directors have recommended a 91.0 cents per fully paid share (2012: 71.0 cents) final dividend. The aggregate amount of the dividend to be paid on 18 October 2013 out of retained profits at 30 June 2013, but not recognised as a liability at year-end is:

	91,388	71,034
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(c) Franked dividends

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

	238,213	199,676
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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 \$39,166,000 (2012: \$30,443,000).

9 Earnings per share

	2013	2012
(a) Basic earnings per share	Cents	Cents
Profit attributable to the company's ordinary equity holders	245.6	200.1
(b) Diluted earnings per share		
Profit attributable to the company's ordinary equity holders	244.2	198.6
(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	246,082	200,066
(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>	100,214,980	99,998,748
Adjustments for calculation of diluted earnings per share:		
Options and Rights	<u>553,638</u>	<u>714,235</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	100,768,618	100,712,983

(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 33.

	2013	2012
	\$'000	\$'000
10 Current assets - Cash and cash equivalents		
Cash at bank and on hand	433,799	400,849
Client account	793,220	631,618
	1,227,019	1,032,467
(a) Reconciliation to Statement of Cash Flows		
Cash and cash equivalents	1,227,019	1,032,467
Bank overdrafts (note 23)	-	(4,850)
Balance per Statement of Cash Flows	1,227,019	1,027,617
(b) Reconciliation of profit after tax to net cash inflow from operating activities		
Profit for the year	246,082	200,066
Depreciation and amortisation	49,812	50,260
Net (gain) / loss on disposal of non-current assets	1,087	969
Net (gain) / loss on impairment and reversal of impairment	(5,562)	-
Net (gain) / loss on sale of financial assets at fair value	(2,572)	(2,013)
Share of (profits) / losses of joint ventures and associates not received as dividends or distributions	1,004	340
Non-cash financing costs	-	(82)
Net exchange differences	(15,429)	(6,675)
(Increase) / decrease in trade and other receivables	(46,864)	(45,374)
(Increase) / decrease in deferred tax assets	(1,623)	2,439
(Increase) / decrease in inventories	6	88
Increase / (decrease) in trade creditors and other payables	136,271	137,009
Increase / (decrease) in income taxes payable / receivable	(2,605)	527
Increase / (decrease) in deferred tax liabilities	(1,423)	(1,089)
Increase / (decrease) in other provisions	12,139	4,563
Net cash inflow / (outflow) from operating activities	370,323	341,028

(c) Risk exposure

The group's exposure to interest rate risk is discussed in note 31.

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.

	2013	2012
	\$'000	\$'000
11 Current assets - Trade and other receivables		
Trade receivables	473,130	415,974
Less: Provision for impairment of receivables	(5,798)	(6,346)
	467,332	409,628
GST receivable	1,461	2,707
Prepayments	22,262	27,650
Accrued interest	7,416	12,091
Other receivables	3,764	3,067
	34,903	45,515
Total trade and other receivables	502,235	455,143

(a) Provision for impairment of receivables

At 30 June 2013, current group trade receivables with a nominal value of \$5,798,000 (2012: \$6,346,000) 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	6,346	5,633
Bad debts expense	12,695	4,677
Changes due to foreign exchange translation	405	(159)
Receivables written off during the year as uncollectible	(13,648)	(3,805)
	5,798	6,346

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

(b) Past due but not impaired

At 30 June 2013, group trade receivables of \$59,649,000 (2012: \$50,187,000) 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	59,273	50,187
Over 9 months	376	-
	59,649	50,187

(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 31.

(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 31 for more information on the group's risk management policy and the credit quality of the entity's trade receivables.

	2013	2012
	\$'000	\$'000
12 Current assets - Available-for-sale financial assets		
Unlisted debt securities	<u>36,803</u>	<u>53,051</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 4.82% (2012: 0% and 10.75%).

The weighted average interest rate for the year was 2.56% (2012: 3.98%).

(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 (2012: nil).

13 Current assets - Financial assets at fair value through profit and loss

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

Income tax receivable	<u>4,527</u>	<u>5,042</u>
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15 Other financial assets

Current

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

Loans to related parties	<u>7,407</u>	<u>7,073</u>
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Refer to note 34 for terms of the loans to related parties.

	2013	2012
	\$'000	\$'000
16 Derivative financial instruments		
Current assets		
Forward foreign exchange contracts - held for trading ((a)(i))	13,416	-
Total current derivative financial instrument assets	13,416	-
Current liabilities		
Forward foreign exchange contracts - held for trading ((a)(i))	-	481
Total current derivative financial instrument liabilities	-	481
Non-current liabilities		
Interest rate swaps - cash flow hedges ((a)(ii))	-	283
Total non-current derivative financial instrument liabilities	-	283

(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 31).

(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 31 for details). Foreign gains or losses on these contracts are recognised through the income statement.

(ii) Interest rate swap contracts - cash flow hedges

In December 2012, the group capitalised on the Australian dollar's strength by repaying the unsecured \$US60,000,000 loan that was used to partly fund the Liberty Travel acquisition in the United States in 2008. The group protected part of the loan from exposure to interest rate fluctuations by entering into interest rate swap contracts, under which it was obliged to receive interest at variable rates and pay interest at fixed rates. The interest rate swap contracts were settled when the loan was repaid.

(b) Risk exposures

Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 31.

17 Non-current assets - Property, plant and equipment

Year ended 30 June 2013	Freehold land & buildings \$'000	Plant and equipment \$'000	Total \$'000
Opening balance at 1 July 2012			
Cost	38,577	276,878	315,455
Accumulated depreciation	(5,101)	(166,843)	(171,944)
Net book amount at 1 July 2012	33,476	110,035	143,511
Year ended 30 June 2013			
Opening cost	38,577	276,878	315,455
Additions	32	42,934	42,966
Acquisitions	-	1,783	1,783
Disposals	-	(27,648)	(27,648)
Transfer from intangibles	-	5,431	5,431
Reversal of previous impairment ¹	6,130	-	6,130
Exchange differences	(172)	7,281	7,109
Closing cost	44,567	306,659	351,226
Opening accumulated depreciation	(5,101)	(166,843)	(171,944)
Depreciation expense	(484)	(39,179)	(39,663)
Depreciation on disposals	-	26,086	26,086
Transfer from intangibles	-	(1,707)	(1,707)
Exchange differences	(40)	(5,275)	(5,315)
Closing accumulated depreciation	(5,625)	(186,918)	(192,543)
At 30 June 2013			
Cost	44,567	306,659	351,226
Accumulated depreciation	(5,625)	(186,918)	(192,543)
Net book amount at 30 June 2013	38,942	119,741	158,683

¹ During the period, management obtained external market valuations for the group's land and buildings. As a result, a reversal of the previous land and buildings impairment was recorded in the profit and loss for the increase in the value of the land and buildings in Australia (\$5,532,000) and South Africa (\$598,000), reversing a previous revaluation impairment that was taken to the income statement in 2009.

