The Jetset Travelworld Group

2012 ANNUAL REPORT

JETSET TRAVELWORLD LIMITED AND CONTROLLED ENTITIES

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ABN 60 091 214 998 ASX CODE: JET






Contents

The Jetset Travelworld Group

Corporate Information

Directors
T Dery *Chairman*
P Lacaze *CEO*
R Gurney *CEO Designate*
E Gaines *CFO*
S Bennett
A Cummins
A John
B Johnson
A MacKenzie
J Millar
P Spathis

Company Secretary
S Symmons

Registered and principal office
Jetset Travelworld Group
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North Sydney
NSW 2060

Telephone: +61 2 8229 4000
Facsimile: +61 2 8920 0110

Auditor
PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Stock exchange
ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

ASX code
JET

Share registry
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Telephone: +61 3 9415 5000
Facsimile: +61 3 9473 2500

Internet address
www.jetsettravelworld.com.au

2012 Annual General Meeting
The Annual General Meeting of Jetset Travelworld Limited will be held at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW at 11.30am on Wednesday 28 November 2012.

Glossary

The following terms have been used throughout this Annual Report:

AGM	Annual General Meeting
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company	The parent entity, Jetset Travelworld Limited
CVC	Means any of CVC Capital Partners and its Controlled Entities
EM	Explanatory memorandum, dated 28 July 2010, released on the ASX on 29 July 2010
EBITDAI	Earnings before interest, tax, share-based payments, depreciation, amortisation and impairment expense
FY11	Financial Year ended 30 June 2011
FY12	Financial Year ended 30 June 2012
GM	General Manager
Group	The Consolidated Entity comprising Jetset Travelworld Limited and its subsidiaries
JTL	Jetset Travelworld Limited, the parent entity
JTG	The Jetset Travelworld Group comprising JTL and its subsidiaries
KMP	Key Management Personnel
Merger	The Merger between STS and JTG
MIA	Merger Implementation Agreement between STS and JTG dated 12 May 2010
Qantas	Qantas Airways Limited
QBT	QBT Pty Limited
QH	Qantas Holidays Limited
RNC	Remuneration and Nominations Committee
STS	Stella Travel Services Holdings Pty Ltd and its subsidiaries
STSH	Stella Travel Services Holdings Pty Ltd
TMC	Travel management company
TTV	Total Transaction Value
UBSAHL	UBS Australia Holdings Ltd

Chairman's Report

On behalf of the Board of Directors, I am pleased to present to shareholders the 2012 Annual Report for Jetset Travelworld Limited.

The financial year ended 30 June 2012 produced a mixed result for the Company after a challenging year which experienced reduced average selling prices for international air product, exchange rate volatility and industrial action affecting the Australian national carrier, Qantas.

Group result

Notwithstanding the challenging trading environment, the Company achieved a credible Adjusted EBITDAI[2] of $50.5 million. This compares to the proforma EBITDAI[1] of $54.9 million achieved last year and the Statutory EBITDAI of $49.4 million.

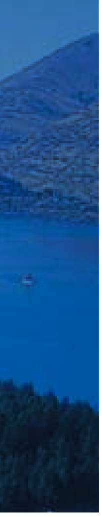
Statutory profit after tax attributable to members was $5.5 million which includes a non-cash impairment charge to intangible assets of $11.2 million largely attributable to the Travel Management segment. This result also included a non-recurring restructuring charge of $7.6 million pursuant to the outcome of the comprehensive review of business operations announced in June 2012.

Within the trading segments of the Group, the Retail operations performed well with Adjusted EBITDAI[2] of $63.4 million representing an increase of 16% on the prior year's result. The Wholesale segment reported an Adjusted EBITDAI of $15.1 million which includes the successful integration of the Harvey's Choice business.

The Travel Management segment did not perform as anticipated and incurred an Adjusted EBITDAI loss of $3.3 million compared to a profit of $3.5 million in the prior year.

1 Proforma EBITDAI represents the results for the Group as if the merger of JTG and STS had occurred on 1 July 2010 with 12 months trading for each business included and excludes the impact of significant unusual merger transaction costs, share-based payments and fair value adjustments.

2 Adjusted EBITDAI excludes the effects of significant unusual income and expenditure such as fair value gains and losses on investments, restructuring costs, legal fees, merger or acquisition related transaction costs and impairment. Further details are disclosed on page 12.



The under-performance in Travel Management prompted the review of business operations in the last two months of the financial year. Following this review, the Company implemented restructuring initiatives that will result in a reduction of 110 positions across the Group with 60% of these positions attributable to the Travel Management segment. This restructuring initiative will deliver an annualised benefit of approximately $9 million.

The successful completion of the implementation of the merger during the financial year ended 30 June 2012 combined with the restructuring initiatives has established a platform that will deliver long term benefits to JTG's shareholders, trading partners, employees, franchisees and members.

Dividend

The Company has stated that its policy is to pay a dividend payout ratio in the range of 40-60% of net profit after tax. In the first half of the financial year ended 30 June 2012, the Company generated a net profit after tax and paid an interim dividend of 1.1 cents per share. In the second half of the financial year, the Company incurred a loss after tax primarily due to the goodwill impairment charge. In accordance with the dividend policy, the Board has determined that the Company will not pay a final dividend for 2012.

People

On 27 July 2012, I announced the impending retirement of the Chief Executive Officer, Peter Lacaze with effect from 30 September 2012. Peter resigned as a Director of the Board on 27 August 2012 and I would like to take this opportunity to reiterate the thanks of the Board to Peter for the exemplary way in which he led Stella Travel Services into the merger with Jetset Travelworld in 2010 and his subsequent leadership of the Jetset Travelworld Group.

We are delighted to have secured Rob Gurney as the CEO designate and Rob commenced his employment on 27 August 2012. The Board believes that Rob is the best person to take Jetset Travelworld forward in what is an increasingly fast-evolving and challenging environment. The Board has asked Rob to work with the management team to formulate a long-term strategy for the Group.

With regard to the year ended 30 June 2012, Peter Lacaze and the executive team have worked hard to drive operational performance while focusing on the strategic direction of the Group. Our senior management team and all of our employees are to be commended for their efforts.

I also thank my fellow directors for their considerable support and advice. I want to particularly acknowledge the contribution of Peter Spathis who will be retiring from the Board at the upcoming Annual General Meeting. Peter has been a director of JTL since 2002 and I thank him for his contribution and commitment to the Company for the past 10 years.

Outlook

The economic outlook for the 2013 financial year continues to be uncertain due to a variety of economic circumstances and it is difficult to predict the outlook for demand. Management is focussed on successfully implementing the restructuring initiatives announced in June and adapting the operations to suit the current and emerging trends and trading conditions.

In closing, I thank you, our shareholders, for your continued support and assure you that your Board is committed to driving shareholder value going forward.

Yours sincerely

Tom Dery
Chairman
Jetset Travelworld Limited
Sydney, 27 August, 2012

Chief Executive Officer's Report

It is with mixed emotions that I write what will be my last Chief Executive Officer's report for the Jetset Travelworld Group. On 27 July 2012, the Chairman announced that I will be retiring as CEO with effect from 30 September 2012 and that Rob Gurney will succeed me as CEO. I have been proud to have worked in the travel industry for many years and to have completed my key objective of the past two years which was to finalise the merger of Stella Travel Services and Jetset Travelworld and lead the organisation through the complex integration process. I am very pleased to report that all of the merger integration activities have been successfully implemented and the benefits of the merger cost synergies have been realised.

On a consolidated proforma basis[1], TTV for the twelve month period ended 30 June 2012 decreased by 3% to $5.63 billion largely due to the reduction in average selling prices for international air product and a softening in demand in the key leisure travel market during March and April 2012 when compared to the prior corresponding period. Revenue decreased by 6% to $361.1 million with this reduction largely offset by lower Operating Expenses. Expenses were lower than the prior period by $17.3 million (5%) reflecting the benefit of the merger cost synergies. Adjusted EBITDAI[2] decreased by 8% to $50.5 million with the reduction in EBITDAI attributable to losses incurred in the Travel Management segment.

Despite the market challenges during the twelve months ended 30 June 2012, it is pleasing that the Group generated TTV of $5.63 billion and maintained a revenue margin in excess of 6% with the Retail segment performing well in a variable market.

In June 2012, we announced that the Group had completed a review of business operations and that there would be a reduction of approximately 110 positions across the Group with 60% of those positions attributable to the Travel Management segment. The majority of the other positions are in the Wholesale segment and arise as a result of the full integration of the operations of Qantas Holidays/Viva! with the former Stella Travel Services wholesale operations. One-off costs associated with the restructuring of $7.6 million were provided in June 2012 with the restructuring to be largely completed by 31 December 2012. This restructuring initiative will deliver an annualised benefit of approximately $9 million.

The review of business operations was prompted by losses incurred in the Travel Management segment with the segment incurring a full year Adjusted EBITDAI loss of $3.3 million. As a result of these losses, the Group has impaired the carrying value of intangible assets attributable to the Travel Management segment and has incurred a non-cash impairment charge of $11.2 million.

The impact of the non-cash impairment charge and the restructuring provision is that Profit before tax of $14.4 million was below the reported result for the prior period of $30.7 million. Profit before tax adjusted to exclude the impact of the impairment charge and restructuring costs was $33.2 million which is above the prior period by 8%.

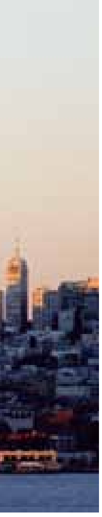
During the past twelve months, the Group has continued to strive for service and operational excellence and this goal was again recognised at this year's National Travel Industry Awards event which was held in July 2012. The Group received three awards at the event with the following two awards achieved for the second year in a row:

- **'Best Wholesaler – Australian Product'** was awarded to Qantas Holidays and Viva! Holidays;
- **'Best Agency Support Service'** was awarded to Air Tickets

In addition, Air Tickets was awarded the **'Best Travel Agent Technology Innovation'** award for the 'Name Your Own Price' online ticketing product.

[1] The merger of Jetset Travelworld Limited (JTL) and Stella Travel Services Holdings Pty Ltd (STS) occurred on 30 September 2010. Accordingly, the statutory results for the prior period being the twelve month period ended 30 June 2011 represent the results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011. The consolidated proforma information is prepared as if the merger occurred on 1 July 2010.

[2] Adjusted EBITDAI excludes the effects of significant unusual income and expenditure such as fair value gains and losses on investments, restructuring costs, legal fees, merger or acquisition related transaction costs and impairment. Further details are disclosed on page 12.



National Travel Industry Awards 2012

These awards are highly coveted in the travel industry and it is a real testament to the Management and staff of those businesses that they have been highly recognised by their industry peers.

This continued drive for innovation and service excellence is the reason why the number of franchisees, members and affiliates that are represented in the Retail segment has remained stable during the twelve month period with over 1,900 travel agents transacting with the Group across Australia and New Zealand. This retail footprint is a significant driver of the continued success of the travel distribution model particularly in an industry that has experienced solid growth in the number of transactions and ticket numbers.

The Group's Retail operations includes JTG's wholly-owned online travel agent, Best Flights and this business experienced growth during the year with the number of international online bookings transacted on Bestflights.com.au during the twelve month period ended 30 June 2012 increasing by 11% and the number of domestic online bookings increasing by 14%. Continuing this growth profile is a key area of focus and investment for the Company.

The Group has also expanded its online trading capability in its Wholesale operations. Included in the results of the Wholesale segment is JTG's online wholesale trading business, ReadyRooms.com.au. In May 2012, JTG launched an online offering to travel agents through ReadyRooms.com.au in partnership with US based Orbitz.

ReadyRooms.com.au now provides hotel inventory sourced from JTG's wholesale database as well as inventory sourced from the Orbitz database with over 100,000 hotel properties available for booking every day.

The benefit of this unique partnership with Orbitz is the enhanced offering of hotels across the globe combined with a booking engine that provides 24 hours a day, 7 days a week booking access.

The travel agent network has enthusiastically embraced ReadyRooms.com.au with the number of bookings in the month of July being more than 2.5 times the number of bookings in May. The response to this online product is very pleasing and the Wholesale management team will be seeking to further enhance the online distribution offering through further investment in ReadyRooms.com.au and closer collaboration with Orbitz.

The JTG Management team is focused on successfully implementing the restructuring initiatives announced in June and adapting the operations to suit the current and emerging trends and trading conditions with a focus on online distribution of travel product and services designed to enhance the efficiency of our core customers and consumers.

In closing, I would like to thank the Management and staff of The Jetset Travelworld Group for their efforts and commitment during my term as CEO. I am very proud to have led the Company through the merger and I pass the baton to Rob Gurney knowing that he has the depth and breadth of executive and industry experience to take the Group forward to the next stage of growth and strategic development.

Yours sincerely

Peter Lacaze
Chief Executive Officer
Jetset Travelworld Limited
Sydney, 27 August, 2012

Business Profile

FRANCHISEES, MEMBERS AND AFFILIATES: 2,066
EMPLOYEES: 2,369
COUNTRIES: 8

Brand and Business Overview

Retail

- Travelscene – Travel created for you / American Express
- Jetset Travel – Know the world we know
- Harvey world travel – The Travel Professionals
- travelworld – Great holidays. Lasting memories.
- BestFlights.com.au
- United Travel – For the love of travel.
- air tickets
- smart fares – SEARCH IT • BOOK IT • TICKET
- smart tickets – POWERED BY TICKETING WIZARD
- World Aviation
- Global Aviation Services
- The Travel Brokers – 'Your personal travel professional'

Wholesale

- Qantas Holidays
- Qantas Vacations – The Best Downunder!
- a.t.s. Pacific
- Harvey's Choice Holidays
- viva! holidays
- Travel Indochina – Share the Experience
- Rail Tickets
- ReadyRooms.com.au
- JTG Cruise Holidays
- Go Holidays!
- Islands in the Sun
- TTF

Travel management

- QBT
- atlantic pacific travel
- apx / American Express

The JTG Story

THE STELLA STORY

Stella Travel Services (under its former name, S8 Limited) made a series of acquisitions in the travel and leisure sector, consolidating several major retail and wholesale travel businesses through the period 2005 – 2006. These acquisitions included: Harvey World Travel Group Limited; Transonic Travel Limited; Travelscene Limited; and Gullivers Travel Group Limited.

The Stella Group originated out of the takeover in September 2006 of Stella Travel Services (under its former name S8 Limited) by MFS Limited. Funds advised by CVC Asia Pacific acquired a majority interest in the businesses comprising the Stella Group and the Mantra Group (formerly Stella Hospitality Group) in February 2008. The Stella Group was restructured and separated from the Mantra Group in July 2009 and traded independently with funds advised by CVC and UBS Australia Holdings Limited as its major shareholders.

THE JTG STORY

JTG was formed in 2001 and in July 2008, JTG acquired Qantas Holidays and Qantas Business Travel (renamed QBT in May 2011) which further expanded JTG's business by introducing significant wholesale operations and a corporate travel management business. As part of this transaction Qantas Airways became a majority shareholder of JTG, acquiring 58% of the shares through a subsidiary, QH Tours Limited.

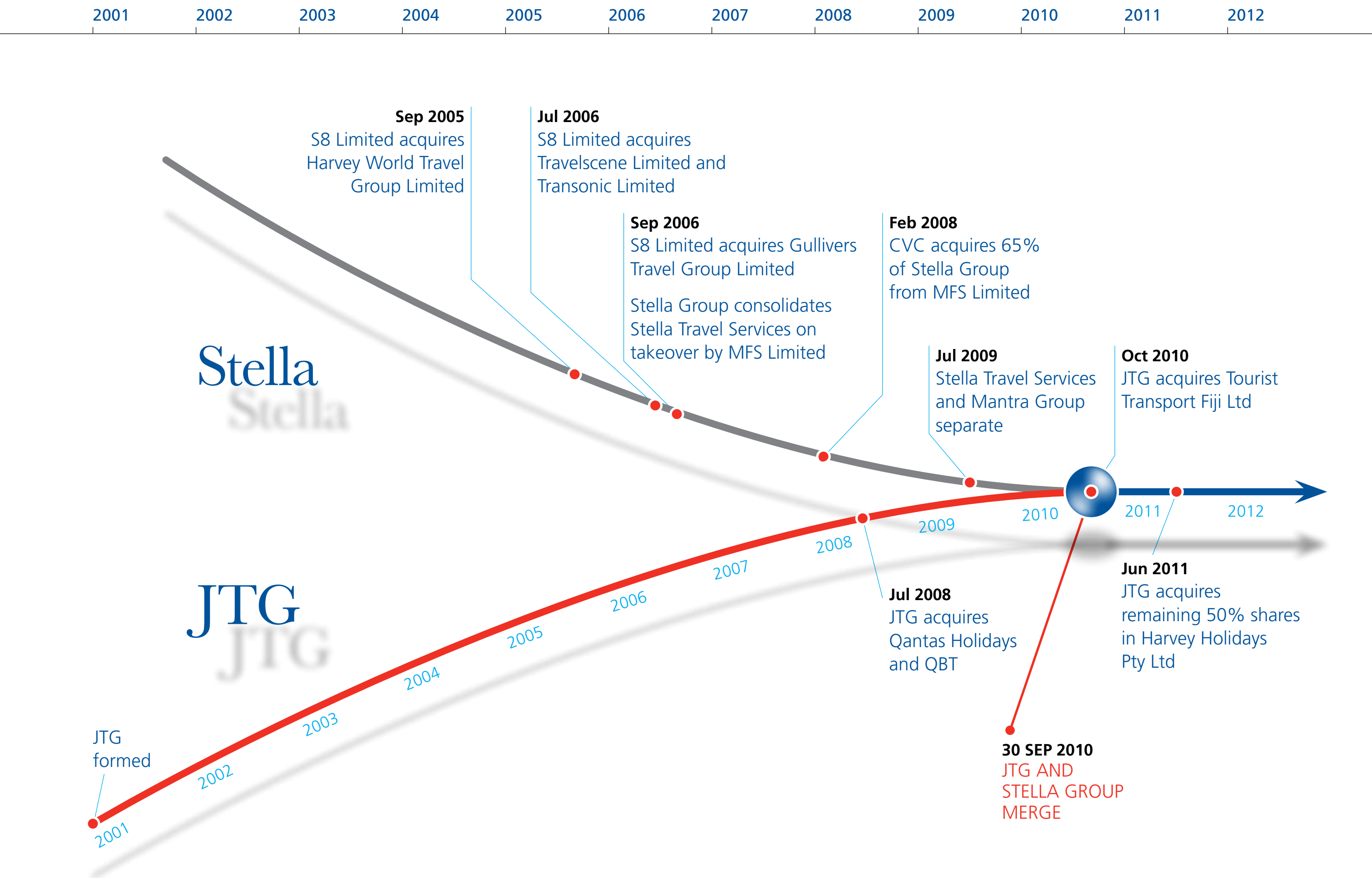
THE MERGER

The merger of Stella Travel Services and JTG in September 2010 strategically placed JTG as one of Australia's leading integrated travel companies, with significant scale, larger wholesale, retail and online offerings, additional geographic exposure, a platform for future growth for JTG and a range of financial benefits for the enlarged JTG Group.

Since the merger, JTG has undergone a successful infrastructure separation program from Qantas Airways, acquired the remaining interest in Harvey Holidays Pty Ltd, simplified the corporate structure and wholesale operations segment to gain greater efficiencies through brand rationalisation.

JTG's current shareholders include QH Tours Limited (a subsidiary of Qantas Airways Limited) (29.0%), Europe Voyager NV (26.9%), UBS Australia Holdings Limited (17.9%), Sintack Pty Ltd (12.3%), Management Option Holders (5.2%) and other shareholders (8.7%).

Timeline



2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Stella
JTG
Sep 2005
S8 Limited acquires Harvey World Travel Group Limited
Jul 2006
S8 Limited acquires Travelscene Limited and Transonic Limited
Sep 2006
S8 Limited acquires Gullivers Travel Group Limited
Stella Group consolidates Stella Travel Services on takeover by MFS Limited
Feb 2008
CVC acquires 65% of Stella Group from MFS Limited
Jul 2009
Stella Travel Services and Mantra Group separate
Oct 2010
JTG acquires Tourist Transport Fiji Ltd
JTG formed
Jul 2008
JTG acquires Qantas Holidays and QBT
Jun 2011
JTG acquires remaining 50% shares in Harvey Holidays Pty Ltd
30 SEP 2010
JTG AND STELLA GROUP MERGE

Financial Performance Summary

Summary Group Results	For the year ended 30 June 2012 $'000	For the year ended 30 June 2011[1] $'000	Change $'000	Change %
Total transaction value (TTV) [2]	5,625,767	5,194,880	430,887	+8.3%
Revenue	361,085	341,186	19,899	+5.8%
Adjusted EBITDAI [3]	50,525	49,361	1,164	+2.4%
Profit before tax	14,446	30,711	(16,265)	-53.0%
Profit after tax attributable to members	5,454	19,166	(13,712)	-71.5%

Summary Group Results	For the year ended 30 June 2012 Cents	For the year ended 30 June 2011[1] Cents	Change Cents	Change %
Basic earnings per share	1.24	4.99	(3.75)	-75.2%
Diluted earnings per share	1.24	4.97	(3.73)	-75.1%
Interim dividend per share	1.1	–	1.1	–
Special dividend per share	–	1.0	(1.0)	–
Final dividend per share	–	2.0	(2.0)	–

Reconciliation of Adjusted EBITDAI to profit before tax	For the year ended 30 June 2012 $'000	For the year ended 30 June 2011[1] $'000	Change $'000	Change %
Adjusted EBITDAI	50,525	49,361	1,164	+2.4%
(Loss)/gain on acquisition of controlled entity	(309)	4,000	(4,309)	-107.7%
Merger, transaction and redundancy costs	(10,338)	(9,932)	(406)	+4.1%
Legal costs relating to GST matter	(839)	(1,609)	770	-47.9%
Depreciation and amortisation expense	(8,693)	(5,792)	(2,901)	+50.1%
Impairment	(11,229)	–	(11,229)	–
Finance costs	(3,872)	(4,786)	914	-19.1%
Share based payments expense	(799)	(531)	(268)	+50.5%
Profit before tax	14,446	30,711	(16,265)	-53.0%

1 As a result of the reverse acquisition of Jetset Travelworld Limited and its controlled entities (JTL) by Stella Travel Services Holdings Pty Limited and its controlled entities (STS), the results for the period from 1 July 2010 to 30 June 2011 represents the results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011. Proforma EBITDAI is detailed within the operating and financial review section of the Directors' Report on page 21.

2 Total Transaction Value (TTV) 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 Jetset Travelworld Group ("Group"), as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent Group cash inflows as some transactions are settled directly between the customer and the supplier. This information has not been subject to any audit procedures by JTG's auditor but has been extracted from note 6 of the accompanying Financial Statements.

3 Earnings before interest expense, taxation, depreciation, amortisation, impairment and share-based payments (EBITDAI) is adjusted for significant or unusual items of income or expense as detailed in note 6(c)(ii) to the Financial Statements. Adjusted EBITDAI is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the performance of the operating segments. This information has not been subject to any audit procedures by JTG's auditor but has been extracted from note 6 of the accompanying Financial Statements. Adjusted EBITDAI is disclosed to assist users of the financial statements to better understand JTG's results.

SHAREHOLDER RETURNS

30 June 2011 special dividend paid 4 October 2011	
Amount per security (cents)	1.0
Franked amount per security at 30% tax	1.0
30 June 2011 final dividend paid 4 October 2011	
Amount per security (cents)	2.0
Franked amount per security at 30% tax	2.0
30 June 2012 interim dividend paid 2 April 2012	
Amount per security (cents)	1.1
Franked amount per security at 30% tax	1.1
Total dividends paid during the period ($'000)	**18,003**
30 June 2012 final dividend (cents)	**–**
Total final dividend ($'000) [1]	**–**

[1] In accordance with the Company's dividend policy, the Board has determined that the Company will not pay a final dividend for 2012.

EXPLANATION OF RESULTS

This information should be read in conjunction with the Directors' Report, Financial Report and Auditor's Report for the year ended 30 June 2012 and any public announcements made by the Company since that time.

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

OTHER INFORMATION

	June 2012 cents	**June 2011 cents**
Net Tangible Assets per ordinary share	0.27	2.01

Net Tangible Assets is calculated as Net Assets less total Intangible Assets.

Net Tangible Assets per ordinary share is based on JTL's issued capital as the legal parent entity and issuer of this financial information as at the balance sheet date.

Directors' report

The Directors of Jetset Travelworld Limited (JTL) present their Report together with the Financial Statements of the Consolidated Entity (Group), being JTL and its controlled entities, for the year ended 30 June 2012 and the Independent Auditor's Report.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the financial year are as follows:

Tom Dery

Stephen Bennett

Tom Dery

Independent, Non-Executive Director and Chairman

Appointment

Mr Dery was appointed to the Board on 17 September 2008 and appointed as Chairman on 27 February 2009.

Experience and expertise

Mr Dery began his working career with Qantas Airways Limited in 1967 as a Commercial Trainee in the market research department. After obtaining a degree in Commerce (Economics) from the University of New South Wales and an MBA from Stanford University in the USA, he co-founded the advertising agency The Campaign Palace. In 1979, Mr Dery accepted an appointment as Visiting Fellow in Marketing at Monash University prior to joining Ansett Transport Industries.

Mr Dery rose to the role of Assistant General Manager for Ansett Airlines with responsibility for all commercial and strategic activities responding to the challenges of airline deregulation. In the early 1990s, he was named Marketing Man of the Year and further assumed responsibility for Ansett associated businesses, East West Airlines, Ansett New Zealand, Diners Club and Traveland. In 1995, Mr Dery established Whybin Dery & Partners and, following its sale to DDB Needham, he was appointed Managing Director of that firm's Melbourne operation. Mr Dery was then appointed Chairman, Asia Pacific for M&C Saatchi and was responsible for the establishment of offices throughout the region. He was appointed Chairman of M&C Saatchi Worldwide on 1 January 2009.

Mr Dery is also currently Chairman of Asia Pacific for M&C Saatchi and the Australian Cancer Research Foundation and is director of The Communications Council, Queenwood School for Girls and the Dean's Advisory Council at the University of New South Wales.

Other current directorships of listed entities

– Nil

Former directorships of listed entities in last 3 years

– Nil

Special responsibilities

– Chairman of the Board
– Chairman of the Remuneration and Nominations Committee
– Member of the Audit Committee

Interests in shares

– Nil

Stephen Bennett

Non-Executive Director

Appointment

Mr Bennett was appointed to the Board on 28 April 2011.

Experience and Expertise

Mr Bennett has more than 30 years corporate and investment banking experience having held senior management positions with Commonwealth Bank, Bankers Trust and UBS in Australia and Hong Kong. Mr Bennett has acted for public and private companies in mergers and acquisitions, acquisition financing and corporate restructurings across all industry sectors and currently holds the position as Group Treasurer for Consolidated Press Holdings Limited. He holds an Accounting Diploma and a Graduate Diploma in Management (Macquarie University).

Other current directorships of listed entities

– Nil

Former directorships of listed entities in last 3 years

– Nil

Special responsibilities

– Member of the Remuneration and Nominations Committee

Interests in shares

– 50,000 fully paid ordinary shares in Jetset Travelworld Limited held legally and beneficially in the name of UBS Wealth Management Australia Nominees Pty Ltd.

Andrew Cummins

Elizabeth Gaines

Rob Gurney

Andrew Cummins

Non-Executive Director

Appointment

Mr Cummins was appointed to the Board on 30 September 2010.

Experience and Expertise

Mr Cummins worked as a consultant with CVC Capital Partners in 1998 and 1999 and joined the partnership of CVC Asia Pacific Hong Kong when it was formed in 2000. He is currently Director of CVC Capital Partners (Asia Pacific) Pty Ltd and several CVC portfolio companies. Prior to working with CVC, Mr Cummins was an executive director of Inchcape Plc, and Fosters Brewing Group/ Elders IXL, and a partner of McKinsey & Company.

Mr Cummins has a Bachelor's degree from Monash University, Australia, a Graduate Business Degree from the University of Newcastle, Australia, and an MBA from Stanford University in the USA.

Mr Cummins is Chairman of STS UK Holdco I Pty Ltd, Mantra Group Holdings I Pty Ltd, Global Voyager Holdings Pty Ltd, Rocla Concrete Tie, Inc. and is a director of Nine Entertainment Co Pty Ltd and Asia Bottles Holdings Limited and was a previous director of Inchcape Plc from 1992 to 1997 and Fosters Brewing Group Ltd / Elders IXL Ltd from 1985 to 1991.

Other current directorships of listed entities

- Nil

Former directorships of listed entities in last 3 years

- Nil

Special responsibilities

- Member of the Remuneration and Nominations Committee

Interests in shares

- 952,998 fully paid ordinary shares in Jetset Travelworld Limited held legally and beneficially in the name of HSBC Custody Nominees (Australia) Limited on account for Gladstone Investments Limited.

Elizabeth Gaines

CFO and Executive Director

Appointment

Ms Gaines was appointed Chief Financial Officer of The Jetset Travelworld Group on 1 October 2010 and to the JTL Board on 30 June 2011.

Experience and Expertise

Prior to joining The Jetset Travelworld Group, Ms Gaines was the Chief Financial Officer of the Stella Group, Chief Finance and Operations Director of UK-based Entertainment Rights Plc and was previously Chief Executive Officer of Heytesbury Pty Limited. Ms Gaines has held senior treasury and finance roles at Bankwest in Australia and Kleinwort Benson in the UK and qualified as a Chartered Accountant with Ernst & Young. Ms Gaines is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors and holds a Bachelor of Commerce degree and Master of Applied Finance degree.

Ms Gaines is a Director of STS UK Holdco I Pty Limited (and its subsidiaries), Global Voyager Holdings Pty Limited (and its subsidiaries), Mantra Group Holdings I Pty Limited and Global Voyager Group Admin Pty Limited. Ms Gaines is also Peter Lacaze's alternate director of the Australian Federation of Travel Agents Limited.

Other current directorships of listed entities

- Nil

Former Directorships of listed entities in last 3 years

- Nil

Special Responsibilities

- Chief Financial Officer

Interests in shares

- 1,048,298 fully paid ordinary shares in Jetset Travelworld Limited held legally and beneficially in the name of EA Gaines.

Rob Gurney

CEO Designate, Executive Director

Appointment

Mr Gurney was appointed CEO of The Jetset Travelworld Group and to the Board on 27 August 2012. Mr Gurney will succeed Peter Lacaze.

