FLIGHT CENTRE LIMITED

ANNUAL REPORT

Contents

KEY DATES 2011/12

August 23	2010/11 full year results released
September 16	2010/11 final dividend record date
October 7	2010/11 final dividend paid
October 27	Annual general meeting
February 21	2011/12 half year results*
March 16	2011/12 interim dividend record date*
April 13	2011/12 interim dividend payment date*

*Dates to be confirmed

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 23 August 2011. The company has the power to amend and reissue the financial report.

Chairman's Message

By Peter Morahan

WELCOME to Flight Centre Limited's (FLT) annual report for the 2010/11 fiscal year.

At the beginning of the year, we set our sights on achieving a profit before tax (PBT) between $220million and $240million, excluding any major abnormal items that may arise. Pleasingly, our end result was slightly above this range and represented a solid performance in volatile trading conditions in some countries and in light of the challenges that arose.

Highlights included:

- Record financial performance – overall sales and PBT results were the best in FLT's history
- Enhanced balance sheet strength – the company had a record cash balance at June 30 and a $209million positive net debt position
- Improved shareholder returns – $84million in dividend payments were returned to shareholders, compared to $70million during 2009/10; and
- Continued diversity and evolution – FLT had 2243 shops and businesses across 36 brands at June 30, with half located outside Australia

While Australia continues to deliver the bulk of the company's profit, FLT's stable of emerging brands and its overseas businesses are making an increasingly valuable contribution.

For the first time, the company traded profitably at earnings before interest and tax (EBIT) level in its 10 regions. Record EBIT results were generated in Australia, Canada, India and Dubai, while the US, Greater China and Singapore businesses generated inaugural EBIT profits.

FLT's financial and operational achievements during 2010/11 have been well documented in the following sections of this report.

Credit for these achievements obviously goes to our 13,000 people throughout the world. In this forum, I would like to briefly highlight the contributions these people made in another important area – corporate social responsibility.

During the second half of 2010/11, a series of natural events unfolded with tragic consequences. These events touched our people personally and included Queensland's floods and cyclones in January, the Christchurch earthquakes in February and the tsunami in Japan in April.

As a company, FLT made the largest corporate pledges in its history – a combined total of $4.2million – to help the people of Queensland and Christchurch rebuild their lives after these tragedies.

In addition to this, FLT's people made hands on contributions. This support was, of course, underpinned by the invaluable and tireless assistance FLT's front-end sales force and support teams provided during this period to travellers whose plans were disrupted.

Thank-you for your efforts during these challenging times and throughout the year.

Looking forward to 2011/12, FLT aims to build on its successes and has released preliminary guidance pointing to a 10% underlying PBT growth target. If achieved, this will represent a solid trading performance, given our size and the prevailing economic turbulence in some regions.

While achieving this target will not be easy, FLT's foundations are solid and it is well placed to build on its record of success.

Its strengths include:

- Brand and geographic diversity – FLT now has extensive leisure, corporate, online and wholesale offerings
- A strong and experienced management team in Australia and overseas; and
- The financial ability to capitalise on opportunities that may arise and to continue to expand and invest in the business

Thank-you again for your ongoing support of our company as shareholders.

Five-Year Result Summary	June 2011	June 2010	June 2009	June 2008 restated	June 2007* (ex abnormal)
TTV	**$12.2b**	$10.9b	$11.2b	$10.9b	$8.9b
Income margin	**13.8%**	14.3%	13.6%	13.3%	13.0%
EBITDA	**$256.9m**	$257.3m	$86.3m	$231.4m	$175.0m
PBT	**$213.1m**	$198.5m	$40.4m	$201.0m	$151.6m
NPAT	**$139.8m**	$139.9m	$38.2m	$134.8m	$103.5m
EPS	**140.0c**	140.3c	38.3c	138.0c	109.6c
DPS	**84.0c**	70.0c	9.0c	86.0c	66.0c
ROE	**18.9%**	19.7%	6.2%	22.3%	21.3%
General cash	**$376.8m**	$322.3m	$160.9m	$160.5m	$165.4m
Total cash and investments	**$1.04b**	$999.5m	$786.1m	$985.1m	$635.8m

*Abnormal relates to FLT's gain on the sale of its Brisbane head office property.