17 Non-current assets - Property, plant and equipment (continued)

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

(a) Impairment charge

There were no impairment charges in 2013 or 2012.

18 Non-current assets - Intangible assets

	Goodwill	Brand names and customer relationships	Other intangible assets ¹	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2013				
Opening balance at 1 July 2012				
Cost	283,669	64,513	61,890	410,072
Accumulated depreciation	-	(14,233)	(43,217)	(57,450)
Net book amount at 1 July 2012	283,669	50,280	18,673	352,622
Year ended 30 June 2013				
Opening cost	283,669	64,513	61,890	410,072
Additions	-	122	10,493	10,615
Acquisitions	1,078	-	-	1,078
Disposals	-	(196)	(12,703)	(12,899)
Transfer to property, plant and equipment	-	-	(5,431)	(5,431)
Exchange differences	15,098	2,227	1,281	18,606
Closing cost	299,845	66,666	55,530	422,041
Opening accumulated amortisation	-	(14,233)	(43,217)	(57,450)
Amortisation expense	-	(3,391)	(6,328)	(9,719)
Amortisation on disposals	-	71	12,586	12,657
Transfer to property, plant and equipment	-	-	1,707	1,707
Exchange differences	-	(1,454)	(1,093)	(2,547)
Closing accumulated amortisation	-	(19,007)	(36,345)	(55,352)
At 30 June 2013				
Cost	299,845	66,666	55,530	422,041
Accumulated amortisation	-	(19,007)	(36,345)	(55,352)
Net book amount at 30 June 2013	299,845	47,659	19,185	366,689

¹ Other intangible assets predominantly relate to software.

18 Non-current assets - Intangible assets (continued)

	Goodwill	Brand names and customer relationships	Other intangible assets ¹	Total
Year ended 30 June 2012	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2011				
Cost	275,467	63,293	52,837	391,597
Accumulated amortisation	-	(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	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

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	United Kingdom	United States	Other countries¹	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2013	124,150	77,891	54,748	43,056	299,845
2012	49,928	71,032	129,392	33,317	283,669
Indefinite lived intangibles					
2013	-	-	42,289	-	42,289
2012	-	-	42,289	-	42,289

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

A CGU's recoverable amount is determined based on the higher of value-in-use calculations and fair value less cost to sell. FLT has performed all impairment tests based on value-in-use in the 2013 and 2012 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 up to 5.5% (2012: 0% and 3%) are applied to all CGUs and the discount rate is calculated each year based on market data.

During the year, certain goodwill amounts and the related cash flows were re-allocated across the group's CGUs to reflect a realignment of operations.

Intangibles with indefinite lives are brand names. FLT intends to continue to use these brands indefinitely and, as such, these brands have been assessed as having indefinite lives.

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

Goodwill	Discount rate¹	
	2013	2012
	%	%
CGU		
Australia	14.7	14.8
United States	15.7	14.6
United Kingdom	14.7	14.8
India	20.9	20.0
Other countries (excluding those listed above)	14.7	14.8

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, terminal growth rates were not applied to all CGUs. The exceptions are the United States and India, where rates between 2% and 5.5% (2012: 2% and 3%) 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 in line with long-term inflation in local currencies.

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

- Budgeted EBITDA (earnings before net interest, tax, depreciation and amortisation) is based on management's forecasts of revenue from travel services taking into account expected TTV growth.
- Revenue forecasts take into account historical revenue and consider external factors such as market sector and geography.
- Costs are calculated taking into account historical margins, known increases and estimated inflation rates over the period consistent with the locations in which the CGUs operate.
- Long-term growth rates used in the valuation reflect the long term government bond yields or broker consensus on growth rates in the country in which the CGU operates.

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

18 Non-current assets - Intangible assets (continued)

(c) Impairment charge

There were no impairment charges for the current or preceding year.

(d) Impact of possible changes in key assumptions

United States

For the United States segment, there are reasonably possible changes in key assumptions (discussed below) that could cause the segment's carrying value to exceed its recoverable amount. The US segment's calculated fair value exceeds its carrying amount by \$6,122,000.

Discount rate assumptions

Management recognises that the actual time value of money may vary to what it has estimated.

Management notes the pre-tax discount rate will have to increase by 1% for the United States segment's recoverable amount to fall below its carrying amount. However, this excludes the impact of growth rates that could potentially be applied.

Budgeted EBITDA assumptions

Management recognises that actual results (EBITDA) may vary to what it has estimated. Management notes budgeted EBITDA growth rates for years two to five used in the value-in-use calculations will have to decrease by 3% for the United States segment's recoverable amount to fall below its carrying amount which is considered to be a reasonable possible change in EBITDA.

Terminal growth rates

There is no reasonably possible change in terminal growth rates which could cause the United States segment's recoverable amount to fall below its carrying amount.

India

For the India CGU, there are reasonably possible changes in key assumptions (discussed below) that could cause the CGU's carrying value of the segment to exceed its recoverable amount. The India CGU's calculated fair value exceeds its carrying amount by \$12,499,000.

Budgeted EBITDA assumptions

Management recognises that actual results (EBITDA) may vary to what it has estimated. Management notes budgeted EBITDA growth rates for years two to five used in the value-in-use calculations will have to decrease by 6% for the India CGU's recoverable amount to fall below its carrying amount which is considered to be a reasonable possible change in EBITDA.

Australia, United Kingdom and other countries (excluding India and the US)

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

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

	2013	2012
	\$'000	\$'000
Investments accounted for using the equity method – carrying value		
Interest in joint ventures (a)	4,105	7,347
Total	4,105	7,347
Share of (loss) / profit of investments accounted for using the equity method		
Interest in joint ventures (a)	(1,004)	(340)
Total	(1,004)	(340)

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) Interests in joint ventures

FLT is involved in two joint ventures as follows:

- A 50% shareholding in Employment Office Australia Pty Ltd, a recruitment business incorporated in Australia
- A 50% shareholding in Pedal Group Pty Ltd. Significant shareholdings for Pedal Group include 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.

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	
	2013	2012	2013	2012
			\$'000	\$'000
Employment Office Australia Pty Ltd	50%	50%	3,244	2,861
My Adventure Store Holdings Pty Ltd (formerly Intrepid Retail Group Pty Ltd) ¹	N/A	50%	-	3,590
Pedal Group Pty Ltd	50%	50%	861	896
Back-Roads Touring Co. Ltd ²	N/A	67%	-	-
			4,105	7,347

¹ The remaining 50% of My Adventure Store Holdings Pty Ltd was purchased on 30 June 2013 and, therefore, is no longer accounted for using the equity method.

² Back-Roads Touring Co. Ltd was deemed to be a subsidiary at 30 June 2013 and, therefore, is no longer accounted for using the equity method.