Experience and Expertise

Mr Gurney has broad commercial and operational experience in the travel and tourism industry, both in Australia and overseas, having held a number of senior roles within Qantas Airways Limited and British Airways PLC. His most recent position was Group Executive Qantas Airlines Commercial where he was responsible for, amongst other things, global sales, marketing, distribution and channel management.

Mr Gurney was instrumental in developing and implementing both corporate sales and online strategies resulting in Qantas attaining a market leading position in these segments. He has extensive commercial and operational experience in both outbound and inbound leisure and business travel.

Mr Gurney has served on a number of tourism and travel related boards including the Asian-based Tour East Group (a leading business and leisure travel business), Australian Tourism Export Council, Tourism Western Australia and Tourism & Transport Forum Australia.

Other current directorships of listed entities

- Nil

Former directorships of listed entities in last 3 years

- Nil

Special responsibilities

- Chief Executive Officer

Interests in shares

- Nil

Directors' report

(continued)

Adrian John

Brett Johnson

Peter Lacaze

Adrian John

Non-Executive Director

Appointment

Mr John was appointed to the Board on 26 May 2011.

Experience and Expertise

Mr John joined Qantas in 2010 as Executive Manager, Mergers & Acquisitions and Investments. In that role he is responsible for managing Qantas' internal mergers and acquisitions team and advising Qantas' Executive Committee in relation to the development and execution of Qantas' investment and growth strategy with a particular focus on acquisitions and divestments. Prior to joining Qantas, Mr John had been a partner in Ernst & Young where he advised a wide range of listed and unlisted companies and private equity across multiple industry sectors on a variety of corporate finance and strategic matters including mergers and acquisitions, transaction due diligence, valuations, capital management and strategy development. Mr John also served a period of time as a member of the Board of Partners of Ernst & Young, Ernst & Young's peak governance body. Mr John received a BSc (Hons) in Civil Engineering from Manchester University, and is a Member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England & Wales.

Other current directorships of listed entities

– Nil

Former Directorships of listed entities in last 3 years

– Nil

Special Responsibilities

– Member of the Audit Committee

Interests in shares

– Nil

Brett Johnson

Non-Executive Director

Appointment

Mr Johnson was appointed to the Board on 27 February 2009.

Experience and Expertise

Mr Johnson joined Qantas Airways at the time of its privatisation in July 1995 as General Counsel. Mr Johnson is responsible for legal risk management in the Qantas Group and manages the Qantas legal department. Mr Johnson is a member of the Qantas Executive Committee involved in the day-to-day management of the Qantas Group with particular responsibility for providing commercial legal support to the Qantas CEO and Board. He is a member of the ASX Appeals Tribunal.

Mr Johnson was admitted as a solicitor of the Supreme Court of New South Wales in 1982 and has more than 30 years legal experience in Australia and overseas.

Mr Johnson was a director of Air Pacific Limited from December 2011 to May 2012 and is a director of Kai Medical, Inc., a non listed company specialising in the development and sale of sleep apnea medical devices and Scott Corporation Limited.

Other current directorships of listed entities

– Scott Corporation Limited (from March 2005)

Former directorships of listed entities in last 3 years

– Nil

Special Responsibilities

– Member of the Remuneration and Nominations Committee

Interests in shares

– Nil

Peter Lacaze

CEO and Executive Director

Appointment

Mr Lacaze was appointed Chief Executive Officer of The Jetset Travelworld Group and to the JTL Board on 30 September 2010.

Mr Lacaze resigned as an Executive Director on 27 August 2012 and will leave the Company on 30 September 2012.

Experience and Expertise

Mr Lacaze has more than 30 years' management experience across the manufacturing, retail, healthcare and travel sectors. Mr Lacaze has previously held CEO roles at Transonic Travel, Concorde International Travel, Qantas Holidays and Jetset Travel & Technology.

Mr Lacaze holds a Bachelor of Commerce degree from the University of Queensland, an MBA from Cranfield School of Management (UK), is an Associate of CPA Australia, a fellow of the Australian Institute of Management, and is a member of the Australian Institute of Company Directors.

Mr Lacaze is a director of Stella Global Travel Pty Limited, STS UK Holdco II Limited and Australian Federation of Travel Agents Limited.

Other current directorships of listed entities

– Nil

Former directorships of listed entities in last 3 years

– Nil

Special Responsibilities

– Chief Executive Officer

Interests in shares

– 11,664,695 fully paid ordinary shares in Jetset Travelworld Limited held legally and beneficially in the name of PA and DM Lacaze

Adrian MacKenzie

James Millar

Peter Spathis

Adrian MacKenzie

Non-Executive Director

Appointment

Mr MacKenzie was appointed to the Board on 30 September 2010.

Experience and Expertise

Mr MacKenzie is a Managing Partner of CVC with responsibility for Australia and New Zealand. Mr MacKenzie joined CVC's London office in 1995 and transferred to CVC's Sydney office in 2001. Previously, Mr MacKenzie was with J Henry Schroder Wagg & Co. in London and New York, and HSBC Investment Bank in London.

Mr MacKenzie holds a degree in Technology and Business Studies from the University of Strathclyde, Scotland and is currently a director of Nine Entertainment Co Pty Ltd and Mantra Group Holdings I Pty Limited.

Other current directorships of listed entities

– Nil

Former directorships of listed entities in last 3 years

– Carsales.com.au Limited (from July 2007 to March 2011)

Special Responsibilities

– Member of the Audit Committee

Interests in shares

– Nil

James Millar AM

Independent Non-Executive Director

Appointment

Mr Millar was appointed to the Board on 30 September 2010.

Experience and Expertise

Mr Millar is an experienced corporate executive, advisor and director of a number of Australian companies and organisations. He has more than 35 years' experience as both a corporate insolvency executive, with expertise across a number of industries, and as Chief Executive Officer of Ernst & Young, one of Australia's leading professional service firms.

Mr Millar has a Bachelor of Commerce degree from University of NSW, is a Fellow of the Australian Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. Mr Millar is a member of the External Advisory Panel of ASIC, a member of Grant Samuel's Advisory Board and Chairman of The Smith Family.

Other current directorships of listed entities

– Director, Mirvac Ltd (from November 2009)
– Director, Mirvac Funds Limited (from November 2009)
– Chairman, Fantastic Holdings Limited (from May 2012)
– Director, Fairfax Media Limited (from July 2012)

Former directorships of listed entities in last 3 years

– Nil

Special Responsibilities

– Chairman of the Audit Committee

Interests in shares

– 40,000 fully paid ordinary shares in Jetset Travelworld Limited held legally and beneficially in the name of Sofeta Pty Ltd – Millar Super Fund A/c.

Peter Spathis

Non-Executive Director

Appointment

Mr Spathis was appointed to the Board on 30 June 2002.

Mr Spathis will resign as a Non-Executive Director at the Company's next Annual General Meeting and will not offer himself for re-election.

Experience and Expertise

Mr Spathis is an accountant and registered tax agent. Currently a corporate executive with the Consolidated Travel group of companies, he has responsibility for the financial management of that group.

Having begun his career in the audit and taxation fields in private practice, he has developed a special interest for the travel industry where he has held a number of senior financial positions since 1990. With over 15 years experience in finance, accounting and information technology management, he has accumulated significant and valuable experience in the commercial aspects of the travel industry.

Mr Spathis is a Fellow of CPA Australia, holds a Bachelor of Business from the Royal Melbourne Institute of Technology and completed a graduate diploma in Public Accounting (Taxation) at the Phillips Institute of Technology.

Other current directorships of listed entities

– Nil

Former directorships of listed entities in last 3 years

– Nil

Special Responsibilities

– Nil

Interests in shares

– 500,000 fully paid ordinary shares in Jetset Travelworld Limited held legally and beneficially in the name of Vortex TV Pty Ltd – Consolidated Tvl NSW S/F A/c.

The above Directors were in office for the entire financial year and up to the date of this Report unless otherwise stated.
No Directors resigned from office during the financial year.

Sue Symmons

Sue Symmons

Company Secretary

Ms Symmons was appointed Company Secretary of JTL on 30 June 2011. Prior to joining Jetset, Ms Symmons was Company Secretary of ASX listed automotive retail and logistics company, Automotive Holdings Group Limited. Ms Symmons has also held the role of Company Secretary of ASX listed wine company, Evans & Tate Limited and Heytesbury Pty Limited, a private company with interests in property, construction and agribusiness.

Ms Symmons is a member of the Institute of Chartered Secretaries and holds a Bachelor of Commerce degree majoring in accounting and corporate administration.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each director were as follows:

Board Meetings	Eligible to attend	Attended
S Bennett	12	11
A Cummins	12	12
T Dery	12	12
E Gaines	12	12
R Gurney[1]	–	–
A John	12	12
B Johnson	12	12
P Lacaze	12	12
A MacKenzie	12	10
J Millar	12	12
P Spathis	12	12

[1] Appointed on 27 August 2012

COMMITTEE MEMBERSHIP

As at the date of this report, the Company has an Audit Committee and a Remuneration and Nominations Committee of the Board.

Current members of the Committees are:

Audit	Remuneration and Nominations
J Millar (Chairman)	T Dery (Chairman)
T Dery	S Bennett
A John	A Cummins
A MacKenzie	B Johnson

The number of meetings of Committees held during the year and the number of meetings attended by each Director were as follows:

Audit Committee	Eligible to attend	Attended
T Dery	4	2
A John	4	4
A MacKenzie	4	4
J Millar	4	4

Remuneration and Nominations Committee	Eligible to attend	Attended
S Bennett	3	3
A Cummins	3	3
T Dery	3	3
B Johnson	3	3

RETIREMENT OF DIRECTORS

Andrew Cummins, Brett Johnson and James Millar are the Directors retiring by rotation. Being eligible they intend to offer themselves for re-election at the 2012 AGM. Peter Spathis will resign as a Director at the 2012 AGM.

DIVIDENDS

The total dividend paid for the 2012 year was 1.1 cents per share.

	Cents per share	$
Dividends to be paid subsequent to year end		
Final dividend on ordinary shares in relation to the 2012 financial year	–	NIL
Dividends paid during the year		
Final dividend on ordinary shares (paid 4 October 2011) in relation to the 2011 financial year	2.0	8,782,119
Special dividend on ordinary shares (paid 4 October 2011) in relation to the 2011 financial year	1.0	4,391,060
Interim dividend for the year on ordinary shares (paid 2 April 2012) in relation to the 2012 financial year	1.1	4,830,165

All dividends were fully franked at the tax rate of 30%.

EARNINGS PER SHARE

	Cents per share
Basic earnings per share	1.24
Diluted earnings per share	1.24

PRINCIPAL ACTIVITIES

The principal activities during the year of The Jetset Travelworld Group was the selling and arranging of international and domestic travel products and services and the operation of a franchised network of travel agents.

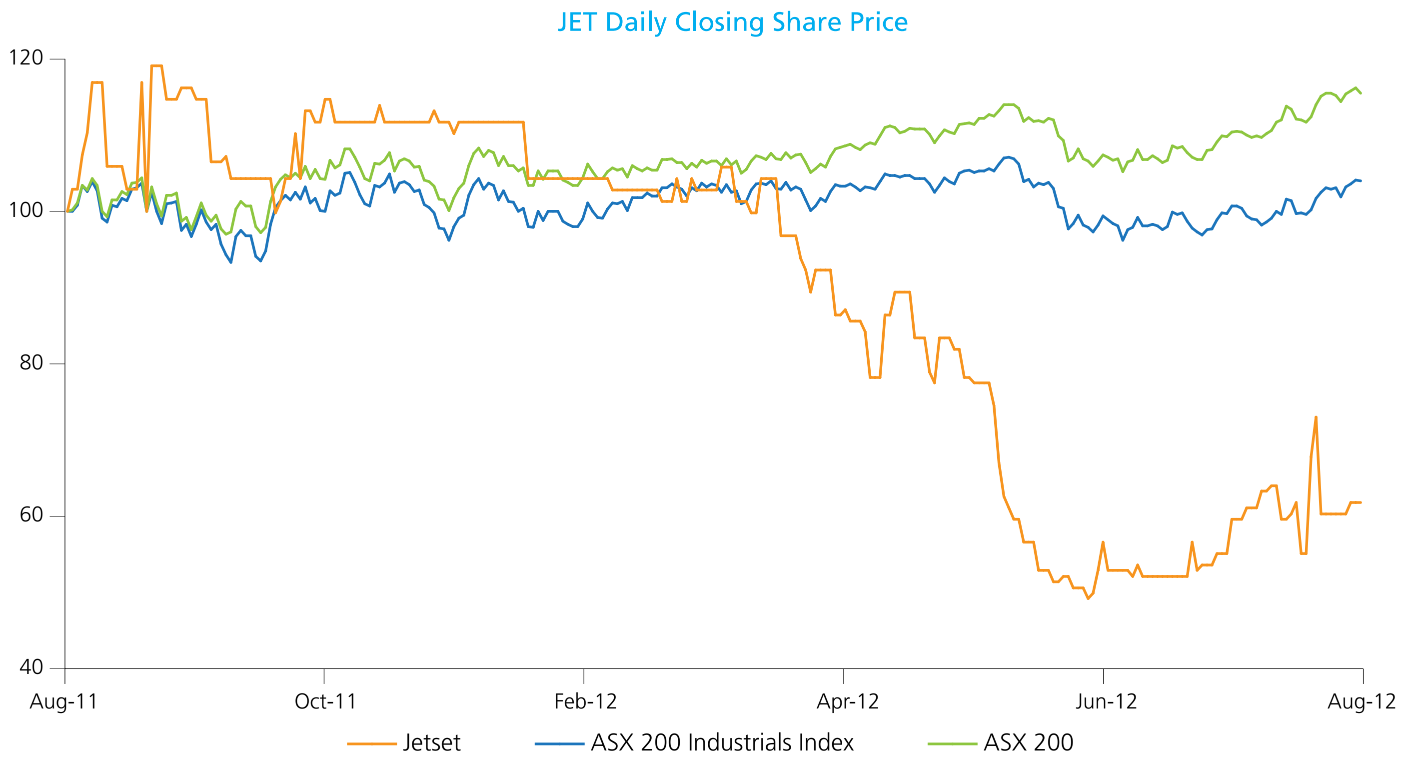
The Group is one of the leading integrated travel companies in Australia and New Zealand, operating several wholesale travel businesses (holiday packaging), franchise-based and affiliate retail agency networks, air ticket consolidation, airline representation and travel management services.

The Group has three operating segments within its structure, being Retail, Wholesale and Travel Management. These operations are located in Australia, New Zealand, Asia, Fiji, the United States, South Africa and the United Kingdom.

The Group's brands include Travelscene American Express, Harvey World Travel, Jetset, Travelworld, BestFlights.com.au, Qantas Holidays, Viva! Holidays, Harvey's Choice Holidays and QBT.

SHARE PRICE

A summary of the movement in share price from 10 August 2011 to 10 August 2012 is set out below in comparison to the ASX 200 Industrials Index and ASX 200 Index all rebased to 100 as at 10 August 2011:



The graph above shows the daily JET Closing Share Price, ASX 200 Industrials Index and ASX 200 Index over the period 10 August 2011 to 10 August 2012 all rebased to 100 as at 10 August 2011.

OPERATING AND FINANCIAL REVIEW

Statutory Results

	June 2012 $000	June 2011[1] $000	Change $000	Change %
Total Transaction Value (TTV) [2]	5,625,767	5,194,880	430,887	+8.3%
Revenue	361,085	341,186	19,899	+5.8%
Profit before tax	14,446	30,711	(16,265)	-53.0%
Profit after tax attributable to members	5,454	19,166	(13,712)	-71.5%

1 As a result of the reverse acquisition of Jetset Travelworld Limited and its controlled entities (JTG) by Stella Travel Services Holdings Pty Limited and its controlled entities (STS), the results for the period from 1 July 2010 to 30 June 2011 represents the results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period 1 October 2010 to 30 June 2011.

2 Total Transaction Value (TTV) 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 Jetset Travelworld Group ("Group"), as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group cash inflows as some transactions are settled directly between the customer and the supplier. This information has not been subject to any audit procedures by JTG's auditor but has been extracted from note 6 of the accompanying Financial Statements.

- JTG revenue from operating activities for the year ended 30 June 2012 increased by 5.8% to $361.1 million (2011: $341.2 million).
- JTG earned a profit before income tax (PBT) of $14.4 million for the year ended 30 June 2012 (2011: $30.7 million).
- JTG reported a profit after tax of $5.5 million for the year ended 30 June 2012. The profit after tax is stated after charging $3.0 million in amortisation of intangible assets, $10.3 million of merger, transaction and redundancy costs, and $11.2m of impairment costs.
- The tax expense for the period was $8.9 million representing a tax rate of 61.4% on pre tax profit of $14.4 million.
- TTV increased 8.3% to $5.6 billion for the year ended 30 June 2012.
- Basic earnings per share for the year was 1.24 cents per share. Diluted earnings per share for the year was 1.24 cents per share.

Consolidated Proforma Results

On a consolidated pro-forma basis prepared as if the merger occurred on 1 July 2010, TTV decreased by 3% over the twelve month period to $5.63 billion largely due to the reduction in average selling prices for international air product and a softening in demand in the key leisure travel market during March and April 2012 when compared to the prior corresponding period. Revenue decreased by 6% to $361.1 million with this reduction largely offset by lower Operating Expenses. Expenses were lower than the prior period by $17.3 million (5%) reflecting the benefit of the merger cost synergies. Adjusted EBITDAI decreased by 8% to $50.5 million with the reduction in EBITDAI attributable to losses incurred in the Travel Management segment.

SEGMENT REVIEW

JTG operates across three segments within the travel industry: Retail, Wholesale and Travel Management.

The operations of Retail primarily comprise acting as a franchisor of retail travel agency networks including Harvey World Travel, Travelscene American Express, Jetset, Travelworld and United Travel. The primary purpose of Wholesale is to procure air, cruise and land product for packaging and sale through retail travel agency networks. Travel Management provides travel management services to corporate and government customers including booking of flights and accommodation.

Corporate charges are only allocated to operating segments to the extent that they are considered part of the core operations of any segment.

JTG operates websites and online distribution through all segments.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDAI[1]. This measurement basis excludes the effects of significant unusual income and expenditure from the operating segments such as fair value gains or losses on investments, restructuring costs, legal fees, merger or acquisition-related transaction costs and impairment when these items are outside the ordinary course of business or are unusual due to their size and nature. Furthermore, the measure excludes the effects of any equity-settled share-based payments. Interest income on client funds is included within segment revenue and adjusted EBITDAI according to Group accounting policy. Adjusted EBITDAI is disclosed to assist users of the financial statements to better understand JTG's business results.

The segment commentary has been prepared on a statutory basis.

Retail Segment

JTG operates as the franchisor for multiple retail travel agency networks, including **Jetset, Travelworld, Travelscene American Express, Harvey World Travel** and the **Concorde Agency Network** (an independent network affiliated to the Group) in Australia. In New Zealand the Group also operates as the franchisor for **United Travel** and **The Travel Brokers**. As at 30 June 2012 the global network of retail agents included 2,066 member outlets.

JTG also owns **Best Flights**, a web and call centre based retail travel agent.

JTG owns and operates a ticketing facility, **Air Tickets**, which services the Jetset, Travelworld, Travelscene American Express, Concorde Agency Network, Harvey World Travel networks and over 200 independent travel agents.

Air Tickets operates in all Australian mainland states with technology allowing agents to issue tickets 24 hours a day, seven days a week. Air Tickets technology also operates within New Zealand via Stella Travel Services (NZ) Ltd.

Despite trading conditions being challenging and volatile during the latter half of FY12, the Retail segment has benefitted from a number of factors including:

- harmonisation of collective commercial agreements with travel suppliers and other large spend categories such as media;
- a continued focus on preferred partners and network participation;
- stable network numbers; and
- a strong Australian dollar.

Retail TTV increased 3.6% to $4 billion on prior year, revenue increased 5.1% to $193.8 million on prior year and Adjusted EBITDAI[1] increased 16.0% to $63.4 million on prior year.

In 2012 Jetset Travelworld Network, Travelscene American Express and Harvey World Travel were all finalists in the National Travel Industry Awards (NTIA) for the Best Travel Agency Group (100 Outlets or More). This award was won by Travelscene American Express in 2011 and The Jetset Travelworld Group in 2010.

In 2012 Air Tickets repeated its success of 2011 by winning the NTIA Award for Best Agency Support Service for the second year in a row. Air Tickets also won the 2012 Award for Best Travel Agent Technology Innovation for the 'Name Your Own Price technology'.

Wholesale Segment

JTG operates several leading wholesale brands in the outbound and inbound markets:

- **Qantas Holidays** is one of Australia's leading travel wholesalers and has been providing holiday packages for more than 38 years where the flight component is provided predominantly by Qantas Airways.
- **Viva! Holidays** sells packages where the flight component is provided by major airlines (excluding Qantas Airways) servicing the Australian market.
- **Harvey's Choice Holidays** offers a range of international hotel, tours, air and cruise travel options for the independent traveller.
- **Ready Rooms** provides an online solution for dynamic and traditional wholesale inventory to preferred travel agents to sell to their customer base.
- **Rail Tickets** is a B2B wholesale rail operation distributing international rail product to travel agents.
- **Travel Indochina** specialises in escorted small group journeys and bespoke tailor-made independent itineraries to South East Asia in key destinations in Vietnam, Cambodia, Laos, China including Tibet, Mongolia, Japan, India, Sri Lanka, Bhutan and Burma.
- **ATS Pacific** is an inbound wholesale tour operator providing comprehensive land arrangements to overseas long haul wholesalers and retailers for destinations in Australia, New Zealand and Fiji.
- **GO Holidays** is a New Zealand based wholesale brand which sells outbound packaged holiday products for destinations around the world.
- **Qantas Vacations** (a brand of Stella Travel Services USA Inc.) provides customised tour and travel arrangements for visitors from North America to Australia, New Zealand, Fiji and Tahiti.

[1] A reconciliation of Adjusted EBITDAI to EBITDAI, and Profit before tax is included in note 6 to the Financial Statements.

In 2012 Qantas Holidays and Viva! Holidays repeated the success of 2011 and 2010 by winning the NTIA Award for Best Wholesaler (Australian Product) for the third year in a row.

Stella Travel Services USA and its brands won several awards in the year:

- Travel Agent West Wave award for best Tour Operator to Australia, New Zealand and the South Pacific (Qantas Vacations)
- Outstanding Marketing Partner Award by Ensemble Travel Group (Qantas Vacations);
- Tourism Australia's Australian Specialist Wholesaler of the Year in North America (Travel 2); and
- American Australian Association Business Award for "Outstanding contribution to corporate and commercial ties between the United States, Australia and New Zealand" (Stella Travel Services USA).

Despite the Inbound sector continuing to suffer from the impact of the high Australian dollar, the Wholesale segment has benefitted from a number of factors including:

- the completion of the full integration of operations of Qantas Holidays/Viva! with the former Stella Travel Services wholesale operations;
- a single purchasing division across all generalist wholesale brands in Australia and New Zealand;
- the continuation of a two year strategic partnership of Qantas Holidays with Tourism NSW; and
- the implementation of a blended inventory solution combining Orbitz and Qantas Holidays wholesale inventory through the Ready Rooms platform.

Wholesale TTV increased 29.7% to $858 million on prior year, revenue increased 10.6% to $114.9 million on prior year and Adjusted EBITDAI increased 13.5% to $15.1 million on prior year. The margin of Revenue to TTV has stabilised at 13.4% due to disciplined margin management, brand rationalisation, integration and productivity improvements.

Travel Management Segment

JTG operates three Travel Management business units – **QBT** operating in Australia and New Zealand, **Atlantic & Pacific Business Travel** in Australia and **Atlantic & Pacific American Express (APX)** in New Zealand.

QBT is one of the largest travel management businesses in Australia, arranging business travel for Federal and State government departments, large corporations and SMEs. QBT provides a full travel management service including a 24 hour booking facility for air, land and cars for corporate customers and state-of-the-art reporting and expense management.

In FY12, QBT continued its relationship as a Global Partner of UNIGLOBE Travel International, an international franchise of travel management companies (TMC) with global partners in 750 locations across 50 countries. QBT is the mid to large market Australian and New Zealand member of this group. Partnership with UNIGLOBE enables QBT to participate in global tenders for Australian companies who require a global TMC partner and provides QBT with business leads in respect of international TMCs who require a partner in Australia.

Travel Management facilitates online corporate travel bookings through a choice of online booking tools on the website qbt.travel.

FY12 saw an increasingly competitive and challenging market for QBT and the need to enhance productivity following a period of significant change. As a result, FY12 was a period of significant transition, with the completion of a number of major projects setting the business up for future success, including:

- Structure – a review of all positions in QBT was completed to ensure alignment with current trading volumes and business processes;
- Systems – a review of the configuration of QBT booking systems was conducted with optimisation opportunities identified, with those opportunities currently in the process of being implemented;
- Business Process – a review of all work processes and workflows was completed, with strategies now in place to manage current trading volumes with fewer resources coupled with the simplification of business processes; and
- Individual Performance – new VOIP-based telephony, coupled with the migration of the front office technology to a travel agent set-up, has made it possible to identify additional opportunities for development and improvement.

As a consequence, QBT continues to assess resource requirements and is in the process of a major restructure which will see a further reduction in manpower, coupled with significant productivity improvements off the back of optimisation of its booking system and business processes.

In 2012 QBT was nominated as a finalist for the NTIA Award for Best National Travel Management Company and remained for the second year in a row on the UNIGLOBE Chairman's Circle.

APX is a leading New Zealand based TMC providing a full end-to-end travel management service and has been the New Zealand Travel Partner Network representative for American Express Business Travel since 2006. Following a long and vigorous process, APX was appointed to the New Zealand All of Government TMC panel in July 2012 for a minimum of three years.

Travel Management TTV increased 14.4% to $744.4 million on prior year, revenue increased 3.5% to $46.3 million on prior year and Adjusted EBITDAI was a loss of $3.3 million compared to a prior year profit of $3.5 million.

REVIEW OF FINANCIAL CONDITION

Capital structure

Jetset Travelworld Limited has 439,105,954 shares on issue of which QH Tours Limited (a subsidiary of Qantas Airways Limited) holds 29%, Europe Voyager NV holds 26.9%, UBS Australia Holdings Limited holds 17.9%, Sintack Pty Limited holds 12.3%, and the remaining 13.9% being held by other shareholders including management.

Cash from operations

The net cash position as at 30 June 2012 for the Group was $216.5 million (2011: $221.5 million). Net cash inflow from operating activities was $30.6 million (2011: $51.6 million).

Liquidity and funding

The Group maintains a positive working capital position and has long term debt of $26.9 million (2011: $23.1 million), net of $1.9 million of deferred borrowing costs (2011: $2.7 million).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Directors are not aware of any matter or circumstance that has arisen between 30 June 2012 and the date of signing of this report that has significantly, or may significantly, affect the operations of the Group, the results of the operations of the Group or the state of the Group's affairs in future financial years.

LIKELY DEVELOPMENTS

The economic outlook for FY13 continues to be uncertain due to a variety of economic circumstances and it is difficult to predict the outlook for demand. Management are focussed on successfully implementing the restructuring initiatives announced in June 2012 and adapting the operations to suit the current and emerging trends and trading conditions.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

During the financial year ended 30 June 2012 JTG became a member of The Green Building Council of Australia (GBCA). GBCA was established in 2002 to develop a sustainable property industry in Australia and drive the adoption of green building practices through market-based solutions. With a number of office relocations conducted during the year, JTG's new interior fit-outs are registered for Green Star – Office Interiors rating or preferentially occupy Greenstar or NABERS rated buildings. The Green Star is a rating tool designed for building owners and tenants to assess and award the environmental performance of their buildings and interior fit outs. A green fit out will include issues such as access to natural light, waste management, energy conservation, low emission paints and timber from sustainable forests.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the Directors and executive officers (or former Directors/executive officers) of the Company against:

(a) any liability (other than for legal costs) incurred by the Director/executive officer;

(b) any legal costs reasonably incurred by the Director/executive officer in connection with:

- (i) any claim brought against or by the Director/executive officer of the Company; or
- (ii) any investigative proceeding,

including (without limitation) in obtaining legal advice for the purposes of responding to, preparing for or defending any of the above; and

(c) any legal costs reasonably incurred by the Director/executive officer in or in connection with, the discharge of the Director/executive officer's duties as an officer of the Company, provided that the advice is obtained in accordance with the Board Charter which requires approval from the Chairman who will facilitate obtaining such advice and, where appropriate, disseminate such advice to all Directors.

Insurance premiums

The Company has paid insurance premiums of $47,945 during the financial year to cover current and former Directors' and officers' liability and legal expenses. The insurance premiums relate to cover for:

– costs and expenses for the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

– other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the remuneration arrangements for the Key Management Personnel ('KMP') of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purpose of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

For the purposes of this report, the term 'executive' encompasses the CEO, senior executives and General Managers ('GM') of the Group.

Directors and other KMP disclosed in this report are:

Name	Position
Non-Executive and executive directors as set out in pages 14 to 17	
Simon Bernardi[1]	Group GM Wholesale
Michael Londregan[2]	Group GM Wholesale
Gary Elliott	Group GM Online
David Hughes	GM QBT
Russell Carstensen	Group GM Air Services
Andrea Slark	GM Corporate Affairs
Michael Thompson	CEO Travelscene AmericanExpress

1 Resigned 10 January 2012.

2 Appointed as Group GM Wholesale 10 January 2012. Previous position was President, Stella Travel Services USA.

Remuneration and Nominations Committee (RNC)

The RNC of the Board is responsible for reviewing remuneration arrangements and making recommendations to the Board in relation to the Directors and executives.

The RNC assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board of Directors and executive team.

The Corporate Governance Statement provides further information on the role of this Committee.

Remuneration philosophy

The performance of the Group depends upon the quality of its Directors and executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

– provide competitive rewards to attract high calibre executives;
– have a portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
– link executive rewards to shareholder value; and
– establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Remuneration structure

The Group's remuneration structure for executives is based on a Total Reward methodology consisting of:

Fixed Annual Remuneration ('FAR')

Individual performance, skills, expertise and experience are used to determine where the employee's fixed remuneration should sit within the market range. The Company may also undertake external benchmarking to provide fixed reward that is comparable and competitive within the markets in which the Group operates.

Short Term Incentives ('STI')

STI reflects individual, group and business unit performance for the current year through compliance assessment, individual performance scorecards and linkages to business outcomes. The Group operates a range of STI arrangements that are designed to meet the particular requirements of specific roles. STI is settled in cash.