Global Results

INDIA

TTV: $376m in first full year under FLT's control
EBIT: $6.5m
Businesses: 43
EGM: Naren Nautiyal

RESULT OVERVIEW:
- Record EBIT
- Performance exceeded expectations
- Strong corporate travel results
- Eight leisure shops now open and plans to expand

UNITED KINGDOM

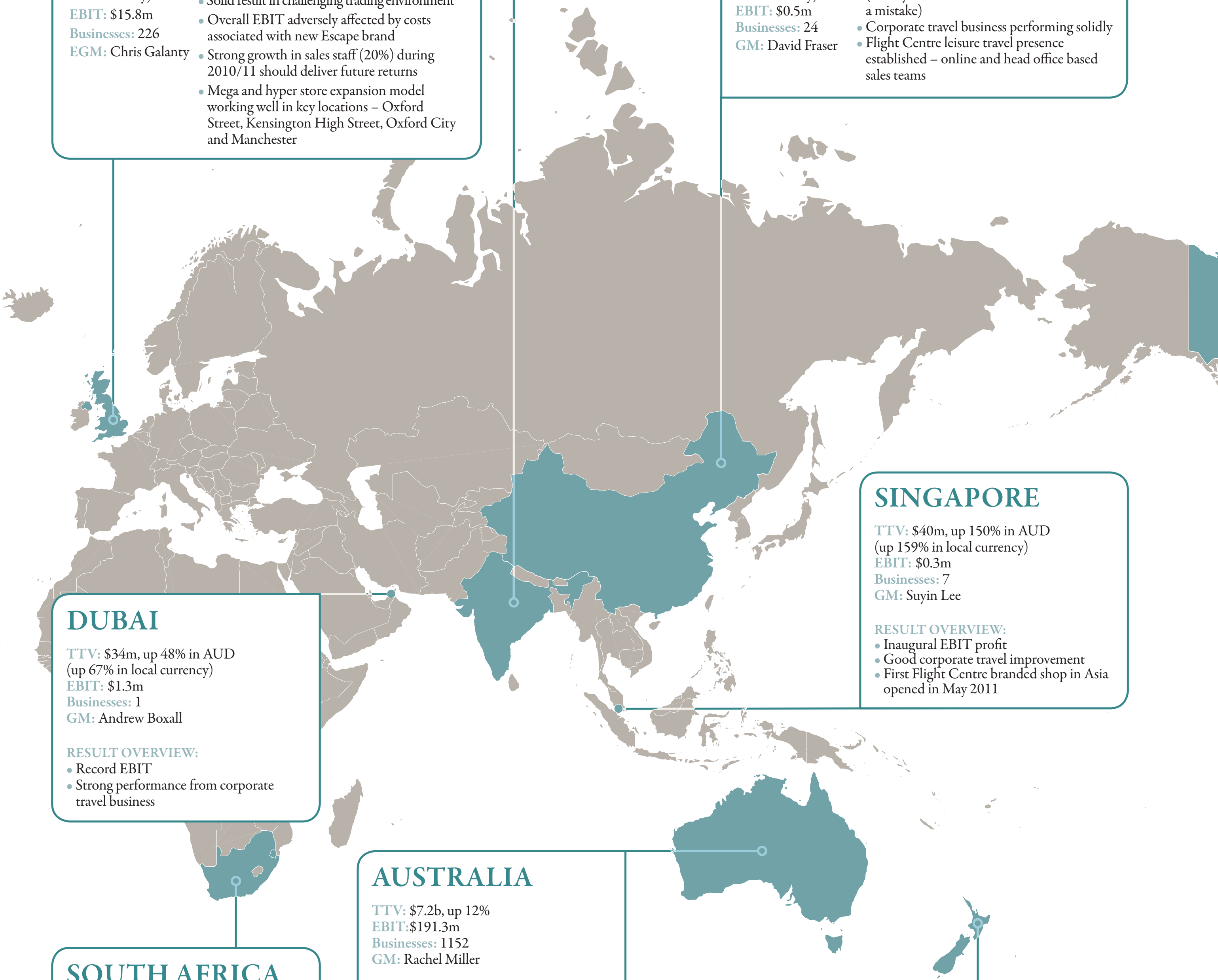
TTV: $1.07b, up 8% in AUD (up 20% in local currency)
EBIT: $15.8m
Businesses: 226
EGM: Chris Galanty