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

	2013	2012
	\$'000	\$'000
Share of joint venture revenue, expenses and results		
Revenues	27,101	24,168
Expenses	<u>(28,105)</u>	<u>(24,508)</u>
Profit / (loss) after income tax	<u>(1,004)</u>	<u>(340)</u>
Share of joint venture assets and liabilities¹		
Current assets	10,450	12,296
Non-current assets	<u>1,471</u>	<u>2,357</u>
Total assets	<u>11,921</u>	<u>14,653</u>
Current liabilities	2,418	3,789
Non-current liabilities	<u>7,632</u>	<u>7,124</u>
Total liabilities	<u>10,050</u>	<u>10,913</u>
Net assets	<u>1,871</u>	<u>3,740</u>
Share of joint venture commitments		
Lease commitments	3,263	6,306
Capital expenditure commitments	75	-

¹ FLT's share of the carrying value of joint venture assets and liabilities.

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	
			2013 %	2012 %
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 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	Australia	Ordinary	100	100
Moneywise Global Personal Tax Services Pty Ltd	Australia	Ordinary	100	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 ⁵	Canada	Ordinary	-	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
FC Investment Consulting Co. Ltd ⁷	China	Ordinary	-	100
Flight Centre (Hong Kong) Limited (formerly 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
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 ⁶	United Kingdom	Ordinary	-	100
Gapyear.com Limited	United Kingdom	Ordinary	100	100
The Gapyear Company Limited	United Kingdom	Ordinary	100	100
Back-Roads Touring Co. Ltd ^{3,8}	United Kingdom	Ordinary	67	67
Flight Centre Robin Limited ⁴	United Kingdom	Ordinary	100	-
Flight Centre Finch Limited ⁴	United Kingdom	Ordinary	100	-
Flight Centre USA Holding Corp	USA	Ordinary	100	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
My Adventure Store Holdings Pty Ltd (formerly Intrepid Retail Group Pty Ltd) ⁴	Australia	Ordinary	100	50
My Adventure Store (UK) Limited (formerly Intrepid My Adventure UK Limited) ⁴	United Kingdom	Ordinary	100	-
My Adventure Store (NZ) Limited (formerly Intrepid Retail (NZ) Limited) ⁴	New Zealand	Ordinary	100	-
My Adventure Store Pty Ltd (formerly Intrepid Retail Pty Ltd) ⁴	Australia	Ordinary	100	-
7913206 Canada Inc ⁹	Canada	Ordinary	100	-

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 35.
- 2 FCm Travel Solutions (L.L.C), incorporated in Dubai, is considered an FLT subsidiary. The 51% outside 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), 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. Back-Roads Touring Co. Ltd has a year-end date of 31 March. These entities are consolidated into the group's 30 June year-end using their monthly figures from July to June.
- 4 These entities have been acquired or incorporated during the 30 June 2013 financial year.
- 5 Garber Travel Canada Inc was deregistered in August 2012.
- 6 Garber Travel Services Limited was deregistered on 18 December 2012.
- 7 FC Investment Consulting was deregistered on 31 December 2012.
- 8 Back-Roads Touring Co. Ltd was deemed to be a subsidiary at 30 June 2013 as FLT has control of the company.
- 9 7913206 Canada Inc became a subsidiary at 30 June 2013. On 1 July 2013 it was merged into The Flight Shops Inc.

21 Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

		2013	2012
	Notes	\$'000	\$'000
Doubtful debts		1,674	1,668
Employee benefits		19,943	17,059
Provision for asset write-down		349	472
Property, plant and equipment		10,961	9,083
Accruals		6,663	5,529
Investment write-down		1,416	3,415
Unearned income		831	1,048
Losses		6,513	8,089
Leasing		8,825	7,239
Provisions		2,710	4,102
Other		528	851
		<u>60,413</u>	<u>58,555</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	26	<u>(9,719)</u>	<u>(8,591)</u>
Net deferred tax assets		<u>50,694</u>	<u>49,964</u>
Deferred tax assets to be recovered within 12 months		24,771	21,235
Deferred tax assets to be recovered after more than 12 months		<u>35,642</u>	<u>37,320</u>
		<u>60,413</u>	<u>58,555</u>

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

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)	-	-	-
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)
At 30 June 2012	5,529	7,239	14,562	58,555

Movements	Financial assets \$'000	Employee benefits \$'000	Doubtful debts \$'000	Depreciation \$'000
At 1 July 2012	3,415	17,059	1,668	9,083
Credited / (charged) to the income statement	(1,180)	1,271	6	1,878
Credited / (charged) directly to equity	-	1,613	-	-
Credited / (charged) to comprehensive income	(819)	-	-	-
At 30 June 2013	1,416	19,943	1,674	10,961

Movements	Accruals \$'000	Leasing \$'000	Other \$'000	Total \$'000
At 1 July 2012	5,529	7,239	14,562	58,555
Credited / (charged) to the income statement	1,134	1,586	(3,631)	1,064
Credited / (charged) directly to equity	-	-	-	1,613
Credited / (charged) to comprehensive income	-	-	-	(819)
At 30 June 2013	6,663	8,825	10,931	60,413

22 Trade and other payables

	2013	2012
(a) Current	\$'000	\$'000
Trade payables	254,014	247,168
Client creditors	887,427	756,421
Accrued unsecured note interest	5,385	5,478
Annual leave	31,719	27,930
Contingent consideration	26	45
	<u>1,178,571</u>	<u>1,037,042</u>
(b) Non-current		
Lease incentive liability	4,575	3,725
Contingent consideration	103	398
Straight-line lease liability	17,454	16,686
	<u>22,132</u>	<u>20,809</u>

Risk exposure

Information about the group's exposure to foreign exchange risk is provided in note 31.

Contingent consideration

Current

As at 1 July	45	125
Payments	(28)	(738)
Movement attributable to change in foreign currency exchange rates	2	-
Change in growth assumptions	(16)	-
Reclassification from non-current	23	658
As at 30 June	<u>26</u>	<u>45</u>

Non-current

As at 1 July	398	1,174
Movement attributable to change in foreign currency exchange rates	23	16
Change in growth assumptions	(295)	(134)
Reclassification to current	(23)	(658)
As at 30 June	<u>103</u>	<u>398</u>

Total contingent consideration

	<u>129</u>	<u>443</u>
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Contingent consideration is payable to previous owners of businesses that FLT has purchased. Future payments estimates are recognised as liabilities and have been discounted to their present values over the period to maturity of 1 to 5 years.

	2013	2012
	\$'000	\$'000
23 Borrowings		
(a) Current		
<i>Secured</i>		
Bank overdrafts	-	4,850
Bank loan	456	7,546
<i>Unsecured</i>		
Bank loan	27,464	18,628
Net unsecured notes principal	15,630	14,138
Total current borrowings	43,550	45,162
(b) Non-current		
<i>Secured</i>		
Bank loan	2,636	3,551
<i>Unsecured</i>		
Bank loan	-	58,462
Total non-current borrowings	2,636	62,013

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).