Long Term Incentives ('LTI')

LTI's are provided to senior executives of the Group. They help to drive management decisions focussed on the long term prosperity of the Group through the use of challenging performance hurdles. LTI is settled in shares in the Company.

Further detail is provided on pages 27 to 29.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration is separate and distinct and is detailed below.

Linking remuneration and performance for 2012

The Group's results for the 2012 financial year were affected by a challenging and volatile economic environment resulting in a softening in consumer demand for leisure based travel.

Performance related payments to the CEO, CFO and senior executives for 2012 include:

– Reduced STI payments with executives receiving an average of 46% of maximum STI. This is reflective of the performance of a number of Business Units particularly the Travel Management Segment and, as a consequence, the Group's reduced performance;
– 2.5% lapsing of LTI Performance Rights granted to senior executives in 2011. This is reflective of the performance hurdle for the period 1 July 2010 to 30 June 2012 not being fully achieved. The date of lapsing in relation to the 2011-Tranche 1 Performance Rights (PRs) occurred on the date of this report.

Overview of Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, at a cost which is acceptable to shareholders.

Structure

The Company Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the 2010 Annual General Meeting held on 29 November 2010 when shareholders approved an aggregate remuneration of $1,500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants from time to time as well as fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. The Board is not proposing any change to the aggregate level of remuneration.

Each Non-Executive Director, with the exception of the Chairman, receives a fee of $100,000 per annum for being a director of the Company and an additional fee of $10,000 per annum is paid for each Board Committee on which a Director is a member with the chairman of the Audit Committee receiving an additional fee of $25,000. The payment of additional fees for serving on or chairing a committee recognises the additional time commitment required by Directors who serve on one or more Committees. Fees paid in respect of Directors appointed by major shareholders are generally paid to those major shareholders rather than to the individual Director unless specified otherwise.

The Chairman receives a fee of $225,000 which includes all Board Committee fees. The payment of the increased fees to the Chairman recognises the additional time commitment required by him.

There is no intention to increase the individual director fees for the year ended 30 June 2013.

Non-Executive Directors do not receive any performance related remuneration or retirement allowances.

The remuneration of Non-Executive Directors for the year ended 30 June 2012 and 30 June 2011 is detailed in this report.

The process for review of Non-Executive Directors' performance is explained in the Corporate Governance Statement.

Overview of Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- have a portion of certain executives remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks
- link executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Structure

In determining the level and make-up of executive remuneration, the RNC considers advice from external consultants from time to time and reviews market levels of remuneration for comparable executive roles. No advice was sought from external consultants for the financial year 2012 as the company adopted a salary freeze for all employees other than those covered by an Enterprise Bargaining Agreement or Award.

All executives are employed under a standard contract, details of which are set out below.

The process for review of executives' performance is explained in the Corporate Governance Statement.

Fixed annual remuneration (FAR)

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating extra cost for the Group.

The fixed remuneration component of executives' remuneration is detailed on page 34 in this report. Cash remuneration, as disclosed in the remuneration tables, is the remuneration remaining after the deduction of salary sacrifice components such as motor vehicles and superannuation which are shown in a separate category.

Short term incentive plan (STIP) arrangements

Each executive has a target STIP opportunity depending on the accountabilities of the role and impact on the organisation and Operating Segment or Business Unit performance. The maximum target bonus opportunity is 100% of FAR. The STIP has three categories of performance targets which are set for each individual executive participating in the plan (other than the CEO/CFO).

For the year ended 30 June 2012 the categories were as follows:

- the first category accounts for at least 30% of an individual's STIP potential incentive and requires the Group to achieve its overall profit target for the financial year;
- the second category accounts for approximately 40% of an individual's STIP potential incentive and requires certain business unit specific or operating segment specific targets to be achieved for the financial year; and
- the third category accounts for the remaining 30% of an individual's STIP potential incentive and requires certain non-financial KPIs or targets to be achieved for the financial year.

The Board has reviewed the current structure and agreed that the categories for the year ended 30 June 2013 would be as follows:

- the first category accounts for at least 30% of an individual's STIP potential incentive and requires the business unit or specific operating segment to achieve its overall profit target (EBITDAI) for the financial year as set by the Board;
- the second category accounts for approximately 20% of an individual's STIP potential incentive and requires certain non financial KPIs or targets to be achieved for the financial year. Such non-financial KPIs or targets may include assessment of on-time performance in relation to internal projects and successful delivery of business unit initiatives designed to add value to the core operations of the Group; and
- the third category accounts for the remaining 50% of an individual's STIP potential incentive and is an overdrive payment based on 50% of the excess over budget of actual Group profit before tax up to a limit of the maximum target bonus opportunity.

The CEO and CFO have two categories of performance targets:

- the first category accounts for 50% of the potential incentive and requires certain non financial KPIs or targets to be achieved for the financial year. Such non financial KPIs and targets for 2012 included defending the existing business model, strategy, operational and organisational objectives; and
- the second category accounts for the remaining 50% of the STIP potential incentive and is based on actual Group profit before tax.

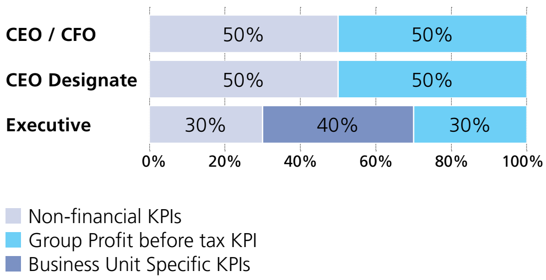
The CEO Designate (Mr Rob Gurney) will have two categories of performance targets:

- the first category accounts for 50% of the potential incentive on the achievement of agreed financial performance targets; and
- the second category accounts for the remaining 50% of the STIP potential incentive on the achievement of agreed non-financial targets.

At the date of this report the financial and non-financial performance targets for Mr Gurney and the CFO are still being formulated.

The balanced scorecard approach aims to align remuneration with the key value drivers for JTG and complement short term financial targets. The following chart depicts the executives' target short term incentive mix.

Short Term Incentive Mix – 2012



The use of a combination of profit, Operating Segment/Business Unit and non financial targets aims to ensure that variable reward is aligned to the creation of shareholder wealth. The RNC has discretion to adjust short term incentives in light of unexpected or unintended circumstances. The STIP is a cash-settled plan with incentives (if any) paid before 30 September each year and the STIP is reviewed annually by the RNC.

Long term incentive plan (LTIP) arrangements

The Board has adopted the Jetset Travelworld Limited Performance Rights Plan ('Plan') and the Plan was approved by Shareholders at the 2011 AGM. Under the Plan conditional rights to acquire shares in the Company ('Performance Rights') are awarded to eligible senior executives of the Company as the long term incentive component of their remuneration for each relevant financial year.

Each Performance Right generally gives the holder a conditional right to acquire one fully paid share in the Company if any applicable performance or other vesting conditions are satisfied (or waived).

The Plan is administered by the Plan Committee, which is currently the Remuneration and Nominations Committee. The current intention is that Participants will not be required to pay any amount in respect of the award of Performance Rights or on acquisition of Shares pursuant to the vesting of Performance Rights.

The Plan Committee may, in its absolute discretion, specify performance or other vesting conditions that must be satisfied for a grant of Performance Rights to vest, and may determine the performance period over which any such conditions must be satisfied.

Awards made for the year ended 30 June 2011

Awards were made under the Plan for the year ended 30 June 2011 (beginning from the date of the Merger, being 1 October 2010) and no amount was paid or is payable by participants in respect of the award of Performance Rights or on acquisition of Shares pursuant to the vesting of Performance Rights. The share price used in calculating the number of shares awarded to participants was $0.80, which is the 5 day VWAP of JTG on the grant date of 1 October 2010.

The award made under the Plan for the year ended 30 June 2011 comprises 3 tranches, each with a separate Performance Period of 2, 3 and 4 years respectively as follows:

Tranche	Proportion of award	Performance period length	Performance period dates for Performance Rights to be granted for FY2011
1	50%	2 years	1 October 2010 – 30 June 2012
2	25%	3 years	1 October 2010 – 30 June 2013
3	25%	4 years	1 October 2010 – 30 June 2014

Performance Rights that do not meet the performance conditions, will not vest unless those performance conditions are met, except in limited circumstances such as change in control.

Performance Conditions for Awards made for the year ending 30 June 2011

The Performance Rights granted for the year ending 30 June 2011 are subject to performance conditions linked to growth in the Company's earnings per share excluding exceptional items ('EPS'). The EPS performance conditions are determined by reference to cumulative basic EPS, aggregated over the applicable performance period, measured against a specified EPS target. External advice was sought when establishing the LTIP with the advisors recommending that EPS was the most appropriate performance condition to be used.

To achieve vesting, the aggregate EPS performance for each performance period must meet or exceed the applicable targets determined by the Plan Committee.

Minimum EPS performance is 90% of the EPS target pool while maximum EPS performance is 110% of the EPS target pool. For the Performance Rights to vest, the aggregate EPS performance condition for each performance period must meet or exceed the respective targets. As set out in the following table, 50% of the award vests at minimum EPS performance, while 100% vests at maximum EPS performance with straight line vesting in between.

EPS Target pool determined by cumulative compound EPS growth over the performance period	Portion of EPS grant vesting
< 90% of target	0%
90% of target	50%
> 90% but < 110% of target	Pro-rata on a straight line basis from 50% to 100%
≥ 110% of target	100%

Performance conditions for Tranche 1 have been met with 97.5% of the Performance Rights vesting. The Plan Committee is in the process of notifying each participant of the number of those Performance Rights that have become vested Performance Rights.

Awards made for the years ending 30 June 2012 and 30 June 2013

Awards were made under the Plan for the years ending 30 June 2012 and 30 June 2013 and no amount is to be paid or payable by participants in respect of the award of Performance Rights or on acquisition of Shares pursuant to the vesting of Performance Rights.

The awards made under the Plan for the years ending 30 June 2012 and 30 June 2013 comprises 3 tranches, each with a separate Performance Period of 2, 3 and 4 years respectively as follows:

Tranche	Proportion of award	Performance period length	Performance period dates for Performance Rights to be granted for FY2012	Performance period dates for Performance Rights to be granted for FY2013
1	33%	2 years	1 July 2011 – 30 June 2013	1 July 2012 – 30 June 2014
2	33%	3 years	1 July 2011 – 30 June 2014	1 July 2012 – 30 June 2015
3	34%	4 years	1 July 2011 – 30 June 2015	1 July 2012 – 30 June 2016

Performance Rights that do not meet the performance conditions, will not vest, except in limited circumstances such as change in control.

Performance Conditions for Awards made for the years ending 30 June 2012 and 30 June 2013

The Performance Rights granted for the years ending 30 June 2012 and 30 June 2013 are subject to the same performance conditions as the grant for the year ended 30 June 2011. That is, the grant is linked to growth in the Company's earnings per share excluding exceptionals ('EPS'). The EPS performance conditions are determined by reference to cumulative basic EPS, aggregated over the applicable performance period, measured against a specified EPS target.

To achieve vesting, the aggregate EPS performance for each performance period must meet or exceed the applicable targets determined by the Plan Committee.

As set out in the table on page 27 minimum EPS performance is 90% of the EPS target pool while maximum EPS performance is 110% of the EPS target pool. For the Performance Rights to vest, the aggregate EPS performance condition for each performance period must meet or exceed the respective targets.

Performance Rights grants

The performance of each grant of Performance Rights (PRs) under the LTIP affecting the amount of remuneration disclosed in the current or future reporting periods are shown in the table below:

Grant Name	Grant Date	Performance period	Exercise Price	Fair Value per PR at grant date	% Vested	% Lapsed
2011-Tranche 1	1 October 2010[1]	1 July 2010 to 30 June 2012	$nil	$0.80	0%[1]	2%[2]
2011-Tranche 2	1 October 2010[1]	1 July 2010 to 30 June 2013	$nil	$0.80	0%	6%
2011-Tranche 3	1 October 2010[1]	1 July 2010 to 30 June 2014	$nil	$0.80	0%	7%
2012-Tranche 1	26 June 2012	1 July 2011 to 30 June 2013	$nil	$0.36	0%	0%
2012-Tranche 2	26 June 2012	1 July 2011 to 30 June 2014	$nil	$0.36	0%	0%
2012-Tranche 3	26 June 2012	1 July 2011 to 30 June 2015	$nil	$0.36	0%	0%
2013-Tranche 1	26 June 2012	1 July 2011 to 30 June 2014	$nil	$0.36	0%	0%
2013-Tranche 2	26 June 2012	1 July 2011 to 30 June 2015	$nil	$0.36	0%	0%
2013-Tranche 3	26 June 2012	1 July 2011 to 30 June 2016	$nil	$0.36	0%	0%

1 The performance rights are not subject to an exercise price.

2 2.5% of 2011-Tranche 1 lapsed and 97.5% of 2011-Tranche 1 vested after 30 June 2012 but before the date of this report.

PRs granted under the LTIP carry no dividend or voting rights. When exercisable, each PR is convertible into one ordinary share.

Change of Control Provisions

Unless otherwise determined by the Plan Committee, if a change of control event occurs, all of a participant's Performance Rights will vest and become Vested Performance Rights even though any applicable performance conditions may not have been satisfied at that time. A change of control event means:-

- A person acquires voting power (within the meaning of section 610 of the Corporations Act) in more than 50% of the Shares in the Company as a result of a takeover bid or through a scheme of arrangement; or
- Any other event (including a merger of the Company with another company) which the Board determines in its absolute discretion, to be a change of control event.

Lapse of Performance Rights

Unless otherwise determined by the Plan Committee, all unvested Performance Rights held by a participant will lapse in certain circumstances, including if:

- the participant voluntarily resigns from their employment or is dismissed from their employment for a reason which entitles their employer to terminate their employment without notice in circumstances that are, in the Plan Committee's opinion such that the Performance Rights should lapse (including as a result of poor performance); or
- any applicable performance conditions are not satisfied, met or reached by the end of the applicable performance period (or any extended performance period).

If a participant ceases employment in various other circumstances before the end of the performance period applicable to their unvested Performance Rights, then (unless the Plan Committee determines otherwise) only a proportion of those Performance Rights will lapse. This proportion will be determined by reference to the fraction of the performance period during which the employee will not be an employee.

The Company does not have an option plan and no KMP or executives receive options.

Use of Remuneration Consultants

No remuneration consultants were appointed in relation to the year ended 30 June 2012.

Voting and comments made at the Company's 2011 Annual General Meeting

More than 88% of the votes cast at the 2011 AGM were in favour of the resolution for adoption of the Remuneration Report. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Non-monetary benefits

Non-monetary benefits, as disclosed in the remuneration tables, include salary sacrifice components such as motor vehicles, memberships of appropriate professional associations, travel entitlements and reportable fringe benefits under Fringe Benefits Tax legislation.

Directors' and officers' liability insurance has not been included in the remuneration since it is not possible to determine an appropriate allocation basis.

Details of remuneration

Details of the remuneration of the Directors and other KMP of the Group (as defined in *AASB 124 Related Party Disclosures*) are set out in the following tables.

As a result of the Merger, the disclosures contained in the comparative financial year table represent those calculated in accordance with *AASB 124 Related Party Disclosures* in combination with applying *AASB 3 Business Combinations* and in particular, the reverse acquisition provisions of that standard.

The amounts disclosed for the comparative financial year in table 2 represent remuneration paid by STS (the accounting acquirer) to KMP of the accounting acquirer over the period 1 July 2010 to 30 September 2010 (the Merger date) and remuneration paid by the Jetset Travelworld Group following the completion of the Merger on 30 September 2010 (the Post-Merger Group) to KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. This ensures that the remuneration report disclosures are calculated on a basis that is consistent with that applied in reporting the results and balances of the Group and related party disclosures in the financial statements under the reverse acquisition rules of AASB 3 Business Combinations. KMP of the accounting acquirer prior to the Merger continued to be designated as KMP of the Post-Merger Group while three additional employees from JTL (the accounting acquiree) were designated as KMP of the Post-Merger Group.

The amounts disclosed for the current financial year in table 1 represent remuneration paid by JTG to KMP of the Group over the period 1 July 2011 to 30 June 2012.

REMUNERATION OF KMP OF THE GROUP

Table 1: Remuneration for the year ended 30 June 2012

	Short term benefits					Long term benefits		Post-employment benefits			
	Salary and fees $	STIP cash bonus[1] $	Other cash bonus[2] $	Other sign-on incentive[3] $	Non-monetary benefits $	Long service leave[4] $	LTIP share based payments[5] $	Pension and Super-annuation Benefits[6] $	Termination benefits $	Total $	Proportion of remuneration performance related[7] %
Non-executive Directors											
S Bennett	100,917	–	–	–	–	–	–	9,083	–	110,000	–
A Cummins	100,917	–	–	–	–	–	–	9,083	–	110,000	–
T Dery (Chairman)	184,730	–	–	–	–	–	–	40,270	–	225,000	–
A John[8]	110,000	–	–	–	–	–	–	–	–	110,000	–
B Johnson[8]	110,000	–	–	–	–	–	–	–	–	110,000	–
A MacKenzie[9]	110,000	–	–	–	–	–	–	–	–	110,000	–
J Millar	114,679	–	–	–	–	–	–	10,321	–	125,000	–
P Spathis	61,743	–	–	–	–	–	–	38,257	–	100,000	–
Sub-total Non-executive Directors	**892,986**	**–**	**–**	**–**	**–**	**–**	**–**	**107,014**	**–**	**1,000,000**	**–**
Other KMP											
P Lacaze CEO & Executive Director	700,576	350,625	–	–	115,571	–	132,987	50,000	–	1,349,759	35.8%
E Gaines[10] CFO & Executive Director	584,801	280,500	–	–	35,070	–	53,195	17,042	–	970,608	34.4%
S Bernardi[11] Group GM Wholesale	286,588	–	–	146,625	5,608	(4,810)	24,240	14,461	222,454	695,166	3.5%
M Londregan[11] Group GM Wholesale	344,758	52,500	–	–	79,871	–	24,204	–	–	501,333	15.3%
R Carstensen Group GM Air Services	400,000	136,000	–	–	–	–	38,655	36,000	–	610,655	28.6%
G Elliott Group GM Online	372,154	87,155	145,336	–	–	16,119	35,463	29,898	–	686,125	39.1%
D Hughes GM QBT	279,801	–	–	90,000	12,393	4,605	26,154	15,775	–	428,728	6.1%
A Slark GM Corporate Affairs	284,801	84,000	–	66,250	–	2,709	26,597	15,775	–	480,132	23.0%
M Thompson CEO Travelscene AmericanExpress	321,656	73,627	–	–	–	5,294	30,311	28,950	–	459,838	22.6%
Sub-total Other KMP	**3,575,135**	**1,064,407**	**145,336**	**302,875**	**248,513**	**23,917**	**391,806**	**207,901**	**222,454**	**6,182,344**	
Total	**4,468,121**	**1,064,407**	**145,336**	**302,875**	**248,513**	**23,917**	**391,806**	**314,915**	**222,454**	**7,182,344**	

Notes to table 1

1. Short Term Incentive Plan (STIP) cash bonus amounts are those earned during the current financial year and provided for in the current year's financial statements. These amounts will be settled in cash after 30 June 2012.
2. Other cash bonus relates to an amount paid in accordance with the performance/profit share agreement between G Elliott and the Group in relation to Best Flights Pty Ltd of which G Elliott was the former owner. Other cash bonus amounts are those earned during the current financial year and provided for in the current year's financial statements if not already paid. Outstanding amounts, if any, will be settled in cash after 30 June 2012.
3. Cash sign-on incentives are in accordance with the terms of the employment contracts of the respective KMP. The amounts in the table above were paid during the financial year and represent the 40% component of the total possible sign-on incentive that became payable on the anniversary of the respective KMP becoming an employee of the Group.
4. Represents the movement in the provision for long service leave entitlements for the period in relation to that individual KMP as recorded within the financial statements of the Group according to *AASB 119 Employee Benefits.* Accordingly, amounts in this component of remuneration can be negative, particularly where long-service leave is taken during the year or paid out and included within the Termination benefits component.
5. Represents the share-based payments expense for the period in relation to that individual KMP as recorded within the financial statements of the Group according to *AASB 2 Share-based Payment*. Share-based payments arise as a result of the grant of Performance Share Rights to KMPs under the Group's Long Term Incentive Plan (LTIP).
6. Amounts disclosed as Pension and Superannuation Benefits represent that portion of remuneration amounts actually paid to complying superannuation funds in accordance with legislative requirements, individual contract terms or structuring elections made by Directors or executives. Where amounts in other component columns in the Remuneration Report are shown on an accruals basis and these will attract corresponding future Pension or Superannuation contributions, these accrued Pension or Superannuation elements are added to the gross accrual amounts shown under the other respective components of the Remuneration Report.
7. The proportion of remuneration that is performance based is calculated as the sum of the STIP cash bonus, Other cash bonus and LTIP share-based payment amounts as a proportion of total remuneration.
8. Amounts disclosed in the table as Salary and fees in relation to A John and B Johnson were paid to Qantas Airways Limited rather than to the individual directors and therefore did not derive a superannuation contribution.
9. Amounts disclosed in the table as Salary and fees in relation to A MacKenzie were paid to Europe Voyager NV rather than to A MacKenzie and therefore did not derive a superannuation contribution.
10. An entity within the consolidated Group has an amount of $85,088 receivable from E Gaines in relation to a previous share option plan. This bears interest at 7.4% being the benchmark interest rate for Fringe Benefits Tax purposes as published by the Australian Taxation Office (ATO). The amount is only repayable on the sale of certain shares associated with the plan which are currently subject to escrow and transfer restrictions.
11. S Bernardi resigned during the year and was replaced by M Londregan who previously held the position of President, Stella Travel Services USA. Amounts disclosed above for M Londregan represent remuneration earned throughout the whole of the financial year. Non monetary benefits for M Londregan relate to relocation expenses incurred by the Group on his transfer from Stella Travel Services USA to Australia. The termination payment to S Bernardi represents accrued statutory and contractual entitlements and recognition of past services.

Remuneration of KMP of the Group (continued)

Table 2: Remuneration for the year ended 30 June 2011

	Short term benefits					Long term benefits		Post-employment benefits		
	Salary and fees $	STIP cash bonus[1] $	Other cash bonus[2] $	Other sign-on incentive[3] $	Non-monetary benefits $	Long service leave[4] $	LTIP share based payment[5] $	Pension and Super-annuation benefits $	Total $	Proportion of remuneration performance related[6] %
Non-Executive Directors										
S Bennett[7]	16,922	–	–	–	–	–	–	1,523	18,445	–
A Cummins[8]	99,012	–	–	–	–	–	–	8,911	107,923	–
T Dery[9] (Chairman)	155,095	–	–	–	–	–	–	13,959	169,054	–
G Evans[10]	71,640	–	–	–	–	–	–	–	71,640	–
L Grant[11]	–	–	–	–	–	–	–	–	–	–
A John[12]	10,975	–	–	–	–	–	–	–	10,975	–
B Johnson[13]	82,615	–	–	–	–	–	–	–	82,615	–
J King[14]	–	–	–	–	–	–	–	–	–	–
A MacKenzie[15]	82,923	–	–	–	–	–	–	–	82,923	–
J Millar[16]	86,450	–	–	–	–	–	–	7,781	94,231	–
M Riches[17]	56,053	–	–	–	–	–	–	5,045	61,098	–
P Spathis[18]	68,878	–	–	–	–	–	–	6,199	75,077	–
E Gaines[19]	–	–	–	–	–	–	–	–	–	–
Sub-total Non-Executive Directors	**730,563**	**–**	**–**	**–**	**–**	**–**	**–**	**43,418**	**773,981**	
Other KMP										
P Lacaze[20] CEO & Executive Director	625,000	750,000	6,667	–	49,352	–	99,740	50,000	1,580,759	54.2%
E Gaines[21] CFO & Executive Director	438,601	600,000	6,667	–	14,137	–	39,896	10,133	1,109,434	58.3%
S Bernardi[22] Group GM Wholesale	288,601	160,000	6,667	219,937	–	5,510	26,597	11,399	718,711	26.9%
R Carstensen[23] Group GM Air Services	378,500	160,000	6,667	–	–	–	28,991	34,065	608,223	32.2%
G Elliott[24] Group GM Online	200,000	–	560,959	–	–	–	26,597	49,852	837,408	70.2%
D Hughes[25] GM QBT	209,851	118,000	6,667	135,000	–	4,007	19,616	11,399	504,540	28.6%
A Slark[26] GM Corporate Affairs	213,601	120,000	6,667	99,375	–	910	19,948	11,399	471,900	31.1%
M Thompson[27] CEO Travelscene AmericanExpress	291,885	94,097	6,667	–	–	12,313	22,733	50,000	477,695	25.9%
Sub-total Other KMP	**2,646,039**	**2,002,097**	**607,628**	**454,312**	**63,489**	**22,740**	**284,118**	**228,247**	**6,308,670**	
TOTAL	**3,376,602**	**2,002,097**	**607,628**	**454,312**	**63,489**	**22,740**	**284,118**	**271,665**	**7,082,651**	

Notes to table 2

1. Short Term Incentive Plan (STIP) cash bonus amounts are those earned during the financial year and provided for in the financial statements. These amounts were settled in cash after 30 June 2011.
2. Other cash bonus relates to a Board approved bonus pool based on Group profit performance in excess of the Board approved budget which is allocated to the CEO and the direct reports of the CEO. In relation to G Elliott, the other cash bonus amount shown in the table is an amount payable in accordance with a performance/profit share agreement between G Elliott and the Group in relation to Best Flights Pty Ltd of which G Elliott was the former owner. Other cash bonus amounts are those earned during the financial year and provided for in the year's financial statements. These amounts were settled in cash after 30 June 2011.
3. Cash sign-on incentives are in accordance with the terms of the employment contracts of the respective KMPs. The amounts in the table above were paid during the financial year and represent 60% of the total possible incentive that became payable on the respective KMPs becoming employees of the Group on 1 October 2010. The remaining 40% of the incentive only becomes payable on the anniversary of the KMP becoming an employee of the Group.
4. Represents the movement in the provision for Long Service Leave for the period in relation to that individual KMP as recorded within the Financial Statements of the Group according to *AASB 119 Employee Benefits*.
5. Represents the share-based payments expense for the period in relation to that individual KMP as recorded within the Financial Statements of the Group according to *AASB 2 Share-based Payment*. Share-based payments arise as a result of the grant of Performance Share Rights to KMPs under the Group's LTIP.
6. The proportion of remuneration that is performance based is calculated as the sum of the STIP cash bonus, Other cash bonus and LTIP share-based payment amounts as a proportion of total remuneration.
7. S Bennett was appointed on 28 April 2011. Amounts disclosed in the table cover the period from 28 April 2011 to 30 June 2011 being the period during which S Bennett was a Director of the Post-Merger Group.
8. A Cummins was a Director (and Chairman) of the accounting acquirer from 1 July 2010 to 30 September 2010 and appointed as a Director of the legal parent from 30 September 2010. Amounts disclosed in the table cover the period from 1 July 2010 to 30 June 2011 being the period during which A Cummins was a Director of the accounting acquirer and Post-Merger Group.
9. T Dery was a Director (and Chairman) of the legal parent (accounting acquiree) throughout the current financial year. Amounts disclosed in the table cover the period from 1 October 2010 to 30 June 2011 being the period during which T Dery was a Director of the Post-Merger Group. In addition to the above, T Dery earned Directors Fees of $33,532 and Superannuation benefits of $3,018 over the period from 1 July 2010 to 30 September 2010 as a Director (and Chairman) of the accounting acquiree.
10. G Evans was a Director of the legal parent (accounting acquiree) from 1 July 2010 to the date of his resignation on 26 May 2011. Amounts disclosed in the table cover the period from 1 October 2010 to 26 May 2011 being the period during which G Evans was a Director of the Post-Merger Group. Amounts disclosed in the table were paid to Qantas Airways Limited rather than to G Evans and therefore did not derive a superannuation contribution. In addition to the above, G Evans earned Directors Fees of $20,000 over the period from 1 July 2010 to 30 September 2010 as a Director of the accounting acquiree. These fees were also paid to Qantas Airways Limited rather than to G Evans, and did not derive a superannuation contribution.
11. L Grant was a Director of the legal parent (accounting acquiree) from 1 July 2010 to the date of her resignation on 30 September 2010. There are no amounts to disclose in the table given that L Grant was never a Director of the accounting acquirer nor did she remain a Director of the Post-Merger Group. In addition to the above, L Grant earned Directors Fees of $20,000 over the period from 1 July 2010 to 30 September 2010 as a Director of the accounting acquiree. These fees were also paid to Qantas Airways Limited rather than to L Grant, and did not derive a superannuation contribution.
12. A John was appointed on 26 May 2011. Amounts disclosed in the table cover the period from 26 May 2011 to 30 June 2011 being the period during which A John was a Director of the Post-Merger Group. Amounts disclosed in the table were paid to Qantas Airways Limited rather than to A John and therefore did not derive a superannuation contribution.
13. B Johnson was a Director of the legal parent (accounting acquiree) throughout the current financial year. Amounts disclosed in the table cover the period from 1 October 2010 to 30 June 2011 being the period during which B Johnson was a Director of the Post-Merger Group. Amounts disclosed in the table were paid to Qantas Airways Limited rather than to B Johnson and therefore did not derive a superannuation contribution. In addition to the above, B Johnson earned Directors Fees of $20,000 over the period from 1 July 2010 to 30 September 2010 as a Director of the accounting acquiree. These fees were also paid to Qantas Airways Limited rather than to B Johnson, and did not derive a superannuation contribution.
14. J King was a Director of the legal parent (accounting acquiree) from 1 July 2010 to the date of his resignation on 30 September 2010. There are no amounts to disclose in the table given that J King was never a Director of the accounting acquirer nor did he remain a Director of the Post-Merger Group. In addition to the above, J King earned Directors Fees of $18,343 and Superannuation benefits of $1,651 over the period from 1 July 2010 to 30 September 2010 as a Director of the accounting acquiree.
15. A MacKenzie was a Director of the accounting acquirer from 1 July 2010 to 30 September 2010 and appointed as a Director of the legal parent from 30 September 2010. Amounts disclosed in the table cover the period from 1 July 2010 to 30 June 2011 being the period during which A MacKenzie was a Director of the accounting acquirer and Post-Merger Group. Amounts disclosed in the table were paid to Europe Voyager NV rather than to A MacKenzie and therefore did not derive a superannuation contribution.
16. J Millar was appointed on 30 September 2010. Amounts disclosed in the table cover the period from 30 September 2010 to 30 June 2011 being the period during which J Millar was a Director of the Post-Merger Group.
17. M Riches was appointed on 30 September 2010 and resigned on 19 April 2011. Amounts disclosed in the table cover the period from 30 September 2010 to 19 April 2011 being the period during which M Riches was a Director of the Post-Merger Group.
18. P Spathis was a Director of the legal parent (accounting acquiree) throughout the current financial year. Amounts disclosed in the table cover the period from 1 October 2010 to 30 June 2011 being the period during which A Spathis was a Director of the Post-Merger Group. In addition to the above, P Spathis earned Directors Fees of $18,349 and Superannuation benefits of $1,651 over the period from 1 July 2010 to 30 September 2010 as a Director of the accounting acquiree.