RESULT OVERVIEW:
- FLT's second largest profit contributor, behind Australia
- Solid result in challenging trading environment
- Overall EBIT adversely affected by costs associated with new Escape brand
- Strong growth in sales staff (20%) during 2010/11 should deliver future returns
- Mega and hyper store expansion model working well in key locations – Oxford Street, Kensington High Street, Oxford City and Manchester

GREATER CHINA

TTV: $104m, up 18% in AUD (up 29% in local currency)
EBIT: $0.5m
Businesses: 24
GM: David Fraser

RESULT OVERVIEW:
- Inaugural EBIT profit
- Healthy year-on-year sales growth achieved (Prior year TTV has been restated to correct a mistake)
- Corporate travel business performing solidly
- Flight Centre leisure travel presence established – online and head office based sales teams



SINGAPORE

TTV: $40m, up 150% in AUD (up 159% in local currency)
EBIT: $0.3m
Businesses: 7
GM: Suyin Lee

RESULT OVERVIEW:
- Inaugural EBIT profit
- Good corporate travel improvement
- First Flight Centre branded shop in Asia opened in May 2011

DUBAI

TTV: $34m, up 48% in AUD (up 67% in local currency)
EBIT: $1.3m
Businesses: 1
GM: Andrew Boxall

RESULT OVERVIEW:
- Record EBIT
- Strong performance from corporate travel business

SOUTH AFRICA

TTV: $426m, up 9% in AUD (up 13% in local currency)
EBIT: $6.0m
Businesses: 169
EGM: Janine Salame

RESULT OVERVIEW:
- Improved performance during 2010/11 and targeting further recovery
- Rapid corporate travel growth off a small base
- Good sales staff growth in leisure travel
- New leisure travel platforms being rolled out to enhance productivity and customer experience

AUSTRALIA

TTV: $7.2b, up 12%
EBIT:$191.3m
Businesses: 1152
GM: Rachel Miller

RESULT OVERVIEW:
- Record EBIT
- Leisure and corporate businesses generally performing well
- Strong international sales offsetting weakness in Australian domestic tourism
- Good growth opportunities, particularly in corporate travel
- Niche travel brands growing rapidly and reasonably successfully
- Bike business turning over $22m after only three years

NEW ZEALAND

TTV: $581m, up 2% in AUD (up 6% in local currency)
EBIT: $7.4m
Businesses: 168
EGM: Mike Friend

RESULT OVERVIEW:
- Solid result, given challenging economic conditions and impacts of Christchurch earthquakes
- 17 shops – 10% of FLT's NZ outlets – were located in and around Christchurch, with six unlikely to reopen in their current positions
- Some positive signs in both leisure and corporate travel, but full recovery some way off
- Niche brand expansion – CiEvents, Cruiseabout, Student Flights and Travel Money – provides a platform for accelerated future growth

CANADA

TTV: $773m, up 10% in AUD (up 17% in local currency)
EBIT: $9.5m
Businesses: 196
EGM: Greg Dixon

RESULT OVERVIEW:
- Record EBIT
- Leisure business trading profitably after struggling since September 11
- Corporate travel business performing strongly and growing rapidly
- Investment in niche areas – cruising and adventure – expected to pay dividends in next few years

USA

TTV: $1.5b, down 3% in AUD (up 2% in local currency)
EBIT: $1.5m
Businesses: 257
EGM: Dean Smith

RESULT OVERVIEW:
- Inaugural EBIT profit
- Major turnaround after two years of significant losses
- Record corporate travel results
- FCm Garber business now 100% owned by FLT
- GOGO wholesale results expected to improve with FLT systems now imbedded
- Liberty retail business generating strong customer enquiry – aim to improve conversion
- Targeting $5m EBIT profit during 2011/12, but projections difficult in challenging economy