Net unsecured notes principal

Unsecured notes principal	93,266	82,254
Loans held for unsecured notes	(77,636)	(68,116)
Net unsecured notes principal	15,630	14,138

The group's weighted average interest rate during the year was 34.38% (2012: 29.50%), calculated on the face value of the unsecured notes principal, net of BOS loans provided.

Bank overdrafts

There are no secured overdraft facilities available to the group (2012: \$7,140,000). In 2012, these bore interest in the range of 5% - 6.58%.

Risk exposures

Details of the group's exposure to risks arising from borrowings are set out in note 31.

(i) Financing arrangements

	2013	2012
	\$'000	\$'000
Bank loan facilities		
Unused at balance date	8,579	504
Used at balance date	30,556	88,656
Total facilities	39,135	89,160

Current bank loan facilities are subject to annual review and are at floating interest rates.

Non-current loans have an average maturity of 5.8 years and are at fixed interest rates.

The current interest rates on bank loan facilities range from 1.63% - 11.75% (2012: 1.60% - 12.25%).

South Africa building loan is secured and has been disclosed as secured as set out in note 23(b)(iii).

Purchase card facilities of \$43,632,000 are available to the Group (2012: \$39,471,000).

23 Borrowings (continued)

Bank guarantees / Letters of credit facilities

Letters of credit facilities of \$85,513,000 are available to the company (2012: \$169,804,000). The total letters of credit issued under these facilities was \$38,057,000 (2012: \$46,114,000).

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

No assets are pledged as security for bank guarantee or letter of credit facilities.

(ii) Fair value

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

	Carrying amount	Fair value	Carrying amount	Fair value
	2013	2013	2012	2012
	\$'000	\$'000	\$'000	\$'000
On-balance sheet				
<i>Non-traded financial liabilities</i>				
Bank overdrafts	-	-	4,850	4,850
Bank loans	30,556	30,556	88,187	88,187
Net unsecured notes principal	15,630	15,630	14,138	14,138
	46,186	46,186	107,175	107,175

(iii) Assets pledged as security for secured liabilities

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

	2013	2012
	\$'000	\$'000
Non-current		
Buildings	4,055	4,992
Total assets pledged as security	4,055	4,992

	2013	2012
	\$'000	\$'000
24 Provisions		
(a) Current		
Employee benefits - Long service leave	<u>16,369</u>	<u>14,536</u>
(b) Non-current		
Employee benefits - Long service leave	17,299	13,635
Employee benefits - Other long-term benefits	4,049	-
Make good provision	<u>8,746</u>	<u>6,285</u>
	<u>30,094</u>	<u>19,920</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	6,285	4,549
Additional provisions recognised	2,856	2,285
Increase / (decrease) in provision due to amounts used during the year	(189)	(373)
Increase / (decrease) in provision due to unused amounts	(76)	-
Increase / (decrease) in discounted amount arising from passage of time and discount rate adjustments	(204)	(194)
Increase / (decrease) due to changes in foreign currency exchange rates	<u>74</u>	<u>18</u>
Carrying amount at end of year	<u>8,746</u>	<u>6,285</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.

Of the entire amount of the provision of \$33,668,000 (2012: \$28,171,000), \$16,369,000 (2012: \$14,536,000) 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>14,506</u>	<u>12,878</u>
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	Notes	2013 \$'000	2012 \$'000
25 Current liabilities - Current tax liabilities			
Provision for taxation		<u>49,011</u>	<u>52,038</u>
26 Non-current liabilities - Deferred tax liabilities			
The balance comprises temporary differences attributable to:			
Trade and other receivables		6,005	5,954
Property, plant and equipment		3,468	4,579
Unrealised foreign exchange		657	331
Investments		289	282
Leasing		3,110	2,797
Other		<u>177</u>	<u>58</u>
		<u>13,706</u>	<u>14,001</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	21	<u>(9,719)</u>	<u>(8,591)</u>
Net deferred tax liabilities		<u>3,987</u>	<u>5,410</u>
Deferred tax liabilities to be settled within 12 months		6,045	5,956
Deferred tax liabilities to be settled after more than 12 months		<u>7,661</u>	<u>8,045</u>
		<u>13,706</u>	<u>14,001</u>

	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
Movements:					
At 1 July 2011	6,043	5,218	497	2,583	14,341
(Credited) / charged to the income statement	(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>
At 1 July 2012	5,954	4,579	331	3,137	14,001
(Credited) / charged to the income statement	51	(1,111)	326	439	(295)
At 30 June 2013	<u>6,005</u>	<u>3,468</u>	<u>657</u>	<u>3,576</u>	<u>13,706</u>

27 Contributed equity

	2013	2012	2013	2012
	Shares	Shares	\$'000	\$'000
(a) Share capital				
<i>Authorised shares</i>				
Fully paid ordinary shares (b)(c)	<u>100,426,726</u>	<u>100,047,288</u>	<u>388,069</u>	<u>382,989</u>

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1 July 2011	Opening balance	99,953,554		381,308
29 July 2011	Employee Share Plan	6,291	\$ 21.91	138
31 August 2011	Employee Share Plan	8,075	\$ 19.05	154
16 September 2011	Senior Executive Performance Rights Plan	7,000	\$ -	-
30 September 2011	Employee Share Plan	7,957	\$ 17.55	140
28 October 2011	Employee Share Plan	7,513	\$ 18.02	135
28 October 2011	Employee Share Plan	1	\$ 22.06	-
30 November 2011	Employee Share Plan	7,460	\$ 18.54	138
30 December 2011	Employee Share Plan	7,413	\$ 18.13	134
31 January 2012	Employee Share Plan	4,682	\$ 19.09	89
29 February 2012	Employee Share Plan	7,733	\$ 21.31	165
30 March 2012	Employee Share Plan	7,018	\$ 21.23	149
30 April 2012	Employee Share Plan	7,045	\$ 20.95	148
31 May 2012	Employee Share Plan	8,091	\$ 18.46	149
29 June 2012	Employee Share Plan	7,455	\$ 19.09	142
30 June 2012	Closing balance	100,047,288		382,989
1 July 2012	Opening balance	100,047,288		382,989
31 July 2012	Employee Share Plan	7,847	\$ 21.10	165
30 August 2012	Senior Executive Performance Rights Plan	11,000	\$ -	-
31 August 2012	Employee Share Plan	6,531	\$ 23.60	154
12 September 2012	Senior Executive Option Plan	20,000	\$ 10.00	200
13 September 2012	Senior Executive Option Plan	10,000	\$ 10.00	100
14 September 2012	Senior Executive Option Plan	20,000	\$ 10.00	200
20 September 2012	Senior Executive Option Plan	20,000	\$ 10.00	200
28 September 2012	Employee Share Plan	6,591	\$ 23.69	156
31 October 2012	Employee Share Plan	5,389	\$ 27.14	146
30 November 2012	Employee Share Plan	5,482	\$ 26.95	148
31 December 2012	Employee Share Plan	5,488	\$ 26.42	145
1 February 2013	Employee Share Plan	5,463	\$ 28.86	158
26 February 2013	Senior Executive Option Plan	35,000	\$ 10.00	350
26 February 2013	Employee Share Plan Matched Shares	8,417	\$ 31.50	265
28 February 2013	Employee Share Plan	5,316	\$ 32.31	172
5 March 2013	Senior Executive Option Plan	70,000	\$ 10.00	700
15 March 2013	Senior Executive Option Plan	55,000	\$ 10.00	550
28 March 2013	Senior Executive Option Plan	65,000	\$ 10.00	650
28 March 2013	Employee Share Plan	4,643	\$ 33.57	156
30 April 2013	Employee Share Plan	4,352	\$ 35.79	156
31 May 2013	Employee Share Plan	3,953	\$ 38.64	153
28 June 2013	Employee Share Plan	3,966	\$ 39.39	156
30 June 2013	Closing balance	100,426,726		388,069