Notes to Table 2 (continued)

19. E Gaines was a Non-Executive Director of the accounting acquirer from 1 July 2010 to 30 September 2010 however no remuneration was paid to E Gaines in relation to this appointment. During this time, E Gaines was also a Director of Global Voyager Group Holdings Pty Ltd (formerly Stella Group Holdings Pty Ltd), the parent of the accounting acquirer, from 1 July 2010 to 30 September 2010. E Gaines became an employee (CFO) and KMP of the Post-Merger Group on 1 October 2010 and was appointed to the Board as an Executive Director on 30 June 2011. Amounts paid to E Gaines in relation to her role as CFO, a Post-Merger Group KMP and Executive Director are disclosed in the lower half of the table (refer also to note 21 below).
20. P Lacaze was an Executive Director of the accounting acquirer from 1 July 2010 to 30 September 2010 and appointed as an Executive Director of the legal parent from 30 September 2010. P Lacaze was a KMP of the accounting acquirer from 1 July 2010 to 30 September 2010 and a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 July 2010 to 30 June 2011 being the period during which P Lacaze was a Director or KMP of the accounting acquirer or Post-Merger Group.
21. E Gaines became an employee (CFO) and KMP of the Post-Merger Group on 1 October 2010. Amounts disclosed in the lower half of the table for E Gaines cover the period from 1 October 2010 to 30 June 2011 being the period during which E Gaines was a KMP of the Post-Merger Group. E Gaines was appointed as an Executive Director of the legal parent on 30 June 2011. An entity within the consolidated Group has an amount of $68,778 receivable from E Gaines in relation to a previous share option plan. This bears interest at 7.8% being the benchmark interest rate for Fringe Benefits Tax purposes as published by the Australian Taxation office (ATO). The amount is only repayable on the sale of certain shares associated with the plan which are currently subject to escrow and transfer restrictions.
22. S Bernardi was a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 October 2010 to 30 June 2011 being the period during which S Bernardi was a KMP of the Post-Merger Group.
23. R Carstensen was a KMP of the accounting acquirer from 1 July 2010 to 30 September 2010 and a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 July 2010 to 30 June 2011 being the period during which R Carstensen was a KMP of the accounting acquirer or Post-Merger Group.
24. G Elliott was a KMP of the accounting acquirer from 1 July 2010 to 30 September 2010 and a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 July 2010 to 30 June 2011 being the period during which G Elliott was a KMP of the accounting acquirer or Post-Merger Group.
25. D Hughes was a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 October 2010 to 30 June 2011 being the period during which D Hughes was a KMP of the Post-Merger Group.
26. A Slark was a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 October 2010 to 30 June 2011 being the period during which A Slark was a KMP of the Post-Merger Group.
27. M Thompson was a KMP of the accounting acquirer from 1 July 2010 to 30 September 2010 and a KMP of the Post-Merger Group from 1 October 2010 to 30 June 2011. Amounts disclosed in the table cover the period from 1 July 2010 to 30 June 2011 being the period during which M Thompson was a KMP of the accounting acquirer or Post-Merger Group.

SERVICE AGREEMENTS

Remuneration and other terms of employment for KMP are formalised in continuing term contracts of employment or service agreements. All contracts may be terminated by either party subject to notice periods and subject to termination payments or benefits as detailed in table 3 below:

Table 3: Service agreements with KMPs

KMP	Base salary including superannuation	Notice period to be given by KMP	Notice period to be given by the Company	Termination payments or benefits payable if termination is by the Company[1]
P Lacaze CEO & Executive Director	$750,000	6 months	6 months	Not specified
E Gaines CFO & Executive Director	$600,000	6 months	6 months	Not specified
S Bernardi[2] Group GM Wholesale	$400,000	3 months	3 months	Not specified
M Londregan Group GM Wholesale	$350,000	3 months	3 months	Not specified
R Carstensen Group GM Air Services	$545,000	3 months	3 months	Not specified
G Elliott Group GM Online	$435,775	3 months	3 months	Not specified
D Hughes GM QBT	$295,000	3 months	3 months	Not specified
A Slark GM Corporate Affairs	$300,000	3 months	3 months	Not specified
M Thompson CEO Travelscene AmericanExpress	$350,605	3 months	3 months	Not specified

1 Certain termination payments or benefits may not be payable in the case of summary dismissal or circumstances similar to that which would allow the Company to terminate employment without notice.

2 S Bernardi resigned during the year and was replaced by M Londregan who previously held the position of President, USA operations.

There are no set end dates under any of the contracts of employment in the table.

Details of remuneration: Share-based compensation benefits and bonuses

Details of PRs over ordinary shares in the company provided as remuneration to each Director and KMP and details of amounts expensed and shown as remuneration in the remuneration tables are set out in table 4 below:

Table 4: Details of PRs for the year ended 30 June 2012

		Share-based compensation								
Director or KMP		Number of PRs at 30 June 2011	Number of PRs granted during the year	Value of PRs at grant date[1]	Value of PRs expensed & shown as remuneration during the year[2]	Maximum total value of grant yet to vest[3]	Number of PRs actually vested during the year[4]	Number of PRs lapsed during the year	Value of PRs that lapsed at lapse date	Number of PRs at 1 July 2012
P Lacaze CEO & Executive Director	2011 Grant	375,000	–	–	$132,987	$67,273	–	–	–	375,000
E Gaines CFO & Executive Director	2011 Grant	150,000	–	–	$53,195	$26,909	–	–	–	150,000
	2012 Grant[5]	–	201,499	$72,540	–	$72,540	–	–	–	201,499
	2013 Grant[5]	–	201,499	$72,540	–	$72,540	–	–	–	201,499
S Bernardi[6] Group GM Wholesale	2011 Grant	100,000	–	–	$24,240	$7,765	–	37,270	$24,225	62,730
M Londregan[6] Group GM Wholesale	2011 Grant	68,250	–	–	$24,204	$12,244	–	–	–	68,250
	2012 Grant	–	117,541	$42,315	–	$42,315	–	–	–	117,541
	2013 Grant	–	117,541	$42,315	–	$42,315	–	–	–	117,541
R Carstensen Group GM Air Services	2011 Grant	109,000	–	–	$38,655	$19,554	–	–	–	109,000
	2012 Grant	–	146,423	$52,712	–	$52,712	–	–	–	146,423
	2013 Grant	–	146,423	$52,712	–	$52,712	–	–	–	146,423
G Elliott Group GM Online	2011 Grant	100,000	–	–	$35,463	$17,939	–	–	–	100,000
	2012 Grant	–	146,347	$52,685	–	$52,685	–	–	–	146,347
	2013 Grant	–	146,347	$52,685	–	$52,685	–	–	–	146,347
D Hughes GM QBT	2011 Grant	73,750	–	–	$26,154	$13,230	–	–	–	73,750
A Slark GM Corporate Affairs	2011 Grant	75,000	–	–	$26,597	$13,455	–	–	–	75,000
	2012 Grant	–	100,750	$36,270	–	$36,270	–	–	–	100,750
	2013 Grant	–	100,750	$36,270	–	$36,270	–	–	–	100,750
M Thompson CEO Travelscene AmericanExpress	2011 Grant	85,471	–	–	$30,311	$15,333	–	–	–	85,471
	2012 Grant	–	117,745	$42,388	–	$42,388	–	–	–	117,745
	2013 Grant	–	117,745	$42,388	–	$42,388	–	–	–	117,745

Notes to table 4

1 Calculated in accordance with *AASB 2 Share-based Payment*. The assessed value at grant date of PRs granted to the individual is allocated evenly over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are calculated taking into account the share price on grant date and the exercise price.

2 Calculated in accordance with *AASB 2 Share-based Payment*. Shown as a component of current year remuneration (see table 1).

3 The maximum value of PRs yet to vest has been determined as the amount of the grant date fair value of the PRs that is yet to be expensed (or shown as remuneration) in accordance with *AASB 2 Share-based Payment*. The minimum value of PRs yet to vest is nil.

4 The performance period in relation to the first tranche of the 2011 grant ended on 30 June 2012. The actual vesting and lapse date in relation to the first tranche of the 2011 grant occurred after 30 June 2012 at which point 2.5% of the first tranche lapsed and 97.5% of the first tranche vested. No ordinary shares in the Company were provided to Directors or KMP of the Company as a result of the exercise of PRs during the year.

5 Offer of 2012 and 2013 PRs are subject to shareholder approval at the 2012 Annual General Meeting.

6 S Bernardi resigned during the period and was replaced by M Londregan.

No PRs were exercised or exercisable during the year.

Table 5: Details of PRs for the year ended 30 June 2011

Director or KMP		Number of PRs granted during the year	Value of PRs at grant date[1]	Value of PRs expensed & shown as remuneration during the year[2]	Maximum total value of grant yet to vest[3]	Number of PRs actually vested during the year[4]	Number of PRs lapsed during the year	Value of PRs that lapsed at end of performance period
		Share-based compensation						
P Lacaze[5] CEO & Executive Director	2011 Grant	375,000	$300,000	$99,740	$200,260	–	–	–
E Gaines[5] CFO & Executive Director	2011 Grant	150,000	$120,000	$39,896	$80,104	–	–	–
S Bernardi[6] Group GM Wholesale	2011 Grant	100,000	$80,000	$26,597	$53,403	–	–	–
M Londregan[6] Group GM Wholesale	2011 Grant	68,250	$54,600	$18,153	$36,447	–	–	–
R Carstensen Group GM Air Services	2011 Grant	109,000	$87,200	$28,991	$58,209	–	–	–
G Elliott Group GM Online	2011 Grant	100,000	$80,000	$26,597	$53,403	–	–	–
D Hughes GM QBT	2011 Grant	73,750	$59,000	$19,616	$39,384	–	–	–
A Slark GM Corporate Affairs	2011 Grant	75,000	$60,000	$19,948	$40,052	–	–	–
M Thompson CEO Travelscene AmericanExpress	2011 Grant	85,471	$68,377	$22,733	$45,644	–	–	–

Notes to table 5

1 Calculated in accordance with *AASB 2 Share-based Payment*. The assessed value at grant date of PRs granted to the individual is allocated evenly over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are calculated taking into account the share price on grant date and the exercise price.

2 Calculated in accordance with *AASB 2 Share-based Payment*. Shown as a component of current year remuneration (see table 2).

3 The maximum value of PRs yet to vest has been determined as the amount of the grant date fair value of the PRs that is yet to be expensed (or shown as remuneration) in accordance with *AASB 2 Share-based Payment*.

4 No PRs were available to vest during the year. The first period for the assessment of vesting of PRs ends on 30 June 2012 with performance periods continuing through to 30 June 2014 (vesting in relation to the first assessment period remains subject to review and approval of the RNC). Accordingly, there is no disclosure to make in relation to the percentage of actual vesting or forfeiture to total potential vesting for the current financial year. No ordinary shares in the Company were provided to Directors or KMP of the Company as a result of the exercise of PRs during the year.

5 Offer of 2011 PRs received shareholder approval at the 2011 Annual General Meeting.

6 S Bernardi resigned during the period and was replaced by M Londregan. Although M Londregan was not designated as a KMP in 2011, his comparative information has been added to table 5 above.

Table 6: Details of Bonuses

KMP		% of potential bonus earned during the year	% of potential bonus forfeited during the year[1]
P Lacaze CEO & Executive Director	2011	100%	0%
	2012	47%	53%
E Gaines CFO & Executive Director	2011	100%	0%
	2012	47%	53%
S Bernardi Group GM Wholesale	2011	100%	0%
	2012	0%	100%
M Londregan Group GM Wholesale	2011	100%	0%
	2012	50%	50%
R Carstensen Group GM Air Services	2011	100%	0%
	2012	85%	15%
G Elliott Group GM Online	2011	100%	0%
	2012	50%	50%
D Hughes GM QBT	2011	100%	0%
	2012	0%	100%
A Slark GM Corporate Affairs	2011	100%	0%
	2012	70%	30%
M Thompson CEO Travelscene AmericanExpress	2011	100%	0%
	2012	70%	30%

Notes to table 6

1 The percentage of potential bonus available during the year was forfeited as a result of Group Profit, Business Unit or Operating Segment performance or non financial targets not achieved during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received the declaration of independence on page 38 from PricewaterhouseCoopers, the auditor of JTG. This declaration confirms the auditor's independence and forms part of the Directors' Report.

Non-audit services

During the year PricewaterhouseCoopers has performed certain other services in addition to its statutory duties. Consistent with written advice provided by the Audit Committee, the Directors have resolved and are satisfied that the provision of these non-audit services is compatible with, and did not compromise, the general standard of independence of auditors imposed by the auditor independence requirements of the *Corporations Act 2001*. The reasons for this are that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor. The non-audit services provided do not undermine the general principles relating to auditor independence, as set out in APES 110 Codes of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 38 and forms part of the Directors' Report for the financial year ended 30 June 2012. Details of the amounts paid to PricewaterhouseCoopers, for audit and non-audit services are set out in note 21 of the Financial Statements on page 81 of the Financial Report.

Rounding

The amounts contained in this Directors' Report and in the Financial Report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the Class Order applies.

Made in accordance with a resolution of the Directors.

Tom Dery
Chairman
Jetset Travelworld Limited
Sydney, 27 August 2012

Auditor's Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION

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

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Jetset Travelworld Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
27 August 2012

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Corporate Governance Statement

OVERVIEW

The Board of Jetset Travelworld Limited ('JTL') governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to, and ensures that, the Executive management runs the Group in accordance with the highest level of ethics and integrity. It continually reviews the governance framework and practices to ensure it fulfils its corporate governance obligations.

This statement outlines the main corporate governance practices employed by the Board of JTL. JTL endorses the ASX Corporate Governance Principles and Recommendations ('ASX CGP') and where it has not adopted a particular recommendation, a detailed explanation is provided in the body of this document.

1. LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The relationship between the Board and senior management is critical to the Company's long term success. The Board is responsible for the performance of the Company in both the short and longer term and seeks to balance sometimes competing objectives in the best interests of the Group as a whole. The key aims of the Board are to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior executives.

The responsibilities of the Board as a whole, the Chairman and individual Directors are set out in the Company's Board Charter and are consistent with those set out in ASX CGP 1. A copy of the Board Charter is available from the Corporate Governance section of the Company website at www.jetsettravelworld.com.au.

To ensure that Non-Executive Directors clearly understand the requirements of their role, formal letters of appointment are provided to them. The content of the appointment letter is consistent with that set out in ASX CGP 1. The majority of the Non-Executive Directors have extensive knowledge of the whole or part of the Company's operations. New Non-Executive Directors are provided with a pack of information and documents relating to the Company including the Explanatory Memorandum, Constitution, Group structure, Financial Statements and the various Board policies and charters.

To ensure that Executive Directors clearly understand the requirements of the role, service contracts and formal job descriptions are provided to them, the content of which is consistent with ASX CGP 1.

Senior Executive Performance

The CEO undertakes an annual review of the performance of his direct reports including the CFO, against key performance indicators and provides a report to the Remuneration and Nominations Committee for further consideration.

The Chairman undertakes an annual review of the performance of the CEO against key performance indicators and provides a report to the Remuneration and Nominations Committee for further consideration.

2. STRUCTURE OF THE BOARD

Board composition

The Directors determine the composition and size of the Board in accordance with the Company's Constitution. The Constitution empowers the Board to set upper and lower limits with the number of Directors not permitted to be less than three. There are currently ten Directors appointed to the Board. The skills and experience of each Director and their period of office at the date of this Annual Report are set out in the Directors' Report on pages 14 to 17.

Director Independence

Based on the definition of independence published in ASX CGP, only two Directors, Chairman Tom Dery and James Millar are deemed Independent Directors. The remainder of the Board are not independent for the following reasons:

– B Johnson and A John are executives of Qantas, the ultimate holding company of QH Tours Ltd, a substantial shareholder of JTG;
– A Cummins is Chairman of CVC Australia and A MacKenzie is Managing Partner of CVC Australia. CVC has an indirect majority interest in Europe Voyager NV, a substantial shareholder of JTG;
– S Bennett has held senior management positions with UBS AHL and previously acted as a consultant to UBS AHL. UBS AHL is a substantial shareholder of JTG;
– P Spathis is an executive of Consolidated Travel Pty Limited. Mr Spathis is the director nominated by Sintack Pty Limited, a substantial shareholder of JTG and related body corporate to Consolidated Travel Pty Limited; and
– P Lacaze, R Gurney and E Gaines are executives of the Company.

Corporate Governance Statement

(continued)

Independent Decision Making

A majority of the Board is not independent and the Company recognises that this is a departure from Recommendation 2.1 of the ASX CGP. QH Tours Ltd, Europe Voyager NV, UBSAHL and Sintack Pty. Limited have each nominated members to the current Board. Those nominees bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities as Non-Executive Directors. All Directors bring independent judgements to bear on their decisions.

The materiality thresholds used to assess director independence are set out in the Board Charter. The Board believes that the interests of the shareholders are best served by:

- the current composition of the Board which is regarded as balanced with a complementary range of skills, diversity and experience as detailed in the Directors' Report; and
- the Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgements:

- a standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors are permitted to seek the advice of independent experts at the Company's expense, subject to the approval of the Chairman;
- all Directors must act at all times in the interests of the Company; and
- Directors meet as required independently of executive management.

Adoption of these measures ensures that the interests of shareholders, as a whole, are pursued and not jeopardised by a lack of independence.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee's specific responsibilities are set out in the Committee's charter, which is available in the Corporate Governance section of the Company's website.

The terms of reference, role and responsibility of the Remuneration and Nominations Committee are consistent with ASX CGP 2 except that, due to the small number of Independent Directors, the Committee does not have a majority of Independent Directors. The members are however, considered to be the best qualified to serve on the Committee given their background and experience. The Committee is chaired by independent Chairman, Tom Dery.

The Committee/Board seeks to ensure that collectively its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective. It shall review the range of expertise of its members on a regular basis and seeks to ensure that it has operational and technical expertise relevant to the operation of the Company.

Directors are re-elected, nominated and appointed to the Board in accordance with the Board's policy on these matters set out in the Charter, the Company's Constitution and ASX Listing Rules. In considering appointments to the Board, the extent to which the skills and experience of potential candidates complement those of the Directors in office is considered.

Board performance

The Board undertakes an annual self-assessment of its collective performance and the performance of its committees, by way of a series of questionnaires. The results are collated and discussed at a Board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A director is nominated to review the individual performance of the Chairman and meets privately with him to discuss this assessment. The 2011 Board review was undertaken in August 2011, in accordance with the process set out above, and a further review will be undertaken in September 2012.

Access to information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive management on business performance and issues. With the approval of the Chairman, Directors may seek independent professional advice, as required, at the Company's expense.

3. ETHICAL AND RESPONSIBLE DECISION MAKING

A Standards of Conduct Policy is in place to promote ethical and responsible practices and standards for directors, employees and consultants of the Company to discharge their responsibilities. This Policy reflects the directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the upmost integrity. A copy of this Standards of Conduct policy is available to all employees and is also available in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 3.

Diversity

The Board has established a diversity policy which supports the commitment of the Company to an inclusive workplace that embraces and promotes diversity and provides a framework for new and existing diversity-related initiatives, strategies and programs within the business. A copy of the policy is available in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP3.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following measurable objectives in relation to gender diversity:

- The Board will actively seek suitable female applicants for Board vacancies;
- The proportion of females on the Board should not fall below current levels unless a transparent process fails to succeed in attracting a suitable female candidate;
- The proportion of females reporting to the CEO should not fall below the current levels unless a transparent process fails to succeed in attracting suitable female candidates; and
- JTG has developed and implemented a 'keep in touch' programme for employees on maternity leave including a support program for transition back into the workplace. This entails a formal program of the relevant staff members meeting with their supervisor every 3 months, invitations to staff functions, morning teas to keep in touch and refresher courses offered where required.

At 30 June 2012 the following was recorded:

	Number	%
Number of females on the Board	1	10
Proportion of females reporting to the CEO	3	25

Proportion of women in the organisation

There are also 25 female employees (representing 42%) who report to the CEO's direct reports.

Share trading

A Share Trading Policy is in place for directors, senior executives and employees. The objective of the policy is to minimise the risk of directors and employees who may hold material non public information contravening the laws against insider trading, ensure the Company is able to meet its reporting obligations under the ASX Listing Rules and increase transparency with respect to trading in securities of the Company. A copy of the policy is available in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP3.

Protected disclosures

The Group's Whistleblower Policy encourages employees to report concerns in relation to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussions. The Whistleblower Policy is available to all JTG Group employees and is also available in the Corporate Governance section of the Company's website.

Corporate Governance Statement

(continued)

4.
INTEGRITY OF FINANCIAL REPORTING

The Board has an Audit Committee to assist the Board in the discharge of its responsibilities.

The Audit Committee consists of the following Non-Executive Directors:

– T Dery (Independent)
– A John
– A MacKenzie
– J Millar (Chairman) (Independent)

The Audit Committee charter is available in the Corporate Governance section of the Company's website and the composition, operations and responsibilities of the Committee are consistent with ASX CGP 4, except that, due to the small number of Independent Directors, the Audit Committee does not have a majority of independent directors and as such is inconsistent with ASX CGP 4.2. The members are however considered to be the best qualified to serve on the Committee given their background and experience. The Committee is chaired by an independent director who is not the Chairman, J Millar.

Details of these Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report on pages 14 to 18.

The Board and Audit Committee closely monitor the independence of the external and internal auditors. Regular reviews of the independence safeguards put in place by the internal and external auditors are undertaken including the rotation of the external audit engagement partner every five years.

The lead audit partner responsible for the Group's external audit is required to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Deloitte was appointed by the Board on 24 June 2009 to provide an Internal Audit function. The Directors recognise that an Internal Audit function is a fundamental contributor to good governance and the Audit Committee discuss the findings of Deloitte's reports.

5.
TIMELY AND BALANCED DISCLOSURE

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

A copy of the Continuous Disclosure Policy is located in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 5.

6.
RIGHTS OF SHAREHOLDERS

The JTG Shareholder Communications Policy promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. A copy of this Policy, which deals with communication through the ASX, the Share Registry, shareholder meetings and the annual report, may be found in the Corporate Governance section of the Company's website. All of the Company's announcements to the market may also be accessed through the Company's website. The JTL Annual Reports since 2007 are posted on the Company's website.

Shareholders are provided with the opportunity to question the Board concerning the operation of the Company at the Annual General Meeting. They are also afforded the opportunity to question the Company's auditors at that meeting concerning matters related to the audit of the Company's financial statements.

7.
RECOGNISING AND MANAGING RISK

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, as well as opportunities, are identified on a timely basis and receive an appropriate and measured response.

JTG has an Executive Committee (EC) with the responsibility to, amongst other things, identify, assess, monitor and manage risks. The risk management performance of the EC is monitored by the Audit Committee. Strategic, operational, financial and compliance related risks in each Business Unit have been identified and risk matrices prepared. Each risk matrix provides an overview of the key risks and a residual risk rating which includes assessment of the effectiveness of the risks that are being managed across the Group. The risk assessment is reviewed on an ongoing basis and is updated as and when required.

The EC has also appointed an external specialist in business continuity planning with a view to establishing a business continuity plan for the Group. The external specialist is working with key employees to establish a robust and comprehensive set of plans, that will ensure continuation of the Group's services to customers and stakeholders following any disruption. The continuity plan also reflects the change in emphasis for those functions dependent on IT from "high availability" to "enhanced recovery capability".

The Board has received assurance from the CEO and CFO that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all respects in relation to financial reporting risks.

Internal Audit

JTG has an internal audit function which is contracted to the accounting and advisory firm, Deloitte. The Audit Committee has considered the findings of the internal audit procedures in its assessment of the internal control environment.

8.
REMUNERATING FAIRLY AND RESPONSIBLY

The JTG remuneration philosophy, objectives and arrangements are detailed in the Remuneration Report which forms part of the Directors' Report.

Directors

The annual total of fees to Non-Executive Directors is set by the Company's shareholders and allocated as Directors' Fees and Committee Fees by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report. These fees are inclusive of statutory superannuation contributions. No retirement benefits are paid to Non-Executive Directors and no equity-based remuneration scheme exists for them.

Remuneration

The Board has established a Remuneration & Nominations Committee to assist the Board in its discharge of its duties. The Remuneration & Nominations Committee consists of the following Non-Executive Directors:

- S Bennett
- A Cummins
- T Dery (Chairman)
- B Johnson

The Remuneration & Nominations Committee charter is available in the Corporate Governance section of the Company's website and the composition, operations and responsibilities of the Committee is a departure from ASX CGP 8.2 for the reason explained above and as a consequence, the Remuneration & Nominations Committee does not have a majority of independent directors. The members of the Committee are however, considered to be the best qualified to serve on the Committee given their background and experience. The Committee is also chaired by independent Chairman, Mr Tom Dery.

Details of the Directors' qualifications and attendance at the Remuneration and Nominations Committee meetings are set out in the Directors' Report on pages 14 to 18.

Executive management

Remuneration packages for Executive management are generally set to be competitive so as to both retain executives and attract experienced executives to the Company. Packages comprise a fixed (cash) element and variable incentive components. Payment of the variable components will depend on the Company's financial and the executive's personal performance.

An equity based remuneration scheme was approved by shareholders at the 2011 AGM and implemented for executive management during the year ended 30 June 2011. Executive Directors participate in this scheme subject to shareholder approval.

Consolidated Income Statement

for the year ended 30 June 2012

	Note	Consolidated 2012 $'000	2011[1] $'000
Revenue	4	**361,085**	**341,186**
Employee benefits expenses	4	(164,151)	(143,906)
Advertising, selling and marketing expenses		(82,641)	(82,671)
Communication and technology expenses		(22,083)	(23,058)
Occupancy and rental expenses		(14,150)	(14,938)
Operating expenses		(39,578)	(40,363)
Depreciation and amortisation		(8,693)	(5,792)
Impairment charge	4	(11,229)	–
(Loss)/gain on acquisition of controlled entity	32	(309)	4,000
Share of net profits of associates accounted for using the equity method	12	67	1,039
Operating result		**18,318**	**35,497**
Finance expense	5	(3,872)	(4,786)
Profit before income tax expense		**14,446**	**30,711**
Income tax expense	7	(8,874)	(11,468)
Profit after income tax expense		**5,572**	**19,243**
Less profit attributable to non-controlling interests		**(118)**	**(77)**
Profit attributable to owners of Jetset Travelworld Limited		**5,454**	**19,166**
Earnings per share (EPS) attributable to owners of Jetset Travelworld Limited			
– basic earnings per share (cents)	9	1.24	4.99
– diluted earnings per share (cents)	9	1.24	4.97

[1] As a result of the reverse acquisition of JTL by STS, the comparative information for the year ended 30 June 2011 represents the audited results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 49 to 107.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	Consolidated 2012 $'000	2011[1] $'000
Profit after income tax		**5,572**	**19,243**
Other comprehensive income			
Change in fair value of cash flow hedges net of income tax		292	(326)
Exchange differences on translation of foreign operations net of income tax		599	(2,442)
Defined benefit plan actuarial loss net of income tax	18	(3,361)	–
Other comprehensive loss for the period, net of income tax		**(2,470)**	**(2,768)**
Total comprehensive income for the period, net of income tax		**3,102**	**16,475**
Total comprehensive income for the period is attributable to:			
Owners of Jetset Travelworld Limited		2,984	16,398
Non-controlling interests		118	77
		3,102	**16,475**

[1] As a result of the reverse acquisition of JTL by STS, the comparative information for the year ended 30 June 2011 represents the audited results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 49 to 107.

Consolidated Statement of Financial Position

as at 30 June 2012

	Note	Consolidated 2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	10	216,495	221,520
Trade and other receivables	11	121,317	133,025
Inventories		224	346
Total current assets		**338,036**	**354,891**
Non-current assets			
Receivables		632	474
Investments accounted for using the equity method	12	730	1,703
Property, plant and equipment	13	27,953	19,463
Investment properties		421	421
Intangible assets	14	421,199	427,741
Deferred tax assets	15	7,835	8,284
Other non-current assets		88	108
Total non-current assets		**458,858**	**458,194**
Total assets		**796,894**	**813,085**
Current liabilities			
Trade and other payables	16	235,873	250,037
Borrowings	17	2,275	2,462
Provisions	19	19,667	15,777
Deferred revenue	20	73,989	70,212
Derivative financial instruments		985	1,907
Income tax payable		3,714	6,919
Total current liabilities		**336,503**	**347,314**
Non-current liabilities			
Borrowings	17	26,874	23,064
Defined benefit liability	18	3,281	–
Deferred tax liabilities	15	4,908	4,550
Provisions	19	1,798	1,177
Other non-current liabilities		1,130	422
Total non-current liabilities		**37,991**	**29,213**
Total liabilities		**374,494**	**376,527**
Net assets		**422,400**	**436,558**
Equity			
Contributed equity	22	278,822	278,822
Other reserves	22	156,166	154,532
(Accumulated losses)/retained earnings		(13,609)	2,301
		421,379	**435,655**
Capital and reserves attributable to equity holders of Jetset Travelworld Limited		421,379	435,655
Non-controlling interests		1,021	903
Total equity		**422,400**	**436,558**

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 49 to 107.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

Consolidated $'000	Contributed Equity	Foreign Currency Translation Reserve	Hedging Reserve	Predecessor Accounting Reserve	Share Based Payments Reserve	Retained Earnings/ (Accumulated Losses)	Total	Non-controlling Interests	Total Equity
Balance at 1 July 2011	278,822	(2,286)	(113)	156,400	531	2,301	435,655	903	436,558
Profit after income tax	–	–	–	–	–	5,454	5,454	118	5,572
Other comprehensive (loss)/income	–	599	292	–	–	(3,361)	(2,470)	–	(2,470)
Total comprehensive income for the period	**–**	**599**	**292**	**–**	**–**	**2,093**	**2,984**	**118**	**3,102**
Transactions with owners in their capacity as owners net of tax:									
Dividends paid	–	–	–	–	–	(18,003)	(18,003)	–	(18,003)
Long term incentive plan – Share-based payments	–	–	–	–	743	–	743	–	743
Balance at 30 June 2012	**278,822**	**(1,687)**	**179**	**156,400**	**1,274**	**(13,609)**	**421,379**	**1,021**	**422,400**
Balance at 1 July 2010[1]	90,008	156	213	153,028	–	(16,865)	226,540	311	226,851
Profit after income tax	–	–	–	–	–	19,166	19,166	77	19,243
Other comprehensive (loss)/income	–	(2,442)	(326)	–	–	–	(2,768)	–	(2,768)
Total comprehensive income for the period	**–**	**(2,442)**	**(326)**	**–**	**–**	**19,166**	**16,398**	**77**	**16,475**
Transactions with owners in their capacity as owners net of tax:									
Equity issued on Merger	188,814	–	–	–	–	–	188,814	–	188,814
Transactions with non-controlling interests	–	–	–	–	–	–	–	515	515
Long term incentive plan – Share-based payments	–	–	–	–	531	–	531	–	531
Transactions under common control[2]	–	–	–	3,372	–	–	3,372	–	3,372
Balance at 30 June 2011	**278,822**	**(2,286)**	**(113)**	**156,400**	**531**	**2,301**	**435,655**	**903**	**436,558**

1 As a result of the reverse acquisition of JTL by STS, the comparative information for the year ended 30 June 2011 represents the audited results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

2 Further details are contained in note 32.

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 49 to 107.