WORLDWIDE TOP PERFORMERS

Top Wholesale Consultant:
Rananjay Kumar
New Zealand

Top Retail Consultant:
Trudy Lagerman
USA

Top Corporate BDM:
Alex Armstrong
UK

Top Ticketer:
James O'Donnell
USA

Top Corporate Account Manager:
Ben Greef
South Africa

Directors' Award:
Brent Novak
Australia

Directors' Award:
David Lovelock
Australia

Directors' Award:
Andrew Boxall
Dubai

Hall of Fame:
Kerry-Anne Walker
Australia

Hall of Fame:
Treva Anderson
Australia

Year in Review

By Graham Turner, managing director

FLT performed ahead of expectations during 2010/11 and achieved record overall profit and sales results, highlighted by an underlying $245.2million PBT.

The result was 2% above FLT's initial guidance of a PBT between $220million and $240million (excluding any major abnormal items that may arise) and 19.6% higher than underlying 2009/10 PBT.

After abnormal items – the $4.2million in flood and earthquake-related donations announced during the second half and the $AUD27.9million goodwill adjustment announced in July – FLT achieved a $213.1million actual (statutory) PBT.

Actual PBT increased 7.4% year-on-year and was 6% higher than FLT's previous full year record – the $201million PBT achieved during 2007/08 – despite the combined $32.1million impact of these abnormal items on 2010/11 results.

Net profit after tax (NPAT) was $139.8million (actual) or $170.7million (underlying).

TTV increased 12% to a record $12.2billion, while gross profit increased 8.1% to $1.7billion.

Income margin was 13.8% and in line with expectations, after being higher than normal during 2009/10. Underlying net margin was 2%, up from 1.9%.

Shop and business numbers increased 7.5%, with organic growth supplemented by the acquisitions of gapyear.com, a United Kingdom-based social networking website for gap year travellers, and the remaining 74% interest in United States corporate travel business Garber.

In achieving its record results, FLT overcame the effects of:

- Ongoing economic volatility in the US and UK
- A series of natural disasters and tragedies
- The ongoing downturn in Australian domestic tourism; and
- Lower than normal overseas result translation, which reflects the Australian dollar's current strength. Had FLT translated overseas TTV into Australian dollars at the rates that applied during 2009/10, TTV would have increased 17% year-on-year

Overall, result highlights included strong profit and sales results, solid cash generation and continued global growth.

As highlighted previously, we traded profitably at earnings before interest and tax (EBIT) level in all of our 10 countries for the first time.

In the US, EBIT was $1.5million. While we expect better future results, this represents a solid turnaround after two years of significant losses and in a volatile economy.

Generally, FLT's corporate travel businesses performed strongly globally, as the company benefited from its continued expansion in the sector and as the overall market continued to recover from the 2008/09 downturn.

In leisure travel, sales volumes were good with strongest growth achieved in Australia and Canada, where market conditions remained reasonably stable.

In wholesale travel, the Flight Centre Global Product (FCGP) internal wholesale and corporate product procurement division was again a key contributor to FLT's results.

Bricks and mortar growth was complemented by continued development online as the company expanded its stable of websites used to:

- Generate enquiry for our shops
- Generate enquiry for online "direct brands"; and
- Offer customers online booking services

FLT's social media presence was also boosted via the gapyear.com acquisition and the creation of a global team to monitor social channels around-the-clock, oversee a blog network that now extends to five countries and develop Facebook communities.

Further details on the company's expansion online are included in the operational overview section of this report.

Elsewhere in the business, the Pedal Group joint venture cycle business generated combined sales of $22million and an EBIT loss of just under $100,000 during a period of significant expansion.

Retailer 99 Bikes has now expanded to the Sunshine Coast and beyond its south-east Queensland base to Sydney and Melbourne. The business has just opened its 11th shop and has an online shop presence that allows it to offer bikes, parts and accessories nationwide.

Wholesaler Advance Traders Australia, which distributes the Merida, Indi and DK brands Australia-wide, now works with a broader network of independent retailers throughout the country and will introduce a number of new brands, including Centurion, Lapierre and Norco, for the 2012 season.