(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.

27 Contributed equity (continued)

(d) Employee Share Plan

Information relating to the Employee Share Plan is set out in the remuneration report and in note 33.

(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 33.

(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 33.

(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.

	Notes	2013 \$'000	2012 \$'000
Total borrowings		46,186	107,175
Total equity		<u>1,026,194</u>	<u>857,129</u>
Gearing ratio		<u>5%</u>	<u>13%</u>

28 Reserves

Available-for-sale investments revaluation reserve		(1,079)	(2,704)
Share-based payments reserve		6,549	4,518
Foreign currency translation reserve		(41,251)	(72,634)
Hedging reserve - cash flow hedges		-	(159)
		<u>(35,781)</u>	<u>(70,979)</u>

Movement in reserves:

Available-for-sale investments revaluation reserve

Balance 1 July		(2,704)	(3,343)
Revaluation gross		2,318	898
Deferred tax	21	(693)	(259)
Balance 30 June		<u>(1,079)</u>	<u>(2,704)</u>

Share-based payments reserve

Balance 1 July		4,518	2,679
Share-based payments expense		418	1,207
Deferred tax	21	1,613	632
Balance 30 June		<u>6,549</u>	<u>4,518</u>

Foreign currency translation reserve

Balance 1 July		(72,634)	(74,004)
Net exchange differences on translation of foreign operations		31,383	1,370
Balance 30 June		<u>(41,251)</u>	<u>(72,634)</u>

28 Reserves (continued)

	Notes	2013 \$'000	2012 \$'000
<i>Hedging reserve – cash flow hedges</i>			
Balance 1 July		(159)	(73)
Fair value adjustments		285	(162)
Deferred tax	21	(126)	76
Balance 30 June		<u>-</u>	<u>(159)</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.

(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 described 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	111,773	102,821
Later than one year but not later than five years	259,983	260,814
Later than five years	44,909	31,014
	<u>416,665</u>	<u>394,649</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 agreements.

30 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 the global task force (chief operating decision makers) in assessing performance and in determining resource allocation. The company's global task force currently consists of the following members:

- Managing director
- Chief financial officer
- Chief operating officer
- Executive general manager – UK, South Africa
- Executive general manager – USA; and
- Executive general manager – global corporate and Asia

The board and task force 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 task force, 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 financial statements 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.

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 following tables. As indicated, the group is organised and managed globally into geographic areas.

Revenue is calculated on a consistent basis across all segments.

(e) Segment information presented to the board of directors and global task force

The segment information provided to the board and task force for the reportable segments for the years ended 30 June 2013 and 30 June 2012 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 earnings before net interest, tax, depreciation and amortisation. These non-IFRS measures are commonly used by management, investors and financial analysts to evaluate companies' performance.

The segment result is adjusted EBIT. 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.

30 Segment information (continued)

Segment assets and liabilities

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

FLT has opted to not disclose non-current assets by geographical location as this information is not provided to and/or reviewed by the chief decision makers, and is not readily available. As such, the cost of developing and providing this information is in excess of the attributable benefits.

Other segment

The other segment disclosed in the tables on the following pages includes Brisbane-based support businesses which conduct business on a global basis in their own right and are not associated to a particular country.

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.

30 Segment information (continued)

June 2013	Australia	United States	United Kingdom	Rest of World	Other Segment ¹	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment information						
TTV²	8,516,380	1,726,980	1,187,557	2,669,692	158,653	14,259,262
Total segment revenue	1,204,955	206,237	184,504	334,047	165,839	2,095,582
Inter-segment revenue	(93,126)	2,069	(10,491)	(950)	(7,289)	(109,787)
Revenue from external customers	1,111,829	208,306	174,013	333,097	158,550	1,985,795
Statutory EBITDA	311,371	18,791	37,822	36,520	(9,265)	395,239
Depreciation and amortisation	(27,594)	(7,350)	(3,991)	(9,375)	(1,502)	(49,812)
Statutory EBIT	283,777	11,441	33,831	27,145	(10,767)	345,427
Interest income	768	333	1,427	976	31,802	35,306
BOS interest expense	(21,156)	(491)	(1,488)	(3,882)	(1,131)	(28,148)
Other interest expense	(908)	(1,047)	(143)	(447)	(1,035)	(3,580)
Other non-material items	96	-	(40)	(4)	152	204
Net profit before tax and royalty	262,577	10,236	33,587	23,788	19,021	349,209
Royalty	24,464	(4,865)	(10,907)	(8,692)	-	-
Net profit before tax and after royalty	287,041	5,371	22,680	15,096	19,021	349,209
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	283,777	11,441	33,831	27,145	(10,767)	345,427
Interest income ³	676	-	-	1,349	10,513	12,538
BOS interest expense	(21,156)	(491)	(1,488)	(3,882)	(1,131)	(28,148)
Other interest expense ⁴	-	(35)	-	-	-	(35)
Net foreign exchange (gains) / losses on intercompany loans	-	-	-	-	1,721	1,721
Other items	(259)	-	(329)	7,267	(7,157)	(478)
Adjusted EBIT/ Segment Result	263,038	10,915	32,014	31,879	(6,821)	331,025
Share of profit/(loss) from associates and joint ventures	(1,004)	-	-	-	-	(1,004)
Net gain on financial assets at FVTPL	2,572	-	-	-	-	2,572
Cash and cash equivalents	1,308,170	167,707	113,670	147,765	(510,293)	1,227,019

30 Segment information (continued)

June 2012	Australia \$'000	United States \$'000	United Kingdom \$'000	Rest of World \$'000	Other Segment ¹ \$'000	Total \$'000
Segment information						
TTV²	7,844,901	1,684,309	1,154,358	2,410,034	144,524	13,238,126
Total segment revenue	1,131,054	202,835	165,612	301,160	144,202	1,944,863
Inter-segment revenue	(108,272)	679	(8,600)	(1,491)	-	(117,684)
Revenue from external customers	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/ Segment Result	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

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

² TTV is an un-audited non-IFRS measure.