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Note	Consolidated 2012 $'000	2011[1] $'000
Cash flows from operating activities			
Receipts from operations (inclusive of GST)[2]		3,536,110	3,422,126
Payments to suppliers and employees (inclusive of GST) [2]		(3,498,772)	(3,363,847)
Interest received		8,083	6,794
Interest paid		(3,872)	(4,786)
Income taxes paid		(10,915)	(8,702)
Net cash inflows from operating activities	**23**	**30,634**	**51,585**
Cash flows from investing activities			
Cash acquired on acquisition of business		–	117,116
Payments for investments		–	(4,500)
Payments for property, plant and equipment		(14,433)	(11,182)
Payments for intangibles		(6,581)	(6,006)
Proceeds from disposal of property, plant and equipment		367	1,951
Dividends received from associates		163	1,350
Net cash (outflows)/inflows from investing activities		**(20,484)**	**98,729**
Cash flows from financing activities			
Proceeds from borrowings		11,702	56,004
Repayment of borrowings		(9,327)	(70,603)
Dividends paid to company shareholders		(18,003)	–
Net cash (outflows)/inflows from financing activities		**(15,628)**	**(14,599)**
Net (decrease)/increase in cash and cash equivalents held		(5,478)	135,715
Cash and cash equivalents at the beginning of the year		221,520	86,850
Effects of exchange rate changes on cash and cash equivalents		453	(1,045)
Cash and cash equivalents at the end of the year	**10**	**216,495**	**221,520**

1 As a result of the reverse acquisition of JTL by STS, the comparative information for the year ended 30 June 2011 represents the audited results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

2 The 'Receipts from operations (inclusive of GST)' and 'Payments to suppliers and employees (inclusive of GST)' lines in the Consolidated Statement of Cash Flows are grossed up to account for Total Transaction Value (TTV) recorded in the period in order to reflect gross cash inflows and outflows associated with the arranging of travel services. TTV does not represent revenue in accordance with Australian Accounting Standards but is a widely used industry measure that is calculated in accordance with Group Accounting Policy as specified in note 1 (e)(iv). During the year ended 30 June 2012, the Group revised the method by which this TTV is grossed up in the Consolidated Cash Flow Statement to exclude the impact of TTV arising from transactions settled directly between customers and the suppliers. The comparative period has been adjusted for consistency. The adjustment does not impact the opening or closing cash balances or net cash flows from operating activities in either reporting period.

Non-cash financing and investing activities

Except for the acquisitions noted in note 32 there have been no non-cash investing and financing activities which occurred during the year ended 30 June 2012.

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 49 to 107.

Notes to the Financial Statements

1. REPORTING ENTITY

Jetset Travelworld Limited ("JTL" or the Company) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the ASX. The consolidated Financial Statements for the year ended 30 June 2012 comprises STS, as the accounting parent, and its subsidiaries (together referred to as "JTG", the "Group" or the "Consolidated Entity").

The Financial Statements of the Group for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 27 August 2012.

The nature of the operations and principal activities of the Group are described in the Directors' Report. JTL is a for-profit entity.

2. BASIS OF PREPARATION

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated Financial Statements of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments and the investment property which are measured at fair value.

(c) Functional and presentation currency

These consolidated Financial Statements are presented in Australian dollars, which is the Group's functional currency.

JTL is an entity of the kind referred to in Australian Securities & Investments Commission (ASIC) Class Order (CO) 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the CO, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

(d) Comparative periods

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

(e) Use of estimates and judgements

The preparation of Financial Statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant accounting estimates and assumptions

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units (CGUs) to which the goodwill and intangibles with indefinite useful lives are allocated. An impairment loss has been recognised in the current year in respect of goodwill.

The assumptions used in this estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 14.

(ii) Commission revenue

JTG estimates override commission revenue generated by airlines and leisure partners. The commission revenue accrual process is inherently judgemental and is impacted significantly by factors which are not completely under the control of JTG. These factors include:

- a significant portion of commission contract periods do not correspond to the Group's financial year end. Judgements and estimation techniques are required to determine anticipated future flown revenues over the remaining contract year and the associated commission rates applicable to these forecast levels;
- the differing commencement dates of the commission contracts mean that commissions may have to be estimated for contracts for which the applicable commission rates have not been finalised and agreed between the parties; and
- periodic renegotiation of terms and contractual arrangements with the suppliers of travel products may result in additional volume/incentives, rebates or other bonuses being received which relate to past performance and are not specified in existing contracts.

The accounting policy for commission revenue, incentives and rebates is set out in note 3(e).

(iii) Defined Benefit Pension Plan

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations.

The Group determines the discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate the Group considers the interest rates of Australian Dollar treasury bonds that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 18.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial Statements are for the consolidated entity consisting of Jetset Travelworld Limited and its controlled entities.

(a) Principles of consolidation

(i) Reverse Acquisition Accounting

On 30 September 2010, JTL completed a Merger with Stella Travel Services Holdings Pty Limited (STSH). In accordance with accounting standards, this merger has been accounted for as a reverse acquisition business combination. This reverse acquisition business combination supersedes the reverse acquisition business combination that arose from the Merger of Jetset Travelworld Limited, Qantas Holidays Limited and QBT Pty Limited in July 2008.

In applying the requirements of AASB 3 *Business Combinations* to the Group:

(i) Jetset Travelworld Limited is the legal parent entity to the Group; and

(ii) STSH, which is neither the legal parent nor legal acquirer, is deemed to be the accounting acquirer.

The consolidated financial information incorporated the assets and liabilities of all entities deemed to be acquired by STSH including Jetset Travelworld Limited and its controlled entities and the results of these entities for the period from which those entities are accounted for as being acquired by STSH. The assets and liabilities of Jetset Travelworld Limited and its controlled entities acquired by STSH were recorded at fair value whilst the assets and liabilities of STSH and its controlled entities (STS) were maintained at their book value. The impact of all transactions between entities in the Group were eliminated in full. The impact on equity of treating the formation of the Group as a reverse acquisition is discussed in more detail in note 32.

AASB 3 *Business Combinations* requires that consolidated Financial Statements prepared following a reverse acquisition shall be issued under the name of the legal parent (i.e. JTL), but be a continuation of the Financial Statements of the legal subsidiary (i.e. STSH, the acquirer for accounting purposes). The implications of applying AASB 3 on each of the attached Financial Statements comparatives are as follows:

Statement of financial position

- The consolidated statement of financial position for 30 June 2011 reflects the combined position of STS and JTL.

Income statement and Statement of comprehensive income

- The 2011 consolidated income statement and statement of comprehensive income represent the results of STS only for the period from 1 July 2010 to 30 September 2010, and the combined results of STS and JTL for the period from 1 October 2010 to 30 June 2011.

Statement of changes in equity

- The 2011 opening retained earnings and other equity balances recognised in the consolidated entity are those of STS before the business combination, not those of JTL.
- The profit for the year, being the results of STS only for the period from 1 July 10 to 30 September 2010 and the consolidated results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

Statement of cash flows

- The 2011 consolidated statement of cash flows represents cash flows of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated statement of cash flows for STS and JTL for the period from 1 October 2010 to 30 June 2011.

(ii) Subsidiaries included in the financial report

The consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Jetset Travelworld Limited as at 30 June 2012 and the results of all subsidiaries for the year then ended. Jetset Travelworld Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. 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. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 32).

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 impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Investments in subsidiaries are accounted for at cost in the separate Financial Statements of Jetset Travelworld Limited and other individual entity Financial Statements within the Group.

(iii) Accounting for associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for 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.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The Group reviews that carrying value of the investment in associates for impairment annually. Any identified impairment is recorded as an impairment charge in the profit or loss.

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 an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying value of the controlling and non-controlling interests to reflect their relative interests in a 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 Jetset Travelworld Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(b) New accounting standards and interpretations not yet adopted

New and revised AASBs not yet mandatory and not adopted by the Group in the current year

The following standards, amendments to standards and interpretations have been identified as those which may impact JTG in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

– AASB 9 *Financial Instruments*.

  AASB 9 *Financial Instruments* includes requirements for the classification, measurement and de-recognition of financial assets and financial liabilities resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 Financial Statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

– AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012).

  In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

– AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure requirements* (effective 1 July 2013).

  In July 2011, the AASB removed the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the equivalent IASB standard. As a result of this, the Group will reduce the level of disclosure that is currently required in the notes to the Financial Statements, however in aggregate the total remuneration disclosed will not change. The amendments apply from 1 July 2013 and cannot be early adopted. The Corporations Act requirements have remained unchanged but are currently under review.

– AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013).

  In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated Financial Statements and associated disclosures.

3. Significant accounting policies
(continued)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the Group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the consolidated financial statements.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014. The Group is currently evaluating the impact of the above amendments.

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

  AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014. The Group is currently evaluating the impact of the amendment.

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

  In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012. The Group is currently evaluating the impact of the amendment.

- Annual Improvements Project – 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013):

  In May 2012, the IASB made a number of amendments to International Financial Reporting Standards as a result of the 2009-2011 annual improvements project. The Group is currently evaluating the impact of the amendment of the Financial Statements. The Group has not elected to early adopt these amendments.

  The following standards, amendments to standards and interpretations have been identified as those which JTG does not expect to impact, or has not yet determined the impact of on the results and disclosures in the period of initial application. None of these standards have been early adopted as at 30 June 2012 and are not expected to be adopted before their operative date

- AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation* and AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure requirements* (effective 1 July 2011 and 1 July 2013 respectively).

  AASB 2011-5 and AASB 2011-6 provide relief from consolidation, the equity method and proportionate consolidation to not-for-profit entities reporting under reduced disclosure regime. The changes are not expected to effect the financial statements of the Group.

New and revised AASBs affecting amounts reported in the current year (and/or prior years)

The Group has adopted the following new and amended AASBs in the current year:

- Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from* AASB 119 *(September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from reduced Disclosure Requirements* (effective 1 January 2013).

  The Group has early adopted AASB 119 *Employee Benefits* (revised September 2011) which requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income and the calculation of net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The standard also introduces a number of additional disclosures for the defined benefit liabilities/assets and could affect the timing of recognition of termination benefits. The standard is required to be applied retrospectively, no adjustment to prior period results is required as the JTG defined benefit plan is a new plan in the current reporting period.

(c) Segment reporting

The Group determines and presents Operating Segments based on the information that is internally provided to the Board, who are the Group's chief operating decision makers ('CODM').

An Operating Segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of each segment are regularly reviewed by the Group's Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Corporate charges are only allocated to Operating Segments to the extent that they are considered part of the core operations of any segments.

(d) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated to Australian dollars at the rates of exchange prevailing at the date of each transaction except where hedge accounting is applied. At balance date, amounts receivable and payable in foreign currencies are translated at the rates of exchange prevailing at that date. Exchange rate differences resulting from the settlement of such transactions and from translation of monetary assets and liabilities are brought to account as exchange gains or losses in the income statement in the year in which the exchange rates change, except where they are deferred in equity as qualifying cash flow hedges. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates prevailing at the dates the fair value was determined. All foreign exchange gains/losses are presented in the income statement within revenue or other expenses.

(ii) Investments in foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing exchange rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); 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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

The principal activities of the Group are those of acting as an agent for tour, travel and accommodation providers for which the Group earns service revenue predominantly in the form of commissions, incentives and rebates.

Revenue is recognised and measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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 criteria have been met for each of the Group's activities as described below:

(i) Rendering of services

Commissions from the arrangement of tours and travel are recognised when tickets, itineraries or travel documents are issued, consistent with an agency relationship. Revenue is recognised as the net amount of commission received or receivable by the Group.

Commissions from the arrangement of airline tickets are recognised when the tickets are issued. Revenue is disclosed as the net amount of commission received or receivable by the Group.

Air override commissions are recognised based on flown revenue. Revenue is disclosed as the gross amount of override commissions received or receivable by the Group.

Commissions from travel-related products (e.g. insurance and foreign currency purchasing services) and incentives from suppliers are recognised as revenue when they are earned and the amount can be reliably measured. Revenue is disclosed as the gross amount of income received or receivable by the Group.

Franchise, agency and licence fees are recognised on a straight-line basis over the term of the agreement. Revenue is disclosed as the gross amount of fees received by the Group.

In relation to marketing activities and conferences where a principal rather than agency relationship exists, amounts charged to third parties for advertising and marketing contributions are recognised as revenue while associated operating expenses are recorded within advertising, marketing and selling expenses.

(ii) Dividends

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

(iii) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognised as it accrues in revenue, using the effective interest method.

(iv) Total transaction value (TTV)

TTV 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 agents for various airlines and other service providers, plus revenue from other sources. JTG's revenue is, therefore, derived from TTV. TTV does not represent JTG cash inflows as some transactions are settled directly between the customer and the supplier.

TTV is the total ticket value booked through JTG or via arrangements negotiated by JTG and includes taxes and charges but excludes value added taxes such as GST.

3. Significant accounting policies
(continued)

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Client cash includes all monies entrusted to the Group by intending travellers or customers prior to travelling. A corresponding liability is recorded on the consolidated statement of financial position while the cash is held on the clients' behalf prior to being paid to principals. In Australia, client cash is deposited into an account held exclusively for client funds, separate to the general funds of the entity.

(g) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally collected within 30 days. They are presented as current assets unless collection is not expected within 12 months from the reporting date. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Bad debts are written off as incurred. Non-current receivables are carried at the present value of future net cash inflows expected to be received.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs includes the cost of replacing parts that are eligible for capitalisation when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific asset as follows:

- Freehold buildings – 40 years
- Office equipment – 2.5 to 10 years
- Leasehold improvements – term of lease
- Leased plant and equipment – term of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end on a prospective basis. An asset's carrying amount is written down immediately if the asset's carrying value is greater than its estimated recoverable amount.

Cost associated with make-good provisions are capitalised into the cost of leasehold improvements and amortised over the corresponding term of lease.

De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use.

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

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently recognised as a reduction in the rental expense over the lease term.

(j) Business combinations

The acquisition purchase 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 the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement 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 the 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 instrument's fair value is its published market price at the date of the exchange unless, in rare circumstances, it can be demonstrated that the published price at the exchange date is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

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

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

(k) Impairment of assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated each year at the same time or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of an asset, or the cash generating unit (CGU), is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGUs). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(l) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequentally measured at their amortised cost. Due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

The amounts are unsecured and are usually paid within 30 days of recognition.

The Group has agent incentive programs in place with its retail travel agents. Participating retail travel agents earn points based on the volume of completed sales made with designated preferred suppliers of the Group. These points are redeemable for cash. The Group recognises a liability for the cost of the programs as points are accrued by members.

(m) Deferred revenue

Revenues received prior to the finalisation of the booking are recorded on the statement of financial position as revenue received in advance. The revenues are recognised in the income statement at the time of document issue (i.e. ticketing date), net of the cost of sale in accordance with the accounting policy note outlined in note 3(e)(i).

(n) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised software development costs, are not capitalised and expenditure is charged against profit in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level consistent with the methodology outlined in note 14 and note 3(k). Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(i) Goodwill

All business combinations are accounted for by applying the acquisition method which includes the reverse acquisition accounting method described in note 32. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses measured as per the methodology outlined in note 14 and note 3(k).

3. Significant accounting policies
(continued)

(ii) Software development costs
An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Costs capitalised include external direct costs of materials and service, and direct payroll and payroll related costs of employees' time spent on the project.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policy applied to capitalised development costs is as follows:

	Software development costs (assets in use)
Useful life	Finite
Amortisation method used	3 to 10 years on a straight-line basis
Impairment test	Amortisation method reviewed at each financial year end; closing carrying value reviewed annually for indicators of impairment

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(iii) Brand names and trademarks
Brand names and trademarks that have finite lives are amortised on a straight-line basis over their estimated useful lives in accordance with the estimated timing of benefits expected to be received from those assets. At 30 June 2012, the amortisation period for finite life trademarks that are being amortised is between 7.3 and 20 years.

(iv) Franchise systems
Franchise systems are the integrated system of methods, procedures, techniques and other systems which, together with a network of franchisees, facilitate the day-to-day running of a franchise business.

Franchise systems include access to products/inventory, brands, marketing, advertising, promotional techniques, training and operational manuals of the network. Due to the inter-relationship between the component items of a franchise system as detailed above, the Group considers that these complementary assets are likely to have similar useful lives and are recorded as a single identifiable asset in accordance with accounting standards. The Group considers that franchise systems have an indefinite useful life and their carrying values are tested for impairment annually or when indicators of impairment arise.

(o) Provisions
A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are not recognised for future operating losses.

If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance charge.

(i) Dividends
Dividends are only recognised in the financial year in which the dividend is actually paid. In accordance with section 27.3 of the Company Constitution (in effect from 30 November 2010), the Company does not incur a debt merely by fixing the amount or time for payment of a dividend. A debt arises only when the time fixed for payment arrives. The decision to pay a dividend may be revoked by the Board at any time before then.

(ii) Onerous lease contracts
A provision for onerous lease contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(p) Employee leave benefits

(i) Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave due to settle within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Long service leave
The liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, including related on-costs, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. The liability for long service leave is presented within employee benefits. The obligation is 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) Share-based payments

Share-based compensation benefits are provided to executives/employees via the Jetset Travelworld Limited Performance Rights Plan. Information relating to these schemes is set out in note 33.

The fair value of performance rights granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the Performance Rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of Performance Rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The plan is administered by Jetset Travelworld Limited. When the Performance Rights are exercised, the Company transfers the appropriate amounts of shares to the employee. The proceeds received (if any) net of any directly attributable transactions costs are credited directly to equity.

(iv) 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 is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Bonus plans

The Group recognises a liability and expense for bonuses based on a formula that takes in to consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Defined benefit superannuation plan

As part of the merger arrangements, the Group entered into a Superannuation Deed with Qantas Airways Limited setting out the arrangements which would apply (post-merger) to employees of the Group that are also members of the Qantas Superannuation Plan (divisions of which are in the nature of Defined Benefit Plan). Under the deed, JTG assumed responsibility for the plan assets and plan liabilities for these members in a new Defined Benefit Plan controlled and managed by JTG. The plan assets and liabilities were transferred to JTG on 25 July 2011. On transfer to JTG, the plan was fair valued using JTG specific assumptions which resulted in the plan having a net asset position of $1.0m. This has been recorded as an adjustment against goodwill as part of the final acquisition accounting for the merger transaction. Following initial recognition, the Group has applied AASB 119 *Employee Benefits* to account for movements in plan assets and liabilities with subsequent actuarial gains and losses recognised directly in equity in accordance with AASB 119.

The Group's net obligation with respect to defined benefit superannuation plans is calculated based on an estimate of the future benefit that employees have earned in return for their service in the current and prior periods, which is discounted to determine its present value and the fair value of any plan assets is deducted.

The discount rate used is the yield at balance date on government bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(vii) Defined contribution fund

Contributions to defined benefit funds are recognised as an expense as they become payable.

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share (EPS)

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS adjusts the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In accordance with specific guidance provided in AASB 3 *Business Combinations*, the weighted average number of shares outstanding has been calculated using the following number of shares:

- for the period 1 July 2011 to 30 June 2012, the weighted average number of ordinary shares on issue by JTL; and
- for the period from 1 July 2010 to 30 September 2010, the weighted average of the ordinary shares issued by JTL, and for the period from 1 October to 30 June 2011, the number of ordinary shares on issue by JTL.

3. Significant accounting policies
(continued)

(s) Income tax

Income tax expense or revenue on the profit or loss for the year comprises current and deferred tax. Current tax includes any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based upon the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary timing differences at the balance date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except when:

- the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, and the time of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except when:

- the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Tax consolidation legislation

Jetset Travelworld Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Jetset Travelworld Limited, and its 100% wholly-owned subsidiaries in the Australian income tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the Australian income tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Jetset Travelworld Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Australian income tax consolidated group where applicable.

Assets or liabilities arising under tax financing arrangements with the Australian income tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

(ii) Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with the other 100% wholly owned subsidiary members of the Australian income tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the Australian income tax consolidated group in respect of the Group's tax liability. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an intercompany receivable/(payable) equal in amount to the tax liability/(asset) assumed. The intercompany receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangements and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with the other members of the Australian income tax consolidated group, has also entered into a tax sharing arrangement which provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the Financial Statements in respect of this agreement, as payment of any amounts by subsidiary members under the tax sharing agreement is considered remote.

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable, or payable to, the taxation authority.

(u) Derivatives and hedging instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and the hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income statement. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects the income statement.

(v) Investments and other financial assets

Investments and other financial assets are categorised as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Classification is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and de-recognition

Purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or been transferred.

(w) Prepayments

Prepayments consist of travel products purchased for bookings that have not yet been ticketed and prepaid operating expenditure. Prepayments of travel products are recognised as part of the net amount of commissions received in the income statement at the ticketing date of the applicable booking, in line with the revenue recognition policy. Other amounts included in the balance of prepayments relate to prepaid operating expenditure.

(x) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(y) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities, which are not an incremental cost relating to the actual drawing down of the facility, are netted against the loan liability and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the 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 profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3. Significant accounting policies
(continued)

(z) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised in profit or loss.

(aa) Investment property

Investment property is held for long term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss as part of other income.

(ab) Predecessor accounting reserve

Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method, carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained, including any goodwill previously recognised in relation to the acquired entities. As a result, no fair value adjustments are recorded on the acquisition. Any difference between consideration provided and the carrying value of net assets acquired is recorded as a separate element of equity.

(ac) Parent entity financial information

On 30 September 2010, Jetset Travelworld Limited and its controlled entities (JTG) completed a 50-50 Merger with Stella Travel Services Holdings Pty Limited and its controlled entities (STS) in which the businesses of JTG and STS were combined into one consolidated group ('the Group"). In accordance with accounting standards, this Merger has been accounted for as a reverse acquisition with STS being deemed the acquirer for accounting purposes. The financial information for the (legal) parent entity, JTL is disclosed in note 30 and has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the Financial Statements of Jetset Travelworld Limited.

(ii) Tax consolidation legislation

Jetset Travelworld Limited (JTL) and its wholly-owned Australia controlled entities have implemented the tax consolidation legislation.

The head entity of the tax consolidated group is JTL, which in addition to recognising its own current and deferred tax amounts also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. The consolidated tax balances are disclosed in the result of JTL (legal parent) and are not recorded in the result of the deemed acquirer STS.

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

The amounts receivable/payable under the tax funding arrangement are due upon receipt of the funding advice from the head tax entity, which is issued as soon as practicable after the end of each financial year. The head tax entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Under this tax consolidation arrangement, individual legal entities continue to account for their own current and deferred tax amounts. These amounts are measured as if the entities were stand-alone tax payers in their own right. Assets or liabilities arising from the tax funding agreement with JTG are recognised as a current amount receivable or payable to JTG. Any difference in the amounts assumed and the amount receivable or payable to JTG, are shown as a contribution to, (or distribution from) the head tax entity JTL in the results of the individual legal entities.

(iii) Share-based payments

The grant by the Company (under the Jetset Travelworld Limited Performance Rights Plan) of Performance Rights (PRs) to acquire shares, to certain executives of the Group is treated as a capital contribution to JTL. The fair value of the PRs is calculated taking into account the share price on grant date and the exercise price. The PRs are subject to EPS Performance conditions. Further detail of the Jetset Travelworld Limited Performance Rights Plan is disclosed in note 33.

4. REVENUES AND EXPENSES

	Consolidated 2012 $'000	2011 $'000
(a) Revenue		
Rendering of services	350,502	332,502
Finance income	8,083	6,794
Rents and sub-lease rentals	152	215
Other revenue	2,348	1,675
Total revenue	**361,085**	**341,186**

	2012 $'000	2011 $'000
(b) Expenses		
Depreciation (note 13)	5,696	3,818
Amortisation (note 14)	2,997	1,974
Impairment losses on trade receivables	1,390	2,772
Net foreign exchange (gains)/losses	(2,502)	1,199
Defined contribution superannuation expense	8,910	8,249
Defined benefit expense	444	–
Other employee benefit expenses	154,797	135,657
Merger, transaction and redundancy costs	10,338	9,932
Legal costs relating to GST matter (note 25)	839	1,609
Impairment of goodwill (note 14)	10,596	–
Impairment of equity accounted investments (note 12)	633	46
Net loss/(gain) on disposal of plant and equipment	66	(171)

5. FINANCE INCOME AND EXPENSE

	Consolidated 2012 $'000	2011 $'000
Recognised in profit or loss		
Finance income recognised in revenue	8,083	6,794
Finance expenses	(3,872)	(4,786)
Net finance income recognised in profit or loss	**4,211**	**2,008**

6. SEGMENT REPORTING

(a) Description of segments

The Group has identified the following three operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and making strategic decisions:

- Retail
- Wholesale
- Travel Management

The operations of Retail primarily comprise acting as a franchisor of retail travel agency networks including Harvey World Travel, Travelscene American Express, Jetset, Travelworld and United Travel. The primary purpose of Wholesale is to procure air, sea and land product for packaging and sale through retail travel agency networks. Travel Management provides travel management services to corporate and government customers including the booking of flights and accommodation.

Corporate charges are only allocated to operating segments to the extent that they are considered part of the core operations of any segments.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDAI. This measurement basis excludes the effects of significant unusual income and expenditure from the operating segments such as fair value gains or losses on investments, restructuring costs, legal fees, merger or acquisition-related transaction costs and impairments when these items are outside the ordinary course of business or are unusual due to their size and nature. Furthermore, the measure excludes the effects of any equity-settled share-based payments. Interest income on client funds is included within segment revenue and adjusted EBITDAI according to Group accounting policy.

TTV

Total Transaction Value (TTV) 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 agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group's cash inflows as some transactions are settled directly between the customer and the supplier. This information has not been subject to any audit procedures by JTG's auditor.

(b) Segment information provided to the Board

Analysis by business segment	Retail	Wholesale	Travel Management	Corporate/ Unallocated	Consolidated
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2012					
TTV	**4,023,260**	**858,069**	**744,438**	**–**	**5,625,767**
Total segment revenue	193,785	114,943	46,297	6,060	361,085
Operating expenses	(130,358)	(99,862)	(49,583)	(30,757)	(310,560)
Adjusted EBITDAI	**63,427**	**15,081**	**(3,286)**	**(24,697)**	**50,525**
Year ended 30 June 2011[1]					
TTV	**3,882,599**	**661,803**	**650,478**	**–**	**5,194,880**
Total segment revenue	184,312	103,952	44,752	8,170	341,186
Operating expenses	(129,640)	(90,663)	(41,297)	(30,225)	(291,825)
Adjusted EBITDAI	**54,672**	**13,289**	**3,455**	**(22,055)**	**49,361**

1 As set out in note 32 to the financial statements, as a result of the reverse acquisition of JTL by STS, the analysis by business segment for the year ended 30 June 2011 represents the STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated segment results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

6. Segment reporting
(continued)

(c) Other segment information

(i) Segment revenue
The parent entity is domiciled in Australia. The amount of JTG's revenue from external customers in Australia is $291,225,052 (2011: $273,338,207), and the total revenue from external customers in other countries is $69,860,166 (2011: $67,847,533). Segment revenues are allocated based on the country in which the customer is located.

All segments derive a significant amount of revenue from Qantas Airways Limited, a related entity. Details of transactions are outlined in note 27.

(ii) Adjusted EBITDAI
A reconciliation of adjusted EBITDAI to profit before income tax is provided as follows:

	Consolidated	
	2012 $'000	2011[1] $'000
Adjusted EBITDAI	**50,525**	**49,361**
(Loss)/gain on acquisition of controlled entity	(309)	4,000
Merger, transaction and redundancy costs	(10,338)	(9,932)
Share-based payments	(799)	(531)
Legal costs relating to GST matter (note 25)	(839)	(1,609)
EBITDAI	**38,240**	**41,289**
Depreciation	(5,696)	(3,818)
Amortisation	(2,997)	(1,974)
Impairment	(11,229)	–
Finance costs	(3,872)	(4,786)
Profit before income tax	**14,446**	**30,711**

1 As set out in note 32 to the financial statements, as a result of the reverse acquisition of JTL by STS, the analysis for the year ended 30 June 2011 represents the STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated segment results for STS and JTL for the period from 1 October 2010 to 30 June 2011.

(iii) Segment assets
The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the Consolidated Financial Statements. These reports do not allocate assets based on the operations of each segment or by geographical location.

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $410,466,076 (2011: $410,674,029), and the total of these non-current assets located in other countries is $40,556,109 (2011: $39,235,845). Under the current management reporting framework, total assets are not allocated to a specific reporting segment or geographic location.

(iv) Segment liabilities
The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the Financial Statements. These reports do not allocate liabilities based on the operations of each segment or by geographical location and are reported to the Board on a consolidated basis.