Operational Overview

GLOBAL PRODUCT AND IT

by Melanie Waters-Ryan

FLT's product and IT areas oversee a diverse range of key business functions, including:

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

Key businesses include Ticket Centre, contracting, Infinity, Flight Centre Global Product (FCGP), e-commerce, technology and projects.

Ticket Centre is now one of the largest businesses of its kind in the world. In Australia alone, this business now issues up to 85,000 tickets per week, with an increasing percentage being done robotically and at a lower cost thanks to enhancements to FLT's Sonic and Oasis systems in recent years.

During 2010/11, Queensland's floods led to the temporary closure of FLT's Queensland head office, which is also the Australian base for many businesses, including Ticket Centre and Infinity. During this period, consultants from both businesses shifted to other locations – in some instances interstate – and continued to perform their normal duties, thereby minimising disruption for customers and for the company's shops.

The air and land contracting teams manage FLT's relationships with its global supplier network. Recent priorities for these teams have included developing more collaborative relationships with key partners to ensure FLT remains the distribution network that suppliers choose to work with.

During 2010/11, a new global contract was agreed with Etihad Airways. This global agreement has eliminated the need for individual contracts in each country, which was traditionally the structure airlines and agents adopted, and could be replicated with other suppliers in the future.

Infinity, FLT's internal wholesaling business, continues to perform strongly in Australia, New Zealand, South Africa and the UK. FLT will launch Infinity in Asia during 2011/12 to cater for the company's small but growing retail and corporate travel presence in the region.

FCGP, our internal global wholesale and corporate product procurement division, was established in 2007 as an Australian-centric operation and now delivers about 16,000 products to FLT's wholesale brands in six countries, plus 20,000 hotels and car hire contracts to the FCm global network.

During the past four years, TTV from this direct contracting business has increased from $65million to approximately $1.5billion.

In addition to providing FLT customers with better product and rates, FCGP has also been a key contributor to margin and interest revenue growth during this period.

All FLT wholesale businesses globally are now fully operational on FCGP's Calypso platform, which effectively consolidates all back-end wholesale functions.

During 2010/11, new initiatives included the launch of myTIME in North America as an exclusive product for FLT customers.

myTIME provides customers with bonuses at no additional cost at selected properties when they book holidays from FLT's retail, wholesale or online brands.

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

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

myTime was initially available at various resorts in Mexico, the Dominican Republic and Aruba and has been expanded to include the Caribbean, Hawaii, Thailand, Fiji and Bali.

Significant developments have also taken place in the e-commerce area, as FLT has continued to enhance its multi-channel sales offerings.

During 2010/11, travelthere.com was relaunched in Australia to test online initiatives prior to their incorporation into higher profile websites. Key features include a dynamic packaging engine that allows customers to bundle international flights with their choice of more than 50,000 hotels, hire cars and activities.

FLT is currently working to make a broader range of airfares and travel product available online. In addition to providing customers with a greater range of choices, this will ultimately create opportunities for FLT to develop interplays between its on and offline offerings.

The company can now provide customers with the booking capabilities that the world's largest online travel agencies provide – thereby replicating their offerings – but it can also offer something that online players will not be able to replicate – the strength, security and convenience of a global 2200 shop and business network.

Flight Centre Technology and FLT's projects area are closely aligned and are playing key roles in the enhancements that are currently taking place at all levels of the business.

During 2010/11, the project and IT teams continued to work on Universal Desktop, a consultant desktop that will be a key in-store platform in the years ahead.

The desktop was secured as part of our contract with our GDS provider, Travelport, and has just been launched in Queensland, following successful pilot programs throughout Australia, New Zealand and South Africa.

Universal Desktop will enhance our ability to distribute airfares globally and will provide consultants with a faster and simpler research and booking tool, which will in turn enhance the in-store experience for customers.

Other key achievements included an infrastructure upgrade that has enhanced capabilities, a switch to a cloud-based solution, Google Mail, in Australia and the launch of the Big Easy program to improve retail productivity.

Operational Overview *continued*

CORPORATE, ASIA AND THE MIDDLE EAST

by Rob Flint

FLT's corporate division significantly strengthened its global footprint and niche service capabilities during the 2010/11 financial year.

In December 2010, FLT's US subsidiary took full ownership of Boston-based Garber's Travel Services