³ Land wholesale interest only.

⁴ Interest expense includes finance lease charges only.

31 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:

	2013 \$'000	2012 \$'000
Financial assets		
Cash and cash equivalents	1,227,019	1,032,467
Available-for-sale financial assets	36,803	53,051
Financial assets at fair value through profit and loss	-	6,802
Trade and other receivables	502,235	455,143
Derivative financial instruments	13,416	-
Other financial assets	<u>7,407</u>	<u>7,902</u>
	<u>1,786,880</u>	<u>1,555,365</u>
Financial liabilities		
Trade and other payables	1,146,826	1,009,067
Contingent consideration	129	443
Borrowings	46,186	107,175
Derivative financial instruments	<u>-</u>	<u>764</u>
	<u>1,193,141</u>	<u>1,117,449</u>

31 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:

	2013	2012
	\$'000	\$'000
Trade receivables		
US Dollar	12,991	9,421
Great Britain Pound	307	744
Euro	421	509
Thai Baht	786	-
Fijian Dollar	582	355
New Zealand Dollar	566	132
Chinese Renminbi	235	62
Other	852	274
Trade payables		
US Dollar	27,591	22,903
Great Britain Pound	2,851	1,926
Euro	6,142	4,661
Thai Baht	5,843	5,919
Fijian Dollar	5,740	5,865
New Zealand Dollar	2,412	2,100
Canadian Dollar	2,421	2,447
Hong Kong Dollar	2,393	2,413
Malaysian Ringgit	1,166	1,083
French Pacific Franc	1,077	618
Singapore Dollar	1,817	2,047
South African Rand	1,025	705
Other	257	252

(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.

31 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 2013							
Cash and cash equivalents	-	1,148,204	62,602	16,213	-	-	1,227,019
Available-for-sale financial assets	9,713	5,067	16,940	5,083	-	-	36,803
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	6,174	496,061	502,235
Derivative financial instruments	-	13,416	-	-	-	-	13,416
Other financial assets	-	-	-	-	-	7,407	7,407
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

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.

31 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 \$471,820,000 (2012: \$380,589,000) that are readily available for managing liquidity risk.

Management monitors rolling forecasts of the group's liquidity reserve 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 in order 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 - 2013						
Non-derivatives						
Non-interest bearing – Trade and other payables	1,146,852	20	65	18	1,146,955	1,146,955
Borrowings	45,282	715	2,146	-	48,143	46,186
Total non-derivatives	1,192,134	735	2,211	18	1,195,098	1,193,141
Derivatives – net settled	-	-	-	-	-	-
Group - 2012						
Non-derivatives						
Non-interest bearing – Trade and other payables	1,009,112	263	135	-	1,009,510	1,009,510
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

31 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 also expose the group to cash flow interest rate risk.

The variable rate borrowings at reporting date are disclosed in note 23.

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.

Under group policy, the maximum percentage of outstanding external group debt that may be maintained at a fixed interest rate is 50%, unless the global CFO and global treasurer approve otherwise.

The group's receivables are not subject to interest rate risk.

31 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 2013				
Assets				
Available-for-sale financial assets	-	36,803	-	36,803
Financial assets at fair value through profit and loss	-	-	-	-
Derivative financial instruments	-	13,416	-	13,416
Total assets	-	50,219	-	50,219
Liabilities				
Contingent consideration	-	-	129	129
Total liabilities	-	-	129	129
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

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 2011	1,299
Other increases / (decreases)	(722)
Gains / (losses) recognised in the income statement	(134)
Closing balance 30 June 2012	443
Other increases / (decreases)	(339)
Gains / (losses) recognised in the income statement	25
Closing balance 30 June 2013	129

31 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. Interest rate sensitivities are based on reasonable changes in interest rates on that portion of cash, investments and borrowings affected. Foreign exchange sensitivities are based on reasonably possible changes in foreign exchanges rates. For interest rate and foreign exchange rate sensitivities, all other variables are held constant. The movement in equity excludes movements in retained earnings.

Consolidated	Carrying amount	Interest rate risk				Foreign exchange risk				Other price risk ¹			
		-1%	-1%	+1%	+1%	-10%	-10%	+10%	+10%	-1%	-1%	+1%	+1%
2013	\$'000	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	1,227,019	(12,270)	-	12,270	-	1,550	-	(1,322)	-	-	-	-	-
Available-for-sale financial assets	36,803	(218)	-	218	-	-	-	-	-	-	-	-	-
Financial assets at FV through P&L	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	502,235	-	-	-	-	1,851	-	(1,515)	-	-	-	-	-
Derivative financial instruments	13,416	-	-	-	-	22,626	-	(18,521)	-	-	-	-	-
Other financial assets	7,407	(74)	-	74	-	-	-	-	-	-	-	-	-
Financial liabilities													
Trade and other payables	1,146,826	-	-	-	-	(6,645)	-	5,437	-	-	-	-	-
Contingent consideration	129	(2)	-	2	-	-	-	-	-	-	-	-	-
Borrowings - current	43,550	(497)	-	497	-	-	-	-	-	-	-	-	-
Borrowings - non-current	2,636	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total increase / (decrease)		(13,061)	-	13,061	-	19,382	-	(15,921)	-	-	-	-	-
2012													
Consolidated	Carrying amount	Interest rate risk				Foreign exchange risk				Other price risk ¹			
		-1%	-1%	+1%	+1%	-10%	-10%	+10%	+10%	-1%	-1%	+1%	+1%
2012	\$'000	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
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	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

¹ Other price risk represents a 1% shift in yield curve on debt securities.

32 Key management personnel (KMP) disclosures

(a) KMP compensation

	2013	2012
	\$	\$
Short-term employee benefits	5,973,179	6,497,681
Post-employment benefits	149,024	205,562
Share-based payments	183,717	413,785
Long-term benefits	<u>1,790,535</u>	<u>(283,857)</u>
	<u>8,096,455</u>	<u>6,833,171</u>

Detailed remuneration disclosures are provided in sections A-F of the remuneration report on pages 10 to 25.

(b) Equity instrument disclosures relating to KMP

(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 E of the remuneration report on pages 20 to 24.

(ii) Options and performance rights holdings

The number of options and performance rights over ordinary FLT shares held during the financial year by FLT's group KMP, including their personally related parties, is set out below.