7.
INCOME TAX

	Consolidated	
	2012 $'000	2011 $'000
(a) Income tax expense		
The major components of income tax expense/(benefit) recognised in the income statement are:		
Current tax expense		
Current income tax expense	7,198	10,882
Adjustments in respect of current tax expense of previous years	(64)	(58)
Deferred income tax		
Relating to origination and reversal of temporary differences	1,740	644
Income tax expense reported in the income statement	**8,874**	**11,468**
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	426	(1,398)
Increase in deferred tax liabilities (note 15)	1,314	2,042
	1,740	**644**
(b) Reconciliation between income tax expense and profit before income tax:		
Profit before related income tax expense	14,446	30,711
Tax at the Australian tax rate of 30% (2011: 30%)	4,334	9,213
Add/(deduct):		
Non-deductible (taxable) items:		
Impairment	3,369	–
Income not assessable	(56)	–
Share-based payments	223	159
Amortisation	18	190
Gain on acquisition of controlled entity	93	(1,200)
Initial recognition of deferred tax liability	986	–
Entertainment	356	292
Other	247	448
	9,570	**9,102**
Differences in overseas tax rates	29	(32)
Exchange rate differences	90	(155)
De-recognition of deferred tax balances as a result of the Merger	–	(957)
Prior year tax losses (recognised)/de-recognised	(751)	3,568
Over provision in prior years	(64)	(58)
Income tax expense reported in the income statement	**8,874**	**11,468**

7. Income tax
(continued)

	Consolidated 2012 $'000	2011 $'000
(c) Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	75	(84)
Defined benefit pension – actuarial gains/(losses)	(1,008)	–
	(933)	**(84)**
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	204	194
Potential tax benefit @ 30%	61	58

(e) Amounts recognised directly in equity
There are no amounts of current and deferred tax recognised directly in equity (2011: $nil).

(f) Unrecognised temporary differences
The Group has undistributed earnings of $2.4 million of which, if paid out as dividends, would be unfranked and therefore subject to tax in the hands of the recipient. An assessable temporary difference of $0.7 million exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

Tax consolidation Allocable Cost Amount (ACA) adjustment
On 30 September 2010, Jetset Travelworld Limited merged with Stella Travel Services Holdings Pty Limited. Upon this event, the entities listed below became subsidiary members of the tax consolidated group of which Jetset Travelworld Limited is the head entity. Relevant ACA calculations were performed in accordance with income tax legislation in order to reset the tax cost bases of each of the assets brought into the tax consolidated group.

- ATS Pacific Pty Ltd
- Aus STS Holdco II Pty Ltd
- Best Flights Pty Ltd
- Betanza Pty Ltd
- Global Aviation Services Pty Ltd
- Harvey World Travel Franchises Pty Ltd
- Harvey World Travel Group Pty Ltd
- Harvey World Travel International Pty Ltd
- Montarge Pty Ltd
- Readmont Pty Ltd
- Retail Travel Investments Pty Ltd
- Stella Travel Services (Australia) Pty Ltd
- Stella Travel Services Group Proprietary Limited
- Stella Travel Services Holdings Pty Ltd
- Talpacific Holidays Australia Pty Ltd
- Transonic Travel Limited
- Travel Advantage Pty Ltd
- Travel Co Investments (No 2) Pty Ltd
- Travelscene Holidays Pty Ltd
- Travelscene Pty Limited
- Travelscene Tickets Pty Ltd
- World Aviation Systems (Australia) Pty Ltd

On 30 June 2011, Jetset Travelworld Limited acquired Harvey Holidays Pty Limited. Harvey Holidays became a subsidiary member of the tax consolidated group on 1 July 2011.

On 18 November 2011, Jetset Travelworld Limited acquired Encore Australia Pty Limited. Encore Australia Pty Limited became a subsidiary member of the tax consolidated group on 19 November 2011.

8. DIVIDENDS PAID AND PROPOSED

	Parent 2012 $'000	Parent 2011 $'000
(a) Interim dividend for the year ended 30 June 2012		
Fully franked dividend (1.1 cents per share, paid 2 April 2012)	4,830	–
	4,830	**–**
(b) Final and special dividends for the year ended 30 June 2011		
(i) Prior year final dividend		
Fully franked dividend (2.0 cents per share, paid 4 October 2011)	8,782	–
(ii) Prior year special dividend		
Fully franked dividend (1.0 cents per share, paid 4 October 2011)	4,391	–
	13,173	**–**
(c) Dividends not recognised as a liability at the end of the reporting period		
(i) Final dividend		
Fully franked dividend (2.0 cents per share, paid 4 October 2011)	–	8,782
(ii) Special dividend		
Fully franked dividend (1.0 cents per share, paid 4 October 2011)	–	4,391
	–	**13,173**

(d) Franking credit balance

The franked portions of any future dividends paid after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013. The amount of franking credits available for subsequent financial years is:

	2012 $'000	2011 $'000
– franking account balance as at year end at 30%	22,049	20,047
– franking credits that will arise from income tax payable as at year end	3,528	6,564
– impact on the franking account of dividends expected to be paid after the balance sheet date and not recognised as a distribution to equity holders during the period	–	(5,646)
	25,577	**20,965**

The Company has stated that its policy is to pay a dividend payout ratio in the range of 40-60% of net profit after tax. In the first half of the financial year ended 30 June 2012, the Company generated a net profit after tax and paid an interim dividend of 1.1 cents per share. In the second half of the financial year, the Company incurred a loss after tax primarily due to the goodwill impairment charge. In accordance with the dividend policy, the Board determined that the Company will not pay a final dividend for 2012.

An interim dividend of 1.1 cents per share fully franked was paid on 2 April 2012.

The tax rate at which dividends will be franked is 30%. The level of franking is expected to be 100%.

The ability to utilise the franking credits is dependent upon the Company meeting solvency based tests for payment of dividends set out in the *Corporations Amendment (Corporate Reporting Reform) Act 2010*. In accordance with tax consolidation legislation, the Company, as the head entity in the tax consolidated group, has assumed the benefit of franking credits of all entities.

9. EARNINGS PER SHARE (EPS)

The calculation of basic EPS for the year ended 30 June 2012 was based on the profit attributable to ordinary shareholders of $5.5 million (2011: $19.2 million) and a weighted average number of ordinary shares outstanding of 439,105,954 (2011: 384,368,087).

	Consolidated	
	2012 cents	2011 cents
(a) Basic earnings per share		
Total earnings per share from continuing operations attributable to ordinary equity holders of the Company	1.24	4.99
(b) Diluted earnings per share		
Total diluted earnings per share from continuing operations attributable to ordinary equity holders of the Company	1.24	4.97

	Consolidated	
	2012 $'000	2011 $'000
(c) Reconciliations of earnings used in calculating earnings per share		
Net profit for the year from continuing operations attributable to the ordinary equity holders of the Company	5,454	19,166
Basic and diluted earnings	5,454	19,166
(d) Weighted average number of shares used as the denominator		
Weighted average number of shares[1] used as the denominator in calculating basic earnings per share	439,105,954	384,368,087
Adjustments for calculation of diluted earnings per share:		
Weighted average number of potential ordinary shares issued as part of the Group's Long Term Incentive Plan	2,004,263	1,498,289
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	441,110,217	385,866,376

[1] In accordance with guidance provided in AASB 3 *Business Combinations*, the weighted average number of shares outstanding has been calculated as follows:
- for the 12 months to 30 June 2012, the weighted average of the ordinary shares issued by JTL.
- for the period from 1 July 2010 to 30 September 2010, the weighted average number of ordinary shares issued by JTL, and for the period 1 October 2010 to 30 June 2011, the weighted average number of ordinary shares issued by the merged entity, being 439,105,954 ordinary shares.

The Company has a weighted average number of potential ordinary shares of 2,004,263 (2011: 1,498,289) which would be considered dilutive and accordingly, diluted EPS is less than EPS. When rounded to 2 decimal places the dilution may not be visible.

(e) Information concerning the classification of securities

The Company has 439,105,954 fully paid ordinary shares on issue.

10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $'000	**2011 $'000**
Cash at bank and on hand	12,951	36,584
Client cash	203,544	184,936
Cash and cash equivalents in the statements of cash flows	**216,495**	**221,520**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 June 2012, $0.1 million of cash (2011: $0.2 million) held by the Group was pledged as collateral under the terms of various operational financing facilities.

Client cash includes all monies entrusted to the Group by intending travellers or customers prior to travelling. A corresponding liability is recorded on the consolidated statement of financial position while the cash is held on the clients' behalf prior to being paid to principals. In Australia, client cash is deposited into an account held exclusively for client funds, separate to the general funds of the entity.

The Group's exposure to interest rate risk is discussed in note 24. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents disclosed above.

11. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $'000	**2011 $'000**
Trade receivables	57,965	67,986
Provision for impairment of trade receivables	(2,217)	(5,301)
	55,748	62,685
Accrued income	42,785	47,783
Prepayments	11,755	13,380
Other receivables	11,029	9,177
	121,317	**133,025**

Trade receivables are non-interest bearing and are generally on 30 day terms.

Related party receivables

For terms and conditions of related party receivables, refer to note 27.

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

Credit, foreign exchange and interest rate risk

Details regarding credit, foreign exchange and interest rate risk exposure are disclosed in note 24.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2012 $'000	2011 $'000
Investment in associates[1]	1,744	2,810
Provision for diminution in value	(1,014)	(1,107)
	730	**1,703**

1 Refer note 29 for details of Investments in Associates

(a) Movements in carrying amounts

	Consolidated	
	2012 $'000	2011 $'000
Carrying amount at the beginning of the financial year	1,703	2,698
Share of profits after income tax	67	1,039
Dividends received/receivable	(163)	(1,350)
Impairment of investments	(633)	(46)
Decreases due to changes in ownership interest [2,3]	(244)	(638)
Carrying amount at end of financial year	**730**	**1,703**

2 On 18 November 2011, the Group purchased the remaining 50% of Encore Australia Pty Limited and accordingly accounted for the investment as a subsidiary from 18 November 2011 onwards. Further details are disclosed in note 32.

3 On 30 June 2011, the Group purchased the remaining 50% of Harvey Holidays Pty Limited and accordingly accounted for the investment as a subsidiary at 30 June 2011. At 30 June 2011 a gain of $4.0m was recognised in the Consolidated Income Statement upon fair valuing the carrying value of the investment prior to obtaining control of the Company.

(b) Summarised financial information for associates

The Group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

	Consolidated	
	2012 $'000	2011 $'000
Group's share of:		
Assets	1,362	1,974
Liabilities	(567)	(683)
Net Assets	**795**	**1,291**
Revenue	1,797	10,876
Net profit after tax	**67**	**1,039**

(c) Contingent liabilities of Associates

There are no contingent liabilities in associate investments for which the Group has a legal obligation to settle.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Office equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000
At 30 June 2010				
Cost	556	11,959	4,104	16,619
Accumulated depreciation	(2)	(3,299)	(760)	(4,061)
Net book amount	**554**	**8,660**	**3,344**	**12,558**
Balance at 1 July 2010	554	8,660	3,344	12,558
Additions through business combinations and merger transaction	–	1,557	216	1,773
Additions	566	6,983	3,633	11,182
Disposals	(474)	(1,165)	(141)	(1,780)
Transfer in/(out)	–	(193)	193	–
Foreign currency differences	(55)	(321)	(76)	(452)
Depreciation charge (note 4)	(48)	(2,748)	(1,022)	(3,818)
Balance at 30 June 2011	**543**	**12,773**	**6,147**	**19,463**
At 30 June 2011				
Cost	553	17,611	8,036	26,200
Accumulated depreciation	(10)	(4,838)	(1,889)	(6,737)
Net book amount	**543**	**12,773**	**6,147**	**19,463**
Balance at 1 July 2011	543	12,773	6,147	19,463
Additions	131	8,264	6,038	14,433
Disposals	–	(312)	(121)	(433)
Transfer in/(out)	–	(193)	313	120
Foreign currency differences	2	39	25	66
Depreciation charge (note 4)	(36)	(3,424)	(2,236)	(5,696)
Balance at 30 June 2012	**640**	**17,147**	**10,166**	**27,953**
At 30 June 2012				
Cost	684	23,402	13,908	37,994
Accumulated depreciation	(44)	(6,255)	(3,742)	(10,041)
Net book amount	**640**	**17,147**	**10,166**	**27,953**

13. Property, plant and equipment
(continued)

(a) Assets in the course of construction

The carrying amount of the assets disclosed include the following expenditure in relation to property, plant and equipment which is in the course of construction:

	Consolidated	
	2012 $'000	2011 $'000
Office equipment [1]	474	2,995
Leasehold improvements	128	54
Total assets in the course of construction	**602**	**3,049**

1 Assets in the course of construction for the period ended 30 June 2011 included assets related to a telephony system project and development of IT systems (computer hardware).

(b) Non-current assets pledged as security

Refer to note 17 for non-current assets pledged as security by the Group.

14. INTANGIBLE ASSETS

	Goodwill	Franchise systems	Brand names	Trademarks	Software[1]	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2010						
Cost	213,593	–	67,765	261	3,090	284,709
Accumulated amortisation and impairment	(13,356)	–	(3,747)	(27)	(1,539)	(18,669)
Net book amount	**200,237**	**–**	**64,018**	**234**	**1,551**	**266,040**
Balance at 1 July 2010	200,237	–	64,018	234	1,551	266,040
Additions through business combinations and merger transaction	56,259	97,400	–	5,300	688	159,647
Additions	–	–	–	–	6,006	6,006
Foreign currency differences	(817)	–	(1,109)	–	(52)	(1,978)
Amortisation charge (note 4)	–	–	–	(443)	(1,531)	(1,974)
Balance at 30 June 2011	**255,679**	**97,400**	**62,909**	**5,091**	**6,662**	**427,741**
At 30 June 2011						
Cost	269,035	97,400	66,656	5,561	9,732	448,384
Accumulated amortisation and impairment	(13,356)	–	(3,747)	(470)	(3,070)	(20,643)
Net book amount	**255,679**	**97,400**	**62,909**	**5,091**	**6,662**	**427,741**
Balance at 1 July 2011	255,679	97,400	62,909	5,091	6,662	427,741
Additions through business combinations and merger transaction	(19)	–	–	–	–	(19)
Additions	–	–	–	–	6,581	6,581
Disposals	–	–	–	–	(17)	(17)
Foreign currency differences	308	–	302	–	16	626
Impairment charge[2] (note 4)	(10,596)	–	–	–	–	(10,596)
Amortisation charge (note 4)	–	–	–	(581)	(2,416)	(2,997)
Transfer in/(out)	–	–	–	–	(120)	(120)
Balance at 30 June 2012	**245,372**	**97,400**	**63,211**	**4,510**	**10,706**	**421,199**
At 30 June 2012						
Cost	269,434	97,400	67,060	5,561	16,284	455,739
Accumulated amortisation and impairment	(24,062)	–	(3,849)	(1,051)	(5,578)	(34,540)
Net book amount	**245,372**	**97,400**	**63,211**	**4,510**	**10,706**	**421,199**

1 Software includes capitalised development costs being an internally generated intangible asset.

2 The carrying amount of the Travel Management segment goodwill has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been disclosed as a separate item in profit and loss.

14. Intangible assets
(continued)

Impairment tests for indefinite life intangible assets

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment. The franchise system is an indefinite life intangible asset entirely allocated to the Retail segment. Indefinite life Brand names have all been directly allocated to the Wholesale segment.

A segment level summary of the goodwill allocation is presented below:

	Consolidated	
	2012 $'000	2011 $'000
Retail	170,460	170,460
Wholesale	74,912	74,623
Travel Management	–	10,596
	245,372	**255,679**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the Board approved budget for the next financial year, 3-year plan projections covering the subsequent 2 years, internal segment level projections covering the subsequent 2 years and a steady-state terminal value calculation at the end of year 5 which has equivalent revenue and operating expense growth assumptions equal to inflation expectations of 2.5%. Internal revenue and operating expense growth projections are also benchmarked against travel industry forecasts and general economic projections where available.

Key assumptions used for value-in-use calculations

The cash flows have been discounted at a rate of 11.0% (2011: 13.0%) per annum which approximates the Group's Weighted Average Cost of Capital (WACC). This discount rate has been used in all segments and was derived using the Capital Asset Pricing Model (CAPM) with the following associated inputs:

- Risk free rate: 4.2% (2011: 5.2%)
- Equity market risk premium: 6% (2011: 6%)
- Beta: 1.2 (2011: 1.2)
- Pre-tax cost of debt: 6.5% (2011: 9%)
- Long-term debt ratio: 20% (2011: 10%)
- Business-specific risk premium: 1.5% (2011: 1.5%)

The equivalent pre-tax discount rate for the Retail segment was 14.5% (2011: 17.1%), for the Wholesale segment was 14.5% (2011: 18.0%) and for the Travel Management segment was 11.6% (2011: 17.5%).

Average nominal revenue and operating expense growth projections by segment over the 5 year period were:

	Revenue	Operating Expense
Retail	2.3%	1.7%
Wholesale	4.4%	2.6%
Travel Management	1.6%	(1.2%)

Impact of possible changes in key assumptions

The recoverable amount valuation is most sensitive to the following assumptions:

(a) revenue and operating expense growth assumptions – if these were to decrease by 9% (2011: 14%) at the same time, an impairment would begin to be recorded in the Retail segment, holding cost and post-tax discount rate assumptions constant;

(b) revenue and operating expense growth assumptions – if revenue assumptions were to decrease by 24% and operating expenses were allowed to decrease at a faster rate according to a feasible profile determined by management by expense category (by between 26% and 29.8%), an impairment would begin to be recorded in the Retail segment, holding post-tax discount rate assumptions constant;

(c) post-tax discount rate assumptions – if these were to increase to 12.2% (2011: 14.25%) an impairment would begin to be recorded in the Retail segment, holding revenue and operating expense growth assumptions constant.

The recoverable amount of the Wholesale segment exceeds the carrying amount by a sufficient margin such that a reasonable change in any of the key assumptions is not expected to result in an impairment charge in respect of this segment.

15. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated	
	2012 $'000	2011 $'000
Deferred tax		
Deferred income tax at 30 June relates to the following:		
(a) Deferred tax assets		
Employee benefits	4,780	3,766
Payables and accruals	14,746	15,724
Equity accounted investments	–	179
Tax losses	1,655	985
Property, plant and equipment	476	546
Other	895	845
Gross deferred tax assets	**22,552**	**22,045**
Set-off of deferred tax assets and liabilities pursuant to set-off provisions	(14,717)	(13,761)
Net deferred tax assets	**7,835**	**8,284**
Deferred tax assets expected to be recovered within 12 months	16,685	18,357
Deferred tax assets expected to be recovered after more than 12 months	5,867	3,688
	22,552	**22,045**
(b) Deferred tax liabilities		
Intangible assets	(6,174)	(6,026)
Deferred revenue	(11,812)	(10,184)
Property, plant and equipment	–	(288)
Other	(1,639)	(1,813)
Gross deferred tax liabilities	**(19,625)**	**(18,311)**
Set-off of deferred tax assets and liabilities pursuant to set-off provisions	14,717	13,761
Net deferred tax liabilities	**(4,908)**	**(4,550)**
Deferred tax liabilities expected to be settled within 12 months	(12,240)	(10,332)
Deferred tax liabilities expected to be settled after more than 12 months	(7,385)	(7,979)
	(19,625)	**(18,311)**

15. Deferred tax assets and liabilities
(continued)

(c) Movement in temporary differences during the year

	Employee benefits	Payables and accruals	Property, plant and equipment	Equity accounted investments	Tax losses	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets							
At 1 July 2010	2,173	8,248	–	–	4,192	302	14,915
(Charged)/credited:							
– to profit or loss	507	4,028	5	179	(3,207)	(114)	1,398
– direct to equity	–	–	–	–	–	84	84
Acquisition of subsidiary	1,086	3,448	541	–	–	573	5,648
At 30 June 2011	**3,766**	**15,724**	**546**	**179**	**985**	**845**	**22,045**
At 1 July 2011	3,766	15,724	546	179	985	845	22,045
(Charged)/credited:							
– to profit or loss	1,014	(978)	(70)	(179)	670	(883)	(426)
– to other comprehensive income	–	–	–	–	–	1,008	1,008
– direct to equity	–	–	–	–	–	(75)	(75)
At 30 June 2012	**4,780**	**14,746**	**476**	**–**	**1,655**	**895**	**22,552**

	Deferred revenue	Property, plant and equipment	Equity accounted investments	Intangibles	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
At 1 July 2010	6,259	2,184	318	6,238	601	15,600
Charged/(credited):						
– to profit or loss	3,925	(1,896)	(318)	(212)	543	2,042
Acquisition of subsidiary	–	–	–	–	669	669
At 30 June 2011	**10,184**	**288**	**–**	**6,026**	**1,813**	**18,311**
At 1 July 2011	10,184	288	–	6,026	1,813	18,311
Charged/(credited):						
– to profit or loss	1,628	(288)	–	148	(174)	1,314
At 30 June 2012	**11,812**	**–**	**–**	**6,174**	**1,639**	**19,625**

16. TRADE AND OTHER PAYABLES

	Consolidated	
	2012 $'000	2011 $'000
Trade creditors	163,045	174,733
Accruals	28,596	41,192
Other payables	44,232	34,112
	235,873	**250,037**

Trade creditors are non-interest bearing and are normally settled within 30 day terms. Non-trade payables and accruals are non-interest bearing.

Related party payables

For terms and conditions of related party payables, refer to note 27.

Foreign exchange risk

Details regarding foreign exchange risk exposure are disclosed in note 24.

17. BORROWINGS

	Consolidated	
	2012 $'000	2011 $'000
Current		
Secured bank loan	932	980
Other secured financing[1]	237	376
Unsecured financing	1,106	1,106
	2,275	**2,462**
Non-current		
Secured bank loan	27,830	23,720
Unsecured financing	930	2,027
	28,760	**25,747**
Less: deferred borrowing costs	(1,886)	(2,683)
Net interest bearing liabilities	**26,874**	**23,064**

[1] Other secured financing is secured against motor vehicle purchases included as part of property, plant and equipment in note 13.

17. Borrowings
(continued)

Financing Facilities

The following lines of credit were available at balance date:

	Maturity	Consolidated 2012 $'000	Consolidated 2011 $'000
Drawn down at balance date			
Secured Bank Loan – AUD		20,000	16,000
Secured Bank Loan – NZD $10m		7,830	7,720
Secured Bank Loan – FJD $2m		932	980
		28,762	**24,700**
Utilised at balance date			
Secured Multi-Option Revolving Credit Facilities – Multi Currency[2,3]		10,665	14,691
		39,427	**39,391**
Unused at balance date			
Secured Bank Loan – AUD		12,100	16,100
Secured Bank Loan – NZD $10m		–	–
Secured Bank Loan – FJD $2m		163	88
Secured Multi-Option Revolving Credit Facilities – Multi Currency[2,3]		29,335	25,309
		41,598	**41,497**
Total facilities			
Secured Bank Loan – AUD	30/09/2015	32,100	32,100
Secured Bank Loan – NZD $10m	30/09/2015	7,830	7,720
Secured Bank Loan – FJD $2m	30/08/2017	1,095	1,068
Secured Multi-Option Revolving Credit Facilities – Multi Currency[2,3]	30/09/2015	40,000	40,000
Total		**81,025**	**80,888**

2 Multi-option facilities at 30 June 2012 used entirely for Bank Guarantees and Letters of Credit.
3 Multi-option facilities at 30 June 2011 used entirely for Bank Guarantees and Letters of Credit.

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Secured bank loans	28,762	24,700
Secured financing	237	376
	28,999	**25,076**

The bank loans are secured against the assets of those entities included in the Deed of Cross Guarantee of the Group that do not operate as licensed travel agents or are subject to any other external regulation preventing them from providing encumbrances.

Other secured financing is secured against motor vehicles included in the balance of property, plant and equipment in note 13.

The carrying amounts of assets pledged as security for current and non-current borrowings are detailed in note 31.

The multi-option revolving currency facility can be drawn at any time. The maturity dates for the facility and loans are outlined above.

(b) Set-off of assets and liabilities

There are currently no contractual arrangements establishing a legal right to set-off assets and liabilities with any financial institutions.

(c) Fair values

Information about the carrying amounts and fair values of interest bearing liabilities is disclosed in note 24.

(d) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 24.

18. DEFINED BENEFIT LIABILITY

As part of the Merger arrangement, the Group entered into a Superannuation Deed with Qantas Airways Limited setting out the arrangements which would apply (post-merger) to employees of the Group that are also members of the Qantas Superannuation Plan (divisions of which are in the nature of Defined Benefit Plan). Under the deed, JTL assumed responsibility for the plan assets and plan liabilities for these members in a new Defined Benefit Plan controlled and managed by JTL. This plan is closed to new members.

The plan assets and liabilities were transferred to JTL on 25 July 2011. On transfer to JTL the plan was fair valued using JTL specific assumptions which resulted in the plan having a net asset position of $1.0m. This has been recorded as an adjustment against goodwill as part of the final acquisition accounting for the Merger transaction.

The following sets out details in respect of the defined benefit plan only. The expense recognised in relation to the defined benefit contribution plan is disclosed separately in note 4.

	Consolidated	
	2012 $'000	2011 $'000
Changes in the present value of defined benefit obligation		
Opening defined benefit obligation (25 July 2011)	10,796	–
Current service cost	754	–
Interest cost	420	–
Contributions by plan participants	203	–
Actuarial (gains)/losses	3,723	–
Benefits paid	(518)	–
Closing defined benefit obligation	**15,378**	–
Changes in the fair value of plan assets		
Opening fair value of plan assets (25 July 2011)	11,757	–
Expected return	730	–
Actuarial (losses)/gains	(646)	–
Contributions by employer	571	–
Contributions by plan participants	203	–
Benefits paid	(518)	–
Closing fair value of plan assets	**12,097**	–
Expense recognised in the consolidated income statement		
Current service cost	754	–
Interest cost	420	–
Expected return on plan assets	(730)	–
Total included in employee benefits expense	**444**	–
Actual return gain on plan assets	**84**	–
Total amount recognised in the balance sheet at beginning of period	**961**	–
Amount recognised in the statement of comprehensive income (before tax)	(4,369)	–
Total expense	(444)	–
Employer contributions	571	–
Total amount recognised in the balance sheet at end of period	**(3,281)**	–

18. Defined Benefit Liability
(continued)

	Consolidated 2012 %	Consolidated 2011 %
Group plan assets comprise:		
Australian equities	31.9	–
International equities	20.9	–
Property	11.3	–
Fixed interest, cash and indexed bonds	12.8	–
Alternative assets	17.8	–
Cash	5.3	–
	100.0	–

	Consolidated 2012 $'000	Consolidated 2011 $'000
Reconciliation to consolidated balance sheet		
Fair value of plan assets	12,097	–
Present value of defined benefit obligation	(15,378)	–
(Deficit)/surplus	(3,281)	–
Less: unrecognised actuarial losses	–	–
Recognised liability in the consolidated balance sheet	(3,281)	–
Experience adjustments (loss)/gain on plan assets	(646)	–
Experience adjustments gain/(loss) on plan liabilities	(634)	–

	Consolidated 2012 % pa	Consolidated 2011 % pa
Principal actuarial assumptions (expressed as weighted averages per annum)		
Discount rate (net of tax)	2.75	–
Expected return on plan assets (after tax)[1]	6.25	–
Expected rate of salary increases	3.50	–

1 Net of investment management expenses

The Group makes contributions to the plan which provides defined benefit amounts for employees upon retirement. Under the plan, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels.

The expected long-term rate of return is based on the weighted average of expected returns on each individual asset class where the weightings reflect the proportion of defined benefit assets invested in each asset class. Each asset class' expected return is based on expectations of average returns over the next 10 years.

Actuarial gains and losses recognised in the statement of comprehensive income arise as a result of changes in the discount rate applied to calculate the net present value of employees' benefits (due to changes in government bond rates during the prevailing period), as well as fair value adjustments made to the value of plan assets, and changes in actuarial assumptions around expected return on plan assets and expected rates of salary increases.

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions.

Employer contributions to the defined benefit superannuation plans are based on recommendations by the plan's actuaries. It is estimated that $729,000 will be paid by the Group for employees accruing defined benefits in the following twelve months to 30 June 2013 (2011: N/A).

19. PROVISIONS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Employee benefits – long service leave	4,592	4,087
Employee benefits – annual leave	6,808	6,524
Lease make good	2,495	2,456
Onerous lease contracts	16	459
Restructuring	5,381	–
Other	375	2,251
	19,667	**15,777**
Non-current		
Employee benefits – long service leave	1,198	418
Onerous lease contracts	600	759
	1,798	**1,177**

(a) Movements in provisions

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

	Consolidated				
	Restructuring $'000	Lease make good $'000	Onerous lease contracts $'000	Other $'000	Total $'000
Net book amount					
Balance at 1 July 2011	–	2,456	1,218	2,251	5,925
Provisions made against capitalised assets	–	330	–	–	330
Provisions charged to income statement	5,381	–	–	811	6,192
Unused amounts released to income statement	–	(8)	(252)	–	(260)
(Discount)/unwind of discount	–	–	2	–	2
Payments made/transfers from provision	–	(283)	(352)	(2,687)	(3,322)
Balance at 30 June 2012	**5,381**	**2,495**	**616**	**375**	**8,867**
Current	5,381	2,495	16	375	8,267
Non-current	–	–	600	–	600
Total	**5,381**	**2,495**	**616**	**375**	**8,867**

Nature and timing of provisions

Lease make good

A provision is recognised in respect of existing lease contracts for the estimated present value of expenditure required to complete dismantling and site restoration obligations under those contracts at balance date. Future dismantling and restoration costs are reviewed annually. Any changes are reflected in the present value of the lease make good provision at the end of the reporting period.

The amount of the provision for future lease make good costs is capitalised and amortised in accordance with the policy set out in note 3(h). The unwinding of the effect of discounting of the provision, where relevant, is recognised as a finance expense.

Onerous lease contracts

The Group has entered into several lease agreements for property to be used as office space. During the period surplus space was identified and a provision for this has been recognised.

The obligation for the discounted future payments, net of expected rental income, has been provided for. The unwinding of the effect of discounting of the provision is recognised as a finance expense.

Restructuring

Restructuring and redundancy provisions are recognised as an expense when the Group has made a commitment to the process, and this has been agreed and communicated to those affected. All payments are expected to be settled within the next accounting period.

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

The Group classifies provisions not expected to be settled within 12 months of the reporting date as non-current.

20. DEFERRED REVENUE

	Consolidated 2012 $'000	2011 $'000
Deferred revenue	73,989	70,212
	73,989	**70,212**

Details on the deferred revenue accounting policy are contained in note 3(m).

21. AUDITORS' REMUNERATION

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

	Consolidated 2012 $'000	2011 $'000
Audit services		
Auditor of the Company – PricewaterhouseCoopers (PwC) Australia		
– Audit and review of Financial Statements	701,400	868,000
Related practices of PwC Australia	130,738	120,000
Non – PwC audit firms	58,040	62,194
	890,178	**1,050,194**
Other services		
Auditor of the Company – PwC Australia		
– Due diligence services	–	387,941
– Taxation compliance services	126,000	48,500
– Other services	47,000	114,019
	173,000	**550,460**
Related practices of PwC Australia		
– Due diligence	15,857	–
– Tax	39,058	128,615
– Other	30,769	20,369
	85,684	**148,984**
Total auditors' remuneration	**1,148,862**	**1,749,638**

22. CAPITAL AND RESERVES

(a) Shares on issue

	Consolidated	
	Number of Shares	$'000
As at 30 June 2012		
Fully paid ordinary shares of Jetset Travelworld Limited	439,105,954	278,822
Contributed equity	**439,105,954**	**278,822**
As at 30 June 2011		
Fully paid ordinary shares of Jetset Travelworld Limited	439,105,954	278,822
Contributed equity	**439,105,954**	**278,822**

(b) Movements in shares on issue

	Consolidated	
	Number of Shares	$'000
At 30 June 2010	90,007,962	90,008
Balance before reverse acquisition		
– Ordinary shares	28,333,333	28,333
– Management equity units	4,757,962	4,758
– Cumulative redeemable preference shares	56,916,667	56,917
	90,007,962	**90,008**
Elimination of existing legal acquiree shares		
– Ordinary shares	(28,333,333)	
– Management equity units	(4,757,962)	
– Cumulative redeemable preference shares	(56,916,667)	
Shares of legal acquirer transferred in on Merger	219,552,977	
Issue of shares on acquisition in Jetset Travelworld Limited	219,552,977	188,814
Balance after reverse acquisition in Jetset Travelworld Limited	439,105,954	278,822
At 30 June 2011	**439,105,954**	**278,822**
At 30 June 2012	**439,105,954**	**278,822**

Movements in share capital on issue

As part of the Merger agreement, the shareholders of Stella Travel Services Holdings Pty Limited (STSH) ordinary shares, management equity units and cumulative redeemable preference shares were exchanged for ordinary shares in Jetset Travelworld Limited (JTL). JTL became the shareholder of 100% of ordinary shares and cumulative preference shares as at the date of the Merger. Prior to the Merger being completed, 100% of the management equity units on issue were converted to ordinary shares. Immediately prior to the Merger JTL had 219,552,977 ordinary shares on issue. A total of 219,552,977 ordinary shares were issued to holders of STSH contributed equity for their holding in STSH. As at 30 June 2012 a total of 439,105,954 ordinary shares were on issue in JTL (the legal parent).

Nature of contributed equity

The following classes of equity were on issue by STSH for the period immediately prior to the Merger. The contributed equity was issued by the deemed parent STSH. On 30 September 2010, the shareholders who held equity in STSH were issued equity in JTL as per the Merger agreement.

JTL Ordinary Shares

Holders of ordinary shares in JTL are entitled to receive dividends as declared from time to time and are entitled to one vote per share at JTL shareholders' meetings. In the event of the winding up of JTL, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation. There is only one class of share on issue in JTL.

22. Capital and reserves
(continued)

STSH Ordinary Shares
Holders of ordinary shares in STSH were entitled to receive dividends as declared from time to time and were entitled to one vote per share at STSH shareholders' meetings. In the event of the winding up of STSH, ordinary shareholders ranked after creditors and were fully entitled to any proceeds of liquidation, subject to the prior entitlements of the redeemable preference shareholders. On 30 September 2010, STSH ordinary shareholders exchanged their holdings in STSH ordinary shares for ordinary shares in JTL as part of the Merger agreement.

STSH Management Equity Units
During the year ended 30 June 2010, certain managers (Manager Shareholders) within the Stella Travel Services Holdings Pty Limited Group (STS) were given the opportunity to invest in STSH by subscribing for options over STSH ordinary shares at an issue price of $1.00 per option required to be paid in cash at the time of grant under a Shareholders' Deed between STS, STSH and the Manager Shareholders. The option price paid for management equity units was equivalent to its fair value and as a result no share-based payment expense was recognised.

The Shareholders' Deed limited transferability of the options, governed the treatment applicable where a Manager Shareholder leaves the business under different circumstances and governed how the options may be exercised under certain exit events. An exit event disclosed as part of the Merger transaction occurred on 30 September 2010, and all of the options held were exercised and converted into ordinary shares in STSH and subsequently dealt with by the Manager Shareholders under the terms of other agreements associated with the particular exit event resulting in the Manager Shareholders ultimately holding shares in JTL.

STSH Cumulative Redeemable Preference Shares
STSH preference shares accrued preference dividends at a rate of 8% per annum. Preference shares ranked in priority to the payment of any dividends on STSH ordinary shares. While the preference shares remained unpaid, the dividends were cumulative and accumulated to the value of the outstanding preference share amount for the purposes of calculating future preference dividends. On 30 September 2010, STSH preference shareholders exchanged their holdings of STSH preference shares for ordinary shares in JTL as part of the Merger agreement.

(c) Reserves

	Consolidated	
	2012 $'000	2011 $'000
Reserves		
Foreign currency translation reserve	(1,687)	(2,286)
Hedging reserve	179	(113)
Predecessor accounting reserve	156,400	156,400
Share-based payments reserve	1,274	531
	156,166	**154,532**

A reconciliation of the movements in reserves has been provided in the Consolidated Statement of Changes in Equity on page 47 of this report.

Nature and purpose of reserves

Foreign currency translation reserve
Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 3(d). The reserve is recognised in profit and loss when the net investment is disposed of.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions that have not yet occurred, as described in note 3(u). Amounts are reclassified to the income statement when the associated hedge transaction affects profit and loss.

Predecessor accounting reserve
Any differences between the net assets acquired and the consideration provided in relation to common control transactions are recorded in the predecessor accounting reserve. Under common control, the Company has recorded the interest in the acquired company based on the book values of the assets and liabilities that were previously attributable to the subsidiary at the highest level of consolidation. As a result, no fair value adjustments are recorded on the acquisition.

Share-based payments reserve
The share-based payments reserve is used to recognise the grant date fair value of Performance Rights issued to eligible employees but not exercised.

23. RECONCILIATION OF NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2012 $'000	**2011 $'000**
Net profit after tax	5,572	19,243
Adjustments for:		
Depreciation and amortisation	8,693	5,792
Non-controlling interests	118	77
Gain/(loss) on sale of non-current assets	66	(171)
Impairment losses on trade receivables	1,390	2,772
Impairment charge	11,229	–
Share of profits of associates not received as dividends or distributions	(67)	(1,039)
Share based payments expense	799	531
Loss/(gain) on acquisition of controlled entity	309	(4,000)
Changes in operating assets and liabilities:		
Decrease in trade and other receivables	1,826	28,023
Decrease in inventories	120	161
(Increase)/decrease in trade and other financial assets	(913)	1,946
(Decrease) in trade and other payables	(329)	(4,217)
Increase/(decrease) in provisions	4,510	(809)
Increase/(decrease) in other non-current liabilities	708	(572)
Movements in tax balances	(3,397)	3,848
Net cash inflows from operating activities	**30,634**	**51,585**

24.
FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits, borrowings and derivatives. The Group manages its exposure to key financial risks, including currency risk in accordance with a set of policies approved by the Board. The Group's policy is to not enter into, issue or hold derivative financial instruments for speculative trading purposes.

Financial Risk management is carried out by Group Treasury under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

The Group holds the following financial instruments:

	Consolidated	
	2012 $'000	**2011 $'000**
Financial assets		
Cash and cash equivalents	216,495	221,520
Trade receivables	55,748	62,685
	272,243	**284,205**
Financial liabilities		
Trade and other payables (excludes accruals)	207,277	208,845
Interest bearing liabilities	31,035	28,209
Derivative financial instruments	985	1,907
	239,297	**238,961**
Contingent financial liabilities		
Bank Guarantees and Letters of Credit	10,801	14,854
	10,801	**14,854**

24. Financial risk management
(continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management monitors rolling forecasts of the Group's liquidity reserves (comprising the undrawn facilities outlined in note 17) and cash and cash equivalents (note 10) on the basis of expected cash flows. Financing arrangements are outlined in note 17.

The following table summarises the contractual undiscounted cash flows of financial liabilities as at 30 June 2012 and 30 June 2011:

					Consolidated				
	Carrying amount	**Contractual cash flows**							
2012	**$'000**	**0–6 months $'000**	**6–12 months $'000**	**1 to 2 years $'000**	**2 to 3 years $'000**	**3 to 4 years $'000**	**4 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Non-derivative financial liabilities									
Trade and other payables	207,277	207,277	–	–	–	–	–		207,277
Interest bearing liabilities – secured	27,113	2,523	1,354	2,299	2,305	28,646	–	–	37,127
Interest bearing liabilities – unsecured	2,036	553	553	930	–	–	–	–	2,036
Bank Guarantees and Letters of Credit	10,801	3,711	3,391	230	46	1,194	923	1,306	10,801
Derivative financial liabilities									
Cash flow hedges	394	333	61	–	–	–	–	–	394
Interest rate swaps	591	–	–	–	–	591	–	–	591
	248,212	**214,397**	**5,359**	**3,459**	**2,351**	**30,431**	**923**	**1,306**	**258,226**

					Consolidated				
	Carrying amount	**Contractual cash flows**							
2011	**$'000**	**0–6 months $'000**	**6–12 months $'000**	**1 to 2 years $'000**	**2 to 3 years $'000**	**3 to 4 years $'000**	**4 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Non-derivative financial liabilities									
Trade and other payables	208,845	208,845	–	–	–	–	–	–	208,845
Interest bearing liabilities – secured	22,522	1,356	–	–	–	–	23,720	–	25,076
Interest bearing liabilities – unsecured	3,004	553	553	1,106	921	–	–	–	3,133
Bank Guarantees and Letters of Credit	14,854	3,898	8,262	304	228	46	2,116	–	14,854
Derivative financial liabilities									
Cash flow hedges	1,907	1,888	19	–	–	–	–	–	1,907
	251,132	**216,540**	**8,834**	**1,410**	**1,149**	**46**	**25,836**	**–**	**253,815**

Details on the interest bearing liabilities and facilities, including maturity dates are contained in note 17.

24. Financial risk management
(continued)

Market risk

The Group has exposure to market risk in the areas of foreign exchange and interest rates. The following section summarises the Group's approach to managing these risks.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arises predominantly from the Wholesale operations.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and the hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Forward foreign exchange contracts are used to hedge a portion of remaining foreign currency exposure within specific parameters. For this to occur the Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

As at 30 June 2012, the Group's net exposure to foreign currency risk is set out in the table below. The table includes the following:

- foreign cash holdings as at year end;
- receivables denominated in foreign currencies as at year end;
- current trade payables and forward payment obligations in foreign currencies as at year end; and
- foreign currency exchange contracts outstanding as at year end.

Currency	**2012 AUD equivalent $'000**	**2011 AUD equivalent $'000**
USD	(1,834)	667
EUR	(1,135)	(2,356)
GBP	401	(274)
FJD	(11,554)	(6,866)
NZD	(14,532)	(8,582)
Other currencies	(4,890)	(5,775)
Net total foreign currency exposure liability	**(33,544)**	**(23,186)**

The following table summarises the impact of a reasonably possible change in foreign exchange rates on net profit. For the purpose of this disclosure, the sensitivity analysis assumes a 10% increase and decrease in foreign exchange rates. Sensitivity analysis assumes hedge effectiveness as at 30 June 2012. This analysis also assumes that all other variables, including interest rates, remain constant.

	Consolidated Net Profit Before Tax	
	2012 $'000	**2011 $'000**
10% increase	3,087	2,625
10% decrease	(3,771)	(3,207)

24. Financial risk management
(continued)

(ii) Interest rate risk
Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is on its cash assets and its cash borrowings issued at variable rates. Cash includes short-term deposits amounting to $84.1 million (2011: $30.1 million) paying a weighted average fixed rate of 4.42% per annum (2011: 5.59%). Following the Merger the Group restructured its borrowings and entered into interest rate swaps to mitigate interest rate risk on a portion of its variable rate borrowings. Other funds are held in operational and foreign currency bank accounts and during the year earned interest at market rates under normal commercial terms.

All short-term deposits are fixed rate instruments and accordingly, a change of 100 basis points per annum in interest rates at the reporting date would have no impact on the profit and the net equity of the Group (2011: nil).

Credit risk

Credit risk is the potential loss from a transaction in the event of a default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default.

The Group conducts transactions with the following major types of counterparties:

- Trade debtor counterparties: the credit risk is the recognised amount, net of any impairment loss. As at 30 June 2012, this amounted to $55.7 million (2011: $62.7 million). The Group has credit risk associated with travel agents, airlines, industry settlement organisations and direct suppliers. The Group minimises credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs; and
- JTG's most significant customer is Qantas Airways Limited and its subsidiaries, details of these transactions are outlined in note 27.

Where specific credit risk is identified with a counterparty, the Group requires pre-payment for services provided. A reservation for such a counterparty is not confirmed or ticketed prior to receiving payment in full. Due to the short term nature of these receivables, their carrying amount is assumed to be their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

The ageing of trade receivables not considered impaired, or provided for as impaired, at 30 June was:

	Consolidated	
	2012 $'000	**2011 $'000**
Neither past due nor impaired	51,716	51,368
Past due 1 – 30 days	2,127	6,354
Past due 31 – 60 days	1,573	1,712
Past due 61 – 90 days	217	515
Past due 91 – 120 days	83	510
More than 120 days	32	2,226
Total	**55,748**	**62,685**

As at 30 June 2012, trade receivables of $6.0 million (2011: $11.3 million) were past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default.

There are no significant other receivables, or other classes of receivables, that have been recognised that would otherwise, without negotiation, have been past due or impaired. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

24. Financial risk management
(continued)

The ageing of trade receivables identified as impaired at 30 June was:

	Consolidated	
	2012 $'000	2011 $'000
Neither past due nor impaired	–	–
Past due 1 – 30 days	216	131
Past due 31 – 60 days	209	186
Past due 61 – 90 days	398	209
Past due 91 – 120 days	533	330
More than 120 days	861	4,445
Total	**2,217**	**5,301**

The movement in the allowance for impairment losses in respect of trade receivables was as follows:

	Consolidated	
	2012 $'000	2011 $'000
Balance as at 1 July	5,301	3,158
Acquisitions through business combinations	–	1,325
Additional provision recognised	1,390	2,772
Write back of provision	(1,499)	(33)
Bad debts written off	(2,987)	(1,921)
Foreign currency differences	12	–
Balance as at 30 June	**2,217**	**5,301**

An allowance for impairment losses is made when there is objective evidence that a trade receivable is impaired. In the current period an additional $1.4 million provision has been recognised (2011: $2.8 million) by the Group. The amount of the allowance is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

The table below sets out the maximum exposure to credit risk as at 30 June:

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents	216,495	221,520
Trade and other receivables	121,317	133,025
	337,812	**354,545**

The Group undertakes transactions with a large number of customers and other counterparties in various countries in accordance with Board approved policy. Where a higher than acceptable credit risk is identified with a counterparty, the Group looks to implement measures which minimise the risk of losses and in some cases seeks to renegotiate customer trading terms by requiring the customer to prepay on purchases in advance of confirmation of a travel booking.

24. Financial risk management
(continued)

Net fair values

The net fair values of cash, cash equivalents and non-interest bearing financial assets and financial liabilities approximate their carrying values due to their short maturity.

		Consolidated			
		Carrying amount		Net fair value	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial assets at amortised cost					
Cash and cash equivalents	10	216,495	221,520	216,495	221,520
Trade and other receivables	11	121,317	133,025	121,317	133,025
		337,812	**354,545**	**337,812**	**354,545**
Financial liabilities at amortised cost					
Trade creditors	16	163,045	174,733	163,045	174,733
Other payables	16	44,232	34,112	44,232	34,112
Interest bearing liabilities – current	17	2,275	2,462	2,275	2,462
Interest bearing liabilities – non-current	17	26,874	23,064	28,760	25,747
Derivative contracts used for hedging		985	1,907	985	1,907
		237,411	**236,278**	**239,297**	**238,961**

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
– Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

The Group's forward exchange contracts are recognised at their fair value determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

	$'000			
2012	Level 1	Level 2	Level 3	Total
Derivative financial liabilities/assets	–	985	–	985
	–	**985**	**–**	**985**

	$'000			
2011	Level 1	Level 2	Level 3	Total
Derivative financial liabilities	–	1,907	–	1,907
	–	**1,907**	**–**	**1,907**

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors both the return on capital and the level of dividends to ordinary shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

There were no other changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. COMMITMENTS AND CONTINGENCIES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2012 $'000	2011 $'000
Within one year	12,537	12,751
After one year but not more than five years	30,982	29,370
Longer than five years	3,647	3,395
Aggregate lease expenditure contracted for at reporting date	**47,166**	**45,516**

The Group has entered into commercial leases on property and certain items of office equipment. These leases have an average life of between 2 and 12 years and generally provide the Group with a right of renewal at which time all terms are renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

The Group recognised rent expenses of $12.2 million in the period (2011: $13.1 million).

Leases as lessor

The Group sub-leases surplus office space under operating leases. The Group also leases one investment property. The future minimum lease receipts under these leases are as follows:

	Consolidated	
	2012 $'000	2011 $'000
Within one year	186	34
After one year but not more than five years	128	71
Longer than five years	10	28
Aggregate lease expenditure contracted for at reporting date	**324**	**133**

The Group recognised lease rental income of $0.2 million (2011: $0.2 million). Rental income is derived from the sub lease of surplus office space and lease of one investment property. In addition to this the Group received rental income for which rent is derived from sub lease arrangements on a month by month contract basis. The future minimum lease receipts above do not include expected future income from these arrangements owing to the short term nature of the arrangement.

Guarantees

Other than the Deed of Cross Guarantee entered into with its subsidiaries, as outlined in note 31, JTL has on issue at 30 June 2012 bank guarantees and letters of credit totalling $10.8 million (2011: $14.7 million).

Contingencies

There are no significant contingent liabilities.

GST Claim before the Federal Court of Australia

As previously disclosed in the Consolidated Interim Financial Report for the half-year ended 31 December 2010 and in each Financial Report thereafter, two entities within the tax consolidated group lodged claims in the Federal Court of Australia against the Commissioner of Taxation ('the Commissioner') in relation to a GST matter. This matter was heard in Federal Court on 26 June 2012 and judgement in the case has been reserved. While judgement is pending, it is not possible for the Group to properly assess the likely outcome of the Group's claim. In addition, after judgement is handed down, the Group and the Commissioner of Taxation will have certain rights of appeal and it is only once the situation is settled as regards the appeal process that the Group would be in a position to assess the likely ultimate outcome of the claim. Legal expenses in relation to this matter continue to be expensed as incurred and are shown in note 4 for the current year. As part of the Court proceedings, the parties were ordered to agree on the quantum of the claim before the Court. JTG's claim against the ATO was agreed to be $19,076,351.

26. REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report, forming part of the Directors' Report on pages 24 to 37 for details of individual Director and executive compensation and equity disclosures required by the *Corporations Regulation 2M.3.03*.

(a) Compensation of KMP

	Consolidated	
	2012 $'000	**2011 $'000**
Short term employee benefits	6,229,252	6,504,128
Long term employee benefits	23,917	22,740
Share-based payment benefits	391,806	284,118
Post-employment benefits	314,915	271,665
Termination benefits	222,454	–
	7,182,344	**7,082,651**

(b) Option or right holdings of KMP

The following table details rights (PRs) held by KMP over JTL shares at any time during the financial year:

		Consolidated	
		2012 Number	**2011 Number**
P Lacaze	CEO & Executive Director	375,000	375,000
E Gaines[1]	CFO & Executive Director	552,998	150,000
G Elliott	Group GM Online	392,694	100,000
S Bernardi	Group GM Wholesale	100,000	100,000
M Londregan	Group GM Wholesale	303,332	68,250
R Carstensen	Group GM Air Services	401,846	109,000
D Hughes	GM QBT	73,750	73,750
M Thompson	CEO Travelscene AmericanExpress	320,961	85,471
A Slark	GM Corporate Affairs	276,500	75,000
		2,797,081	**1,136,471**

[1] Offer of additional FY2012 PRs are subject to shareholder approval at the 2012 Annual General Meeting.

26. Remuneration of Key Management Personnel (KMP)
(continued)

(c) Shareholdings of KMP

The number of shares in the Company held during the financial year by each Director and other Key Management Personnel of the Group, including their personally related parties, are set out below:

Shareholdings of Directors and other KMP in Jetset Travelworld Limited

						Number of Shares		
Capital		**Held at 1 July 2010**	**Net change**	**Held at 1 December 2010**	**Net change**	**Held at 30 June 2011**	**Net change**	**Held at 30 June 2012**
Non-executive Directors								
S Bennett		–	–	–	–	–	50,000	50,000
A Cummins		–	952,998	952,998	–	952,998	–	952,998
T Dery	Chairman	–	–	–	–	–	–	–
A John		–	–	–	–	–	–	–
B Johnson		–	–	–	–	–	–	–
A MacKenzie		–	–	–	–	–	–	–
J Millar		–	–	–	40,000	40,000	–	40,000
P Spathis		500,000	–	500,000	–	500,000	–	500,000
G Evans[1]		–	–	–	–	–	–	–
L Grant[1]		–	–	–	–	–	–	–
J King[2]		50,600	–	50,600	(50,600)	–	–	–
M Riches[1]		–	–	–	–	–	–	–
Other Key Management Personnel								
P Lacaze	CEO & Executive Director	–	11,664,695	11,664,695	–	11,664,695	–	11,664,695
E Gaines	CFO & Executive Director	–	1,048,298	1,048,298	–	1,048,298	–	1,048,298
G Elliott	Group GM Online	–	381,199	381,199	–	381,199	–	381,199
S Bernardi[3]	Group GM Wholesale	–	–	–	19,860	19,860	(19,860)	–
M Londregan	Group GM Wholesale	–	381,199	381,199	–	381,199	–	381,199
R Carstensen	Group GM Air Services	–	381,199	381,199	–	381,199	–	381,199
D Hughes	GM QBT	–	–	–	40,000	40,000	–	40,000
M Thompson[4]	CEO Travelscene AmericanExpress	–	476,499	476,499	100,000	576,499	–	576,499
A Slark	GM Corporate Affairs	–	–	–	–	–	–	–
Total		**550,600**	**15,286,087**	**15,836,687**	**149,260**	**15,985,947**	**30,140**	**16,016,087**

1 G Evans, L Grant and M Riches resigned as Directors of JTL during the previous financial period, up to the date of resignation none of these Directors held an interest in the ordinary shares of JTL.
2 J King resigned as a Director in the previous financial period, the net change does not represent a disposal of shares in their capacity as Director.
3 S Bernardi resigned during the period, the net change does not represent a disposal of shares in his capacity as Group GM Wholesale.
4 100,000 fully paid ordinary shares held legally and beneficially by a personally related entity.

No JTL shares were granted to KMP during the financial year as compensation (2011: nil).

(d) Other transactions and balances with KMP

The terms and conditions of other transactions with KMP were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to those other than KMP on an arm's length basis. Further disclosure on transactions is included in note 27(d).

27. RELATED PARTIES

(a) Subsidiaries

Details relating to subsidiaries are included in note 28.

(b) Ultimate and direct parent

Jetset Travelworld Limited (JTL) is the legal owner of the Group. However, under the applicable accounting standards, a reverse acquisition by Stella Travel Services Holdings Pty Limited (STSH) is deemed to have occurred on the Merger of STSH with JTL. Consequently, for accounting purposes, STSH is accounted for as the ultimate and direct parent entity of the Group.

(c) Entities with significant influence over the Group

QH Tours Limited (a wholly owned subsidiary of Qantas Airways Limited) holds 29% of the ordinary shares of JTL, Europe Voyager NV holds 26.9 % of the ordinary shares of JTL, and UBS Australia Holdings Limited (UBSAHL) holds 17.9% of the ordinary shares of JTL. Under the Merger agreement QH Tours Limited and Europe Voyager NV were entitled to appoint two Board members each, and UBSAHL one Board member, consequently these three shareholders are considered to hold significant influence over the Group. In accordance with the Merger agreement, in the event that these Board members resign from their directorship, the Merger agreement does not allow for these shareholders to nominate an alternate Director.

(d) Key Management Personnel (KMP)

Details relating to KMP, including remuneration paid, are included in note 26 and the Remuneration Report.

(e) Transactions with related parties

The following transactions were carried out with related parties:

	Consolidated	
	2012 $'000	2011[1] $'000
Trading transactions		
(i) Revenue derived from:		
Associates of the Group	409	840
Entities with significant influence over the Group[2]	70,937	53,643
Other related parties[4]	16	686
(ii) Expenses incurred as a result of transactions with:		
Parent	–	362
Associates of the Group	62	270
Entities with significant influence over the Group[2]	4,244	12,656
Other related parties[4]	460	2,379
(iii) Payments (received)/made for acquisitions of investments with:		
Entities with significant influence over the Group[2]	(329)	4,500
(iv) Finance arrangements and transactions with:		
Entities with significant influence over the Group[2]		
Drawdown of borrowings under the facility agreement	–	4,766
Repayments of borrowings made during the period	–	44,810
Finance costs incurred	–	3,429
(v) Dividends received from:		
Associates of the Group	163	1,350

27. Related parties
(continued)

	Consolidated	
	2012 $'000	2011[1] $'000
Year end balances		
(i) Assets:		
Associates of the Group	–	97
Entities with significant influence over the Group[2]	15,951	18,671
Other related parties[4]	–	31
(ii) Liabilities:		
Associates of the Group	–	2
Entities with significant influence over the Group[2]	12,339	12,557
Transactions associated with the Merger		
(i) Revenue received under the Umbrella agreement[3] from:		
Entities with significant influence over the Group[2]	–	3,700
(ii) Payments for services provided under the Umbrella agreement[3] from:		
Entities with significant influence over the Group[2]	5,242	11,580
(iii) Payments for employee related statutory entitlements[3] to:		
Entities with significant influence over the Group[2]	24,019	32,517
(iv) Payments made to exit the GVH tax consolidated group:		
Parent entity[5]	–	4,094

1 As set out in note 32 to the Financial Statements, as a result of the reverse acquisition of Jetset Travelworld Limited and its controlled entities (JTG) by Stella Travel Services Holdings Pty Limited and its controlled entities (STS), the comparative related party transactions disclosed for June 2011 represents the results of STS only for the period from 1 July 2010 to 30 September 2010 and the consolidated results for STS and JTG for the period from 1 October 2010 to 30 June 2011.

2 QH Tours Limited (a wholly owned subsidiary of Qantas Airways Limited) holds 29% of the ordinary shares of JTL, Europe Voyager NV holds 26.9 % of the ordinary shares of JTL, and UBS Australia Holdings Limited holds 17.9% of the ordinary shares of JTL.

3 In addition to ordinary trading transactions and as part of the Merger agreement, the Group entered into an umbrella agreement with Qantas Airways Limited (and its controlled entities). The agreement was intended to facilitate a transition to arrangements directly between JTG and relevant third party suppliers and provide for the continuation of the ordinary course of business activities of the Group. Services provided under the agreement include shared services, national sales agency agreements, IT services, labour recharges, frequent flyer arrangements, intellectual property rights and website agreements.

4 Includes transactions with Director related entities and key management personnel.

5 Payment was made on 28 September 2010 prior to Merger date to Global Voyager Holdings Pty Limited, which at the time was the parent company of STSH.

Terms and conditions of related party receivables and payables

Related party trade receivables are non-interest bearing and are generally on 30 day terms. The Group settles related party trade payables according to the payment conditions confirmed by the supplier of services.

27. Related parties
(continued)

(f) Other contractual arrangements with related parties arising from the Merger transaction

Qantas Airways Limited and Qantas Holidays Limited are party to the Qantas Frequent Flyer Program Participating (Retail) Agreement (the Agreement). Qantas Airways Limited agreed to waive any rights that it may have to terminate this agreement which arise solely from completion of the Merger, subject to Qantas Holidays Limited and related entities undertaking to keep details of the Agreement confidential.

(g) Contractual arrangements with related parties prior to the Merger transaction

As part of the Merger agreement, STS refinanced the debt held with one of its related parties (UBSAHL) and transferred the balance of amounts owing to an alternate lending institution (not a related party). The extinguishment of debt by STS to UBSAHL is equivalent to repayment of debt as shown in (e)(iv) above. Finance costs incurred include interest expense, line fees, usage fees and exit costs associated with refinancing this debt. Letters of Credit were issued to third parties by UBSAHL on behalf of STS, at Merger date these letters of credit were cancelled and re-issued by the alternate lender.

(h) Transactions with Director related entities

P Spathis is a Director of JTL (appointed as a Director of JTL by Sintack Pty Limited, which holds 12.34% of ordinary shares of JTL) and a corporate executive with Consolidated Travel Pty Limited. Sintack Pty Limited is controlled by Mr Alysandratos. Mr Alysandratos also holds a controlling interest in Consolidated Travel Pty Limited and is a director of Consolidated Travel Pty Limited and Chesters Nominees Pty Limited. In the prior period, JTG and Consolidated Travel Pty Limited entered into a management agreement whereby Consolidated Travel Pty Limited provided management services in relation to the operation of National Ticket Centre Pty Limited (a wholly owned subsidiary of JTL). As part of this agreement Consolidated Travel Pty Limited received management fees of $1.8 million. This agreement was terminated on 30 June 2011. No payments were made in the current year in respect of this management agreement. JTG held a sub-lease agreement with Consolidated Travel Pty Limited during the period for which $0.02 million of income (2011: $0.02 million) was received. In the prior period JTG also leased office space from Consolidated Travel Pty Limited for which a total of $0.2 million rent was paid to Consolidated Travel Pty Limited. No payments were made in the current year in respect of this lease.

A MacKenzie is a director of Mantra Group Holdings I Pty Limited and Global Voyager Holdings Pty Limited which is controlled by Europe Voyager NV, also a shareholder which is deemed to have significant influence over JTL. Details of transactions with Mantra Group are included in part (e) above.

A Cummins is Chairman of Stella Travel (UK) Limited and Mantra Group Holdings I Pty Limited and Global Voyager Holdings Pty Limited which are controlled by Europe Voyager NV, also a shareholder which is deemed to have significant influence over JTL. Details of transactions with Stella Travel (UK) Limited and Mantra Group are included in part (e) above.

E Gaines is a director of Global Voyager Holdings Pty Limited, STS UK Holdco I Pty Limited, Mantra Group Holdings I Pty Limited and Global Voyager Group Admin Pty Limited which are controlled by Europe Voyager NV, also a shareholder and deemed to have significant influence over JTL. Details of transactions with these companies and their related entities are included in part (e) above.