Directors are not eligible to participate in the ESP and have elected not to participate in the SEOP 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
2013							
Other group KMP							
R. Flint ¹	16,500	-	(5,500)	-	11,000	-	11,000
M. Waters-Ryan ²	185,000	-	(105,000)	-	80,000	-	80,000
A. Flannery ²	145,000	-	(20,000)	-	125,000	45,000	80,000
C. Galanty	-	-	-	-	-	-	-
D.W. Smith	-	-	-	-	-	-	-
2012							
Other group KMP							
R. Flint ¹	22,000	-	(3,500)	(2,000)	16,500	-	16,500
M. Waters-Ryan ²	200,000	-	-	(15,000)	185,000	65,000	120,000
A. Flannery ²	160,000	-	-	(15,000)	145,000	25,000	120,000
C. Galanty	-	-	-	-	-	-	-
D.W. Smith	-	-	-	-	-	-	-
C. Bowman ²	160,000	-	-	(15,000)	145,000	25,000	120,000
M. Murphy ²	200,000	-	-	(15,000)	185,000	65,000	120,000

¹ R. Flint participated in the Senior Executive Performance Rights Plan.

² These KMP participated in the Senior Executive Option Plan.

32 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to KMP (continued)

(iii) Share holdings

The numbers of shares held during the financial year by FLT's directors and KMP, 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
2013				
FLT directors				
Ordinary shares				
P.R. Morahan	17,915	-	-	17,915
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	29,140	-	-	29,140
J.A. Eales (appointed 13 September 2012)	-	-	2,000	2,000
G.F. Turner	15,464,200	-	(219,713)	15,244,487
Other group KMP				
Ordinary shares				
R. Flint	-	5,500	(5,500)	-
M. Waters-Ryan	4,159	105,000	(39,159)	70,000
A. Flannery	256	20,000	(20,000)	256
C. Galanty	2,002	-	-	2,002
D.W. Smith	427	-	331	758
2012				
FLT directors				
Ordinary shares				
P.R. Morahan	17,915	-	-	17,915
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	30,000	-	(860)	29,140
G.F. Turner	15,811,201	-	(347,001)	15,464,200
Other group KMP				
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
D.W. Smith	128	-	299	427
C. Bowman	40,226	-	-	40,226
M. Murphy	3,000	-	-	3,000

(c) Other transactions with KMP

Directors and specified executives and their related companies receive travel services from FLT and its related companies on normal terms and conditions to employees and customers generally.

33 Share-based payments

(a) Senior Executive Option Plan (SEOP)

Options can be granted to executives at the board's discretion under the SEOP. Options that are available under the current plan to four senior executives were granted on 29 June 2009.

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
2013									
29/06/09	30/06/15	\$10.00	660,000	-	-	-	(295,000)	365,000	45,000
Weighted average exercise price			\$10.00	-	-	-	\$10.00	\$10.00	\$10.00
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

295,000 options were exercised during the year ended 30 June 2013 (2012: nil). The weighted average share price at date of exercise of options exercised during the year was \$29.41 (2012: N/A).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.0 years (2012: 3.0 years).

Fair value of options granted

Current year

No options were granted during the year ended 30 June 2013.

Prior year

No options were granted during the year ended 30 June 2012.

33 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. One executive has subsequently forfeited rights and, at June 2013, the performance rights were only available to the remaining senior executive.

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
2013									
12/08/11	30/06/15	\$0.00	33,000	-	(11,000)	-	(11,000)	11,000	-
Weighted average exercise price			\$0.00	-	\$0.00	-	\$0.00	\$0.00	-
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	\$0.00	-

11,000 performance rights were exercised during the year ended 30 June 2013 (2012: 4,000). The weighted average share price at the date of exercise of rights exercised during the year ended 30 June 2013 was \$24.00 (2012: \$18.00).

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 2.0 years (2012: 3.0 years).

Fair value of rights granted

Current year

No performance rights were granted during the year ended 30 June 2013.

Prior year

No performance rights were granted during the year ended 30 June 2012.

33 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.

	2013	2012
Number of shares issued under the plan to participating employees	73,438	86,734
Weighted average market price of shares issued	\$29.00	\$19.39

(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:

	2013	2012
	\$'000	\$'000
Options issued under the SEOP	228	314
Performance rights issued under the SEPRP	113	200
Matched shares allocated under ESP	<u>509</u>	<u>279</u>
	<u>850</u>	<u>793</u>

34 Related party transactions

(a) Parent entities

The ultimate 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) KMP compensation

KMP disclosures are set out in note 32.

(d) Transactions with related parties

	2013	2012
Income from joint venture related parties	\$	\$
Management fees	839,731	968,617
Fit out	2,095	729,522
Travel and conference	379,405	233,163
Advertising and marketing	1,482,474	1,127,935
Rent	294,227	353,202
IT services	265,257	189,600
Other	568,510	265,710
Expenses to joint venture related parties		
Commissions	16,520	-
Overrides expense	1,067,951	769,912
Marketing expense	264,303	300,000
Recruitment advertising expense	1,938,963	2,336,515
Income from director related entities		
Service Fee income	21,466	12,825
Expenses to director related entities		
Conference expense	196,004	173,323
Travel Expo expense	1,426,862	1,190,030
Marketing expense	33,261	-

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	54,010	363,294
Current payables	193,901	245,235
Director-related entities		
Current receivables	21,466	12,825
Prepaid expenses	87,407	84,241
Current payables	24,895	-

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.

34 Related party transactions (continued)

	2013	2012
	\$'000	\$'000
(f) Loans to related parties		
<i>Loans to joint venture related parties</i>		
Beginning of the year	7,902	7,193
Loans advanced	2,799	3,095
Loans repaid	(3,726)	(2,423)
Non-cash repayment	(72)	-
Interest charged	447	495
Loans forgiven	-	(279)
Foreign exchange movement	57	(179)
End of year	7,407	7,902

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 2.61% - 5.59% (2012: 2.92% - 8.17%).

	2013	2012
	\$'000	\$'000
Loans from related parties		
Beginning of the year	-	-
Recognition of loan on consolidation	(222)	-
Loans advanced	(43)	-
Interest charged	(5)	-
Foreign exchange movement	(17)	-
End of year	(287)	-

All loans from related parties were made on normal commercial terms and conditions and at market rates. The interest rate on loans during the year ranged from 2.61% - 3.0%.

(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.

35 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.