P Lacaze is a director of Stella Global Travel Pty Limited and STS UK Holdco II Pty Limited which are controlled by Europe Voyager NV, also a shareholder and deemed to have significant influence over JTL. Details of transactions with these companies and their controlled entities are included in part (e) above.

(i) Transactions with Key Management Personnel

The Group has entered into an operating lease agreement over business premises in Perth with a related party. The contract terms and conditions and the agreed contract price is on an arm's length basis and under conditions no more favourable than had the lessor been an independent third party. Amounts paid in respect of this contract are included in part (e) above.

Other transactions with key management personnel are outlined in the Remuneration Report on pages 24 to 37.

(j) Terms and conditions

Sales to and purchases from related parties are made at arm's length at normal market prices and on normal commercial terms.

Transactions relating to dividends are on the same terms and conditions applicable to other shareholders.

Outstanding balances are unsecured and are repayable in cash.

(k) Guarantees

Guarantees provided or received for any related party receivables or payables have been disclosed in note 17.

28.
PARTICULARS IN RELATION TO CONTROLLED ENTITIES AS AT 30 JUNE 2012

The consolidated Financial Statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 3(a). The proportion of ownership interest is equal to the proportion of voting power held.

				Jetset Travelworld Group Ownership Interest[1]	
Controlled entities	**Note**	**ABN/ACN**	**Country of incorporation**	**2012 %**	**2011 %**
Jetset Travelworld Limited	1, 2	60 091 214 998	Australia	N/A	N/A
Jetset Travelworld Network Pty Limited	2, 3	23 124 732 136	Australia	100	100
Business Select Pty Limited	2,12	115 334 855	Australia	–	100
Jetset Pty Limited		30 098 029 362	Australia	100	100
JTG Corporate Pty Limited	2	128 834 588	Australia	100	100
JTG Services Pty Limited	2	85 124 719 508	Australia	100	100
JTG Travel Insurance Pty Limited	2,12	59 105 702 136	Australia	–	100
National Cruise Centre Pty Limited	2	86 135 179 485	Australia	100	100
National Ticket Centre Pty Limited	2	47 108 306 243	Australia	100	100
Orient Pacific Holidays Pty Limited	2,12	128 812 788	Australia	–	100
QBT Pty Limited	4	50 128 382 187	Australia	100	100
Qantas Holidays Limited		24 003 836 459	Australia	100	100
Ready Travel Pty Limited	2	72 139 386 520	Australia	100	100
Traveland Pty Limited	2,12	115 329 112	Australia	–	100
Travelworld Pty Limited		81 074 285 224	Australia	100	100
Retail Travel Investments Pty Limited	2	094 188 100	Australia	100	100
Harvey World Travel Group Pty Limited	2	073 203 291	Australia	100	100
Harvey World Travel Franchises Pty Limited		059 507 587	Australia	100	100
Travelscene Pty Limited	2	001 763 819	Australia	100	100
Harvey World Travel International Pty Limited	2	073 203 264	Australia	100	100
Travelscene Tickets Pty Limited	2	056 166 682	Australia	100	100
Transonic Travel Pty Limited	2	103 179 326	Australia	100	100
Australian Travel Services (Pacific) Limited		NZ# 487 031	New Zealand	100	100
Allied Tour Services Pacific Limited		Fiji# 13411	Fiji	100	100
Coral Sun Limited		Fiji# 13988	Fiji	60	60
Stella Travel Services (Australia) Pty Limited		003 237 296	Australia	100	100
Travel Indochina Limited		UK# 0525 0591	UK	100	100
Best Flights Pty Limited		095 507 010	Australia	100	100
World Aviation Systems (Australia) Pty Limited		003 237 189	Australia	100	100
Global Aviation Services Pty Limited	2	099 065 040	Australia	100	100
Stella Travel Services (NZ) Limited		NZ# 182 9492	New Zealand	100	100
Atlantic and Pacific Business Travel Limited		NZ# 519 813	New Zealand	100	100
GP Holiday Shoppe Limited		NZ# 1953 053	New Zealand	100	100
GO Holidays Limited	10	NZ# 170 9463	New Zealand	–	100
Gullivers Pacific Limited		NZ# 128 2538	New Zealand	100	100
Harvey World Travel (2008) Ltd		NZ# 593 524	New Zealand	100	100
Just Tickets Limited		NZ# 155 6299	New Zealand	100	100
BTI Signature Travel Limited	9	NZ# 104 2585	New Zealand	–	100
United Travel Limited		NZ# 100 6869	New Zealand	100	100

28. Particulars in relation to controlled entities as at 30 June 2012
(continued)

Controlled entities	Note	ABN/ACN	Country of incorporation	Jetset Travelworld Group Ownership Interest[1] 2012 %	2011 %
Atlantic & Pacific Business Travel Pty Limited		061 265 610	Australia	100	100
Harvey World Insurance Services Pty Limited		002 740 169	Australia	–	100
Travel Co Investments No. 2 Pty Limited	2	111 633 624	Australia	100	100
Montarge Pty Limited	2	100 625 607	Australia	100	100
Travel Advantage Pty Limited	2	004 009 296	Australia	100	100
United Touring Limited		NZ #92 083	New Zealand	100	100
Readmont Pty Limited	2,12	059 705 887	Australia	–	100
Global Aviation Services (Australasia) Limited		NZ# 127 5961	New Zealand	100	100
Travel Consultants Limited	11	NZ# 983 146	New Zealand	–	100
Biztrav Limited		NZ# 833 384	New Zealand	72	72
Aus STS Holdco II Pty Limited	2	138 225 331	Australia	100	100
Stella Travel Services Group Pty Limited	2	097 772 702	Australia	100	100
Betanza Pty Limited	2	072 181 161	Australia	100	100
ATS Pacific Pty Limited	2	003 683 967	Australia	100	100
Travelscene Holidays Pty Limited	2	111 606 743	Australia	100	100
Talpacific Holidays Australia Pty Limited	2,12	116 597 543	Australia	–	100
Concorde International Travel Inc.	5		USA	100	100
Stella Travel Services USA Inc.	5		USA	100	100
HS Tauranga Ltd		NZ# 1 224 692	New Zealand	70	70
Tourist Transport Fiji Limited	6	Fiji# 5312	Fiji	60	60
Great Sights Fiji Limited	6	Fiji #686	Fiji	60	60
Harvey Holidays Pty Limited	7	061 284 866	Australia	100	100
Encore Business Tourism Pty Limited	8	57 006 805 625	Australia	100	50

1 Jetset Travelworld Limited is the legal owner of the Group. However, under the applicable accounting standards, a reverse acquisition by Stella Travel Services Holdings Pty Limited is deemed to have occurred on the Merger at 30 September 2010. Consequently, for accounting purposes, Stella Travel Services Holdings Pty Limited is the parent entity of the Group. The comparatives for the year ended 30 June 2010 are those of Stella Travel Services Holdings Pty Limited.
2 Pursuant to ASIC Class Order 98/1418 (as amended), these controlled entities are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of Financial Statements.
3 Jetset Travelworld Network Pty Limited changed its name from ABN 23 124 732 136 Pty Limited on 4 November 2010.
4 QBT Pty Limited changed its name from Qantas Business Travel Pty Limited on 5 May 2011.
5 Acquired on 27 September 2010. See note 32 for further information.
6 Acquired on 1 October 2010. See note 32 for further information.
7 JTG acquired the remaining 50% on 30 June 2011. See note 32 for further information.
8 JTG acquired the remaining 50% on 18 November 2011. See note 32 for further information.
9 BTI Signature Travel Limited was merged into Atlantic and Pacific Business Travel Limited on 31 March 2012, BTI Signature Travel Limited was de-registered 31 March 2012.
10 GO Holidays Limited was merged with Gullivers Pacific Travel Limited on 1 April 2012. GO Holidays Limited was de-registered 31 March 2012.
11 Travel Consultants Limited was de-registered on 30 September 2011.
12 These entities were de-registered on 5 June 2012.

Transactions with non-controlling interests
There were no other transactions with non-controlling interests during the period, other than those disclosed in this report.

29. INVESTMENTS IN ASSOCIATES

Information relating to associates is set out below:

Controlled entities	Note	ABN/ACN	Country of incorporation	Jetset Travelworld Group Ownership Interest[1] 2012 %	2011 %
Harvey World Travel Southern Africa (Pty) Limited		SA# 1981/00 1738/07	South Africa	50	50
Present Australia Pty Limited		060 613 816	Australia	25	25
Encore Business Tourism Pty Limited	1	000 805 625	Australia	100	50
Merraford Pty Limited		100 625 581	Australia	25	25
Travel Skills Pty Limited		076 613 146	Australia	30	30
Maridore Pty Limited		100 625 572	Australia	30	30
Resortpac Pty Limited		064 579 273	Australia	30	30
Brimax Pty Limited	2	100 625 536	Australia	–	30
Vallane Pty Limited		100 625 643	Australia	39	49
Tristane Pty Limited	3	100 625 625	Australia	–	30
Fine Travel Pty Limited		109 344 587	Australia	30	30
Travel Co Investments Pty Limited		110 761 923	Australia	49	49
Talpacific Holidays (UK) Limited		UK# 04 575 488	UK	50	50
Tour Managers (Fiji) Limited		Fiji# 16936	Fiji	33	33
Harvey World Travel Strategy Group Ltd		NZ# 569 145	NZ	50	50

1 JTG acquired the remaining 50% on 18 November 2011, this investment is accounted for as a controlled entity. See notes 28 and 32 for further information.
2 JTG sold its investment in Brimax Pty Limited on 1 March 2012. The investment was disposed of at cost.
3 Tristane Pty Limited was de-registered on 5 June 2012.

30. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2012 the legal parent company of the Group was Jetset Travelworld Limited.

	Consolidated	
	2012 $'000	**2011 $'000**
Result of the parent entity		
Profit for the period	11,299	24,929
Total comprehensive income for the period	**11,299**	**24,929**
Financial position of parent entity at year end		
Current assets	32,609	42,401
Non-current assets	428,777	426,006
Total assets	**461,386**	**468,407**
Current liabilities	4,635	6,564
Non-current liabilities	929	–
Total liabilities	**5,564**	**6,564**
Net Assets	**455,822**	**461,843**
Total equity of the parent entity comprising of:		
Share capital	435,755	435,755
Reserves		
– Share-based payment reserve	1,214	531
Retained earnings	18,853	25,557
Total Equity	**455,822**	**461,843**

Jetset Travelworld Limited (JTL) is the legal owner of the Group. However, under the applicable accounting standards, a reverse acquisition by Stella Travel Services Holdings Pty Limited (STSH) is deemed to have occurred on the Merger of STSH and JTL. For accounting purposes, STSH is the deemed parent entity of the Group.

Parent entity guarantees in respect of debts of its subsidiaries

The legal parent Jetset Travelworld Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 31.

Parent entity tax liabilities in respect of its subsidiaries

The parent entity has entered into a tax funding agreement with the effect that the Company guarantees $3.7 million (2011: $6.8 million) of tax liabilities of other entities in the tax consolidated group.

Parent entity commitments and contingencies

The parent entity has no contractual commitments for the acquisition of property, plant and equipment and no contingent liabilities as at 30 June 2012 (2011: none).

31. DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, the entities identified in note 28 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of Financial Statements and Directors' reports.

As a condition of the Class Order, Jetset Travelworld Limited, Travelworld Pty Limited and Jetset Pty Limited (Closed Group) entered into a Deed of Cross Guarantee on 25 May 2007. National Ticket Centre Pty Limited, Qantas Holidays Limited and QBT Pty Limited joined the Deed of Cross Guarantee on 28 November 2008. Jetset Travelworld Network Pty Limited (formerly ABN 23 124 732 136 Pty Limited), JTG Corporate Pty Limited, JTG Services Pty Limited, JTG Travel Insurance Pty Limited, National Cruise Centre Pty Limited and Ready Travel Pty Limited were added to the Deed on 2 December 2009. Following the Merger of STS and JTG, Stella Travel Services Group Pty Ltd; Aus STS Holdco II Pty Ltd; Stella Travel Service Holdings Pty Ltd; Transonic Travel Pty Limited and Travelscene Pty Ltd joined the Deed of Cross Guarantee on 31 March 2011. The effect of the Deed is that Jetset Travelworld Limited has guaranteed to pay any deficiency in the event of the winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities which are party to the Deed have also given a similar guarantee in the event Jetset Travelworld Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee.

On 31 March 2011 Travelworld Pty Limited, Jetset Pty Limited, National Ticket Centre Pty Limited, Qantas Holidays Limited and QBT Pty Limited ceased to be members of the closed group, the class action applied to these members for a period of up to 6 months following formal notice to ASIC of their intention to leave. These entities were de-consolidated from the Closed Group in 2012.

The consolidated income statement and statement of financial position have been prepared in accordance with the accounting policy note 3(a), comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee and is set out below. For consistency and comparability the comparatives of the closed group during the year of the Merger for the year ended 30 June 2011 are presented in this note.

(a) Closed group income statement for the year ended 30 June

The results disclosed below represent the consolidated results of all entities that were members of the closed group at any point during the year ended 30 June 2012. The prior year comparatives are for the JTL closed group as at 30 June 2011, and the Income Statement amounts are for 12 months for all entities regardless of when the Merger occurred.

	2012 $'000	2011 $'000
Revenue	57,060	165,185
Employee benefits expenses	(20,302)	(68,740)
Advertising, selling and marketing expenses	(19,475)	(37,510)
Communication and technology expenses	(1,087)	(17,035)
Occupancy and rental expenses	(385)	(6,936)
Operating expenses	(14,730)	(37,852)
Depreciation and amortisation	(3,375)	(2,008)
Operating result	**(2,294)**	**(4,896)**
Finance expense	(3,008)	(3,086)
Loss before income tax expense	**(5,302)**	**(7,982)**
Income tax benefit	8,070	581
Profit/(loss) after income tax expense	**2,768**	**(7,401)**
Retained earnings at the beginning of the year	37,285	23,867
Retained earnings transferred in on Merger	–	20,819
Retained earnings transferred out due to changes in closed group	12,235	–
Current year profit/(loss)	2,768	(7,401)
Dividends paid	(18,003)	–
Retained earnings at the end of year	**34,285**	**37,285**

31. Deed of cross guarantee
(continued)

(b) Closed group statement of comprehensive income as at 30 June

	2012 $'000	2011 $'000
Profit/(loss) after income tax	**2,768**	**(7,401)**
Other comprehensive income		
Change in fair value of cash flow hedges net of income tax	370	(223)
Other comprehensive income/(loss) for the period, net of income tax	**370**	**(223)**
Total comprehensive income/(loss) for the period, net of income tax	**3,138**	**(7,624)**

(c) Closed group statement of financial position as at 30 June

	2012 $'000	2011 $'000
Assets		
Current assets		
Cash and cash equivalents	362	87,778
Trade and other receivables	109,941	147,936
Income tax receivable	9,321	-
Total current assets	**119,624**	**235,714**
Non-current assets		
Property, plant and equipment	16,727	7,397
Intangible assets and goodwill[1]	6,094	150,166
Investments[1]	329,973	414,347
Deferred tax assets	4,977	4,248
Total non-current assets	**357,771**	**576,158**
Total assets	**477,395**	**811,872**
Liabilities		
Current liabilities		
Trade and other payables	254,949	254,853
Deferred revenue	–	42,609
Borrowings	1,106	1,106
Derivative financial instruments	599	968
Provisions	3,293	6,746
Income tax payable	–	6,564
Total current liabilities	**259,947**	**312,846**
Non-current liabilities		
Borrowings	19,043	15,343
Provisions	718	1,177
Deferred tax liabilities	1,368	-
Other liabilities	553	6
Total non-current liabilities	**21,682**	**16,526**
Total liabilities	**281,629**	**329,372**
Net assets	**195,766**	**482,500**
Equity		
Contributed equity[1]	160,686	444,732
Other reserves	795	483
Retained earnings	34,285	37,285
Total equity	**195,766**	**482,500**

[1] Includes the effect of transfers out of the Closed Group as a result of the departure of certain entities from the Closed Group as detailed at the beginning of note 31 on page 101.

32.
BUSINESS ACQUISITIONS

Merger of STSH with JTL

On 6 September 2010, the Merger of STSH with JTL was approved by shareholders of Jetset Travelworld Limited at an Extraordinary General Meeting with the Merger taking effect on 30 September 2010. Following the issue of new shares to the shareholders of STSH, JTL now has 439,105,954 shares on issue.

Accordingly, under the terms of the Merger, JTL became the legal parent company of STSH and JTL ceased being a controlled entity of Qantas Airways Limited.

Accounting and disclosure implications of the Merger

Under accounting standards, the Merger of JTL and STSH is accounted for as a business combination.

Accounting standards require that where two or more entities combine through an exchange of equity for the purposes of a business combination, one of the entities must be deemed to be the acquirer. Given Board and Management composition and other factors, STSH was determined to be the acquirer for accounting purposes. The implications of this reverse acquisition of JTL by STSH are:

(i) Although the Financial Statements are issued under JTL (the legal parent company), STSH is deemed to be the parent company for accounting purposes

(ii) The 2012 financial information represents the consolidated results of STS and JTG for the period from 1 July 2011 to 30 June 2012;

(iii) The 2011 financial information represents the results of STSH only for the period from 1 July 2010 to 30 September 2010, and the consolidated results of STS and JTG for the period from 1 October 2010 to 30 June 2011;

(iv) Under accounting guidance, the consideration that STS is deemed to have paid for JTL is the market value of JTL's equity at the date of the Merger, which was $188.8 million. This consideration has been allocated to the fair value of JTL's intangible and tangible assets, liabilities and contingent liabilities.

Application of AASB 3 Business Combinations

Under accounting standards, the Group has 12 months from the date of acquisition in which to complete its assessment of the fair value of assets and liabilities acquired. The Group has adjusted its initial acquisition accounting estimates as a result of the transfer of the Defined Benefit Plan and finalisation of opening tax adjustments in the period 1 July 2011 to 30 September 2011, these adjustments have decreased the carrying value of Goodwill by $496,000 to $46,057,000 at 30 September 2011. The adjusted fair values of the net assets acquired are presented below.

Finalisation of acquisition

Details of the net assets of JTL acquired by STS are as follows:

	Final fair value $'000
Equity consideration	188,814
Fair value of identifiable assets acquired	142,757
Goodwill	**46,057**

32. Business acquisitions
(continued)

Assets and liabilities acquired

Details of the net assets of JTG acquired by STS on 30 September 2010 are as follows:

	Final fair value $'000
Net assets	
Cash	96,087
Receivables	62,129
Prepayments and deposits	15,659
Property, plant and equipment	660
Intangible assets – goodwill	46,057
Intangible assets – brands and trademarks	5,300
Intangible assets – franchise system	97,400
Intangible assets – technology	688
Deferred tax assets	6,681
Income tax liabilities	(2,941)
Trade and other payables	(85,531)
Deferred revenue	(44,600)
Employee benefits	(3,524)
Other provisions	(3,699)
Deferred tax liabilities	(1,552)
Net assets (of JTG as at 30 September 2010)	**188,814**
Consideration paid, satisfied in equity	**188,814**

32. Business acquisitions
(continued)

Revenue and profit contribution

The Merger of JTG and STS occurred on 30 September 2010. For accounting purposes, STS was deemed to be the accounting acquirer and hence the consolidated statutory results are presented in these Financial Statements such that:

– The 30 June 2012 results contain STS for 12 months of trading and JTG for 12 months of trading; and
– The 30 June 2011 comparative results contain STS only for 12 months of trading and JTG for 9 months of trading.

The following summary presents the current period results of the Group as if the Merger of JTG and STS had occurred on 1 July 2010 with 12 months of trading for each business. The impact of other acquisitions on the amounts disclosed below is not material.

	2011 $'000
Summary Group results	
Total Transaction Value	5,825,479
Revenue	382,761
EBITDAI[1] calculated before subtracting the following items of expense	**54,934**
Items of expense included in profit before taxation:	
Fair value gain on equity accounted investment in associates	4,000
Merger and transaction costs associated with the business combination	(21,076)
Depreciation and amortisation	(6,022)
Finance costs	(4,913)
Share-based payment expense	(531)
Profit before taxation	**26,392**

1 Earnings before interest, taxation, depreciation, amortisation, impairment and share-based payments expense.

Acquisition of Encore Business Tourism Pty Limited in the current period

On 18 November 2011, Stella Travel Services Australia Pty Limited acquired the remaining 50% of share capital in Encore Business Tourism Pty Limited for nil consideration. The carrying value of the investment in Encore immediately prior to acquiring the remaining 50% was nil. The Group recognised net liabilities in the business acquired which were equal to $0.3m, resulting in a fair value loss of $0.3m, and gaining control of the company.

Acquisition of Harvey Holidays Pty Limited in the prior period

On 30 June 2011, Qantas Holidays Limited acquired the remaining 50% of share capital in Harvey Holidays Pty Limited. As a result of this transaction, the initial 50% investment held by the Group was fair valued immediately prior to acquiring the remaining 50%, resulting in a fair value gain of $4.0m, and gaining control of the company. Net assets in the business acquired were equal to $2.8m and goodwill arising on acquisition and recognised on consolidation was $5.9m.

Under accounting standards, the Group has 12 months from the date of acquisition in which to complete its assessment of the fair value of assets and liabilities acquired. The Group has adjusted its initial acquisition accounting estimates as a result of this assessment and an increase in goodwill has been recognised as at 30 June 2012. The Group recognises $6.3m of goodwill on consolidation in relation to this investment.

Acquisition of Tourist Transport Fiji Ltd and Great Sights Fiji Ltd in the prior period

On 1 October 2010, STS acquired a 60% interest in the businesses of Tourist Transport Fiji Ltd and Great Sights Fiji Ltd for consideration of $750,839 being the proportionate share of net assets of the business acquired. No goodwill has arisen as a result of the acquisition.

Acquisition of Stella Travel Services USA Inc. and Concorde International Travel Inc. in the prior period

On 27 September 2010, STS acquired the businesses of Stella Travel Services USA Inc. and Concorde International Travel Inc. for consideration equal to $1.

Consistent with Group accounting policy, this transaction was accounted for as a common control transaction using the predecessor accounting method. As a result, the carrying values of the acquired entities have been recorded at their net book values with no fair value adjustments recorded on the acquisition. The difference between the carrying value of assets acquired being $3,372,086 and the consideration paid of $1 has been recorded in the predecessor accounting reserve. Included in the net assets acquired is goodwill relating to Stella Travel Services USA Inc.'s investment in Concorde International Travel Inc. of $3.8m.

33. SHARE-BASED PAYMENTS

(a) Long Term Incentive Plan (LTIP)

The Board has adopted the Jetset Travelworld Group Limited Performance Rights Plan ('Plan'). Under the Plan conditional rights to acquire shares in the Company ('Performance Rights') are awarded to eligible senior executives of the Company as the long term incentive component of their remuneration for each relevant financial year.

Awards are granted in the form of Performance Rights. Each Performance Right generally gives the holder a conditional right to acquire one fully paid ordinary share in the Company if any applicable performance or other vesting conditions are satisfied (or waived).

The Plan is administered by the Plan Committee, which is currently the Remuneration and Nominations Committee. The Plan Committee may determine an amount to be payable by the holder of a Performance Right on its exercise. The current intention is that participants will not be required to pay any amount in respect of the award of Performance Rights or on acquisition of Shares pursuant to the exercise or conversion of Performance Rights.

The Plan Committee may, in its absolute discretion, specify performance or other vesting conditions that must be satisfied for a grant of Performance Rights to vest, and may determine the performance period over which any such conditions must be satisfied.

Awards were made under the Plan for the year ended 30 June 2012. Participants were not required to pay any amount in respect of the award or Performance Rights or on acquisition of Shares pursuant to the exercise or conversion of Performance Rights.

The Award made under the Plan for the year ended 30 June 2012 comprises 3 tranches, each with a separate Performance Period ending 2,3 or 4 years after grant date. Performance Rights that do not meet the performance conditions, will not vest, except in limited circumstances such as a change in control.

Performance Conditions for Awards made for the year ending 30 June 2012

The Performance Rights granted for the year ending 30 June 2012 are subject to performance conditions linked to growth in the Company's earnings per share ('EPS'). The EPS performance conditions are determined by reference to cumulative basic EPS, aggregated over the applicable performance period, measured against a specified EPS target.

To achieve vesting, the aggregate EPS performance for each performance period must meet or exceed the applicable targets determined by the Plan Committee.

Fifty per cent (50%) of each tranche of the Performance Rights will vest at the minimum specified EPS performance, one hundred per cent (100%) at or above the maximum specified performance, with 'straight line' vesting in between.

Lapse of Performance Rights

Unless otherwise determined by the Plan Committee, all unvested Performance Rights held by a participant will lapse in certain circumstances, including if:

- The participant voluntarily resigns from their employment or is dismissed from their employment for a reason which entitles their employer to terminate their employment without notice; or
- Any applicable performance conditions are not satisfied, met or reached by the end of the applicable performance period (or any extended performance period).

33. Share-based payments
(continued)

Set out below are summaries of Performance Rights (PRs) granted under the plan:

				Consolidated					
Tranche	Grant date	Start of performance period	End of performance period	Exercise price[1]	Balance at the start of the year	Granted during the year[2]	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
				$	Number of shares				
2013-1	26 June 2012	1 July 2011	30 June 2014	$0.00	–	733,333	–	733,333	–
2013-2	26 June 2012	1 July 2011	30 June 2015	$0.00	–	733,333	–	733,333	–
2013-3	26 June 2012	1 July 2011	30 June 2016	$0.00	–	755,555	–	755,555	–
2012-1	26 June 2012	1 July 2011	30 June 2013	$0.00	–	733,333	–	733,333	–
2012-2	26 June 2012	1 July 2011	30 June 2014	$0.00	–	733,333	–	733,333	–
2012-3	26 June 2012	1 July 2011	30 June 2015	$0.00	–	755,555	–	755,555	–
2011-1	1 October 2010	1 July 2010	30 June 2012	$0.00	968,990	–	(9,561)	959,429	–
2011-2	1 October 2010	1 July 2010	30 June 2013	$0.00	484,495	–	(18,393)	466,102	–
2011-3	1 October 2010	1 July 2010	30 June 2014	$0.00	484,495	–	(24,742)	459,753	–
Total					**1,937,980**	**4,444,442**	**(52,696)**	**6,329,726**	**–**
Weighted average exercise price					**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**

1 Vested performance rights automatically convert when performance targets are met and vesting date is realised. The performance rights are not subject to an exercise price.
2 Included in the total is 402,998 (2011: 525,000) shares offered, which are subject to shareholder approval at the 2012 Annual General Meeting.

No PRs expired during the period.

No PRs were exercised during the period.

The weighted average remaining contractual life of PRs outstanding at the end of the period was 1.98 years.

Fair value of PRs granted

The assessed fair value at grant date of PRs granted during the year ended 30 June 2012 was 36 cents per PR (2011: 80 cents per PR). The fair value at grant date is calculated taking into account the share price on grant date and the exercise price.

(b) 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 $0.7 million (2011: $0.5 million).

34. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between 30 June 2012 and the date of this report, any event that would have had a material effect on the Financial Statements for the year ended 30 June 2012.

Directors' Declaration

IN THE DIRECTORS OPINION:

(a) the Consolidated Financial Statements and notes that are set out on pages 49 to 107 and the Remuneration report in the Directors' report set out on pages 24 to 37, are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements and the *Corporations Regulations 2001*; 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.

(c) at the date of this declaration there are reasonable grounds to believe that the Company and the Group entities identified in note 28 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 between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

Note 2(a) confirms that the Consolidated 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* for the year ended 30 June 2012.

Signed in accordance with a resolution of the Directors:

Tom Dery
Chairman
Jetset Travelworld Limited
Sydney, 27 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JETSET TRAVELWORLD LIMITED

Report on the financial report

We have audited the accompanying financial report of Jetset Travelworld Limited (the company), which comprises the Consolidated Statement of Financial Position as at 30 June 2012, and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Jetset Travelworld Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
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DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Jetset Travelworld Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 37 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Jetset Travelworld Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins	Sydney
Partner	27 August 2012

ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows.
The information is current as at 23 August 2012

(a) Distribution of equity securities

The number of shareholders, by size of holding, are:

Shares range	Number of holders	Number of Shares	%
1 -1,000	149	74,941	0.02
1,001 - 5,000	270	777,441	0.18
5,001 - 10,000	184	1,515,918	0.35
10,001 – 100,000	317	9,745,609	2.22
100,001 and over	80	426,992,045	97.23
Total	**1,000**	**439,105,954**	**100.00**

All issued ordinary shares carry one vote per share and carry the right to dividends. The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 23 August 2012 was 154 holders holding 80,192 shares.

(b) Twenty largest holders of quoted equity securities

The names of the 20 largest registered holders of quoted shares are:

Fully paid ordinary shares as at 23 August 2012

Ordinary shareholders	Number of Shares	%
QH Tours Ltd.	127,340,726	29.00
Europe Voyager NV	118,068,377	26.89
UBS Australia Holdings Limited	78,812,777	17.95
Sintack Pty. Ltd.	54,193,165	12.34
Peter Andre Lacaze + Dianne Maree Lacaze	11,664,695	2.66
HSBC Custody Nominees (Australia) Limited	5,220,240	1.19
Avanteos Investments Limited	4,565,603	1.04
RBC Investor Services Australia Nominees Pty. Ltd.	3,325,519	0.76
Ethnic Publications Pty Ltd	2,115,251	0.48
Elizabeth Anne Gaines	1,048,298	0.24
Just Super Co. Pty Limited	915,986	0.21
Zarn Nominees Pty Limited	865,782	0.20
Mrs Dana Andrea Rosenzweig	764,000	0.17
Gwynvill Trading Pty Limited	600,000	0.14
Dulyne Pty Limited	576,363	0.13
Mrs Lynette Joy Fahey	571,402	0.13
Mr Leo Dimos + Mrs Helen Dimos	550,000	0.13
Melbourne Aged Care Pty Limited	538,681	0.12
Vortex TV Pty Limited	500,000	0.11
Michael Anthony Thompson	476,499	0.11
	412,713,364	**94.00**

(c) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Fully paid ordinary shares as at 23 August 2012

Substantial shareholder	Number of Shares	%
QH Tours Ltd.	127,340,726	29.00
Europe Voyager NV	118,068,377	26.89
UBS Australia Holdings Limited	78,812,777	17.95
Irene & Spyros Alysandratos	55,367,051	12.61

(d) On-market buy-back

There is no current on-market buy-back.

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The Jetset Travelworld Group