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue				
Revenue from the sale of travel services	1,192,539	1,030,978	957,923	814,605
Other revenue	61,834	124,478	86,193	140,078
Total revenue	1,254,373	1,155,456	1,044,116	954,683
Other income	11,180	4,358	11,230	3,974
Expenses				
Employee benefits	(607,658)	(561,127)	(513,530)	(473,160)
Sales and marketing	(73,771)	(84,786)	(68,845)	(82,415)
Rental expenses relating to operating leases	(71,085)	(68,069)	(70,136)	(67,206)
Amortisation and depreciation	(20,472)	(19,383)	(26,516)	(25,631)
Finance costs	(21,038)	(19,028)	(19,975)	(17,897)
Share of loss from joint venture	(1,004)	(340)	(1,004)	(340)
Other expenses	(175,727)	(153,278)	(124,504)	(105,676)
Profit before income tax expense	294,798	253,803	230,836	186,332
Income tax expense	(86,634)	(76,373)	(66,393)	(55,947)
Profit after income tax expense	208,164	177,430	164,443	130,385
Statement of comprehensive income				
Changes in the fair value of available-for-sale financial assets	2,307	822	2,307	822
Income tax expense on items of other comprehensive income	(692)	(247)	(692)	(247)
Total comprehensive income for the year	209,779	178,005	166,058	130,960
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	522,402	433,968	373,893	332,504
Profit from ordinary activities after income tax expense	208,164	177,430	164,443	130,385
Dividends provided for and paid	(117,295)	(88,996)	(117,295)	(88,996)
Retained profits at the end of the financial year	613,271	522,402	421,041	373,893

35 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current assets				
Cash and cash equivalents	891,360	755,331	802,363	677,346
Available-for-sale financial assets	34,659	48,844	34,659	48,844
Financial assets at fair value through profit and loss	-	6,802	-	6,802
Trade and other receivables	329,596	314,954	266,574	261,071
Current tax receivable	464	357	526	385
Intercompany receivable in relation to tax	-	-	105,104	83,835
Inventories	168	43	168	43
Derivative financial instruments	13,125	-	13,125	-
Other financial assets	1,231	829	1,231	829
Total current assets	1,270,603	1,127,160	1,223,750	1,079,155
Non-current assets				
Property, plant and equipment	54,790	52,479	64,509	61,827
Intangible assets	71,308	68,306	73,825	67,733
Investments accounted for using the equity method	513,558	448,612	541,884	476,937
Deferred tax assets	33,695	29,507	32,287	28,360
Other financial assets	7,407	7,073	7,407	7,073
Total non-current assets	680,758	605,977	719,912	641,930
Total assets	1,951,361	1,733,137	1,943,662	1,721,085
Current liabilities				
Trade and other payables	821,065	708,751	944,638	793,102
Borrowings	10,434	10,433	79,812	71,725
Provisions	16,137	14,402	16,137	14,402
Current tax liabilities	44,766	49,552	43,989	48,179
Intercompany payable in relation to tax	9,923	10,092	-	-
Derivative financial instruments	-	505	-	505
Total current liabilities	902,325	793,735	1,084,576	927,913
Non-current liabilities				
Trade and other payables	15,650	14,617	15,650	14,617
Borrowings	-	(430)	-	(430)
Provisions	26,551	17,974	26,551	17,974
Total non-current liabilities	42,201	32,161	42,201	32,161
Total liabilities	944,526	825,896	1,126,777	960,074
Net assets	1,006,835	907,241	816,885	761,011
Equity				
Contributed equity	388,069	382,989	388,069	382,989
Reserves	5,495	1,850	7,775	4,129
Retained profits	613,271	522,402	421,041	373,893
Total equity	1,006,835	907,241	816,885	761,011

36 Parent entity financial information

(a) Summary financial information

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

	Parent	
	2013	2012
	\$'000	\$'000
Current assets	1,257,726	1,102,425
Total assets	1,960,727	1,730,873
Current liabilities	1,109,127	945,047
Total liabilities	1,151,327	977,208
<i>Shareholders' equity</i>		
Contributed equity	388,069	382,989
Reserves		
Available-for-sale investments revaluation reserve	(1,054)	(2,668)
Share-based payments reserve	6,549	4,518
Retained profits	415,836	368,826
Total shareholders' equity	809,400	753,665
Profit after tax for the year	164,305	130,978
Total comprehensive income	165,920	131,552

(b) Guarantees entered into by the parent entity

FLT has given the following guarantees:

Unsecured

Canada	2,826	2,116
United Kingdom	70,142	64,214
Australia	2,814	2,957
Hong Kong	7,565	6,897
India	21,059	19,152
China	10,632	7,877
New Zealand	7,117	6,072
Other	5,990	4,276
	<u>128,145</u>	<u>113,561</u>

Flight Centre Limited, as parent entity, has provided both parent company guarantees and issued letters of credit to beneficiaries. The parent entity is liable to pay any claim, subject to the terms of the parent company guarantee or letter of credit, in the event that obligations are not met.

Flight Centre Limited has also entered into a deed of cross guarantee. Refer to note 35 for terms and parties to the deed.

No liability was recognised by the parent entity or consolidated entity, as the guarantee's fair values are immaterial.

(c) Contingent liabilities of the parent entity

The parent entity had no contingent liabilities at 30 June 2013.

36 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:

	2013 \$'000	2012 \$'000
Within one year	72,776	64,683
Later than one year but not later than five years	172,882	171,370
Later than five years	<u>16,887</u>	<u>11,340</u>
	<u>262,545</u>	<u>247,393</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 rental payments including escalation based on fixed dollar or percentage increases, as stated in the lease agreement.

(e) Contractual commitments for the acquisition of property, plant and equipment

The parent entity has no contractual obligations to purchase plant and equipment at balance date (2012: nil).

37 Contingencies

The ACCC's competition law test case against FLT was heard in October 2012 and an outcome is expected this calendar year. FLT believes no contingent liability exists in respect of this matter.

The group had no other material contingent assets or liabilities.

38 Events occurring after the end of the reporting period

On 27 August 2013, FLT's directors declared a fully franked 91.0 cents per fully paid ordinary share final ordinary dividend for the year ended 30 June 2013 (2012: 71.0 cents), as outlined in note 8. The interim and final combined dividend payments represent a \$137,580,000 return to shareholders, 55.9% of FLT's NPAT.

No other matters have arisen since 30 June 2013.

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 28 to 99 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 2013 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 35 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note 35.

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 directors' resolution.



G.F. Turner
Director

BRISBANE
27 August 2013

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, which comprises the consolidated balance sheet as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 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 controls as the directors determine are 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

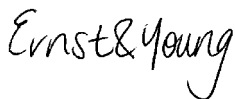
- a. the financial report of Flight Centre Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Flight Centre Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Alison de Groot
Partner
Brisbane
27 August 2013

Corporate Directory

Directors

G.F. Turner
P.F. Barrow
P.R. Morahan
G.W. Smith
J. A. Eales

Secretary

D.C. Smith

Principal registered office in Australia

Level 2, 545 Queen Street
Brisbane QLD 4000
+61 7 3170 7979

Share and debenture register

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

Auditor

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

Stock exchange listings

Flight Centre Limited shares are listed on the Australian Securities Exchange

Website address

www.flightcentrelimited.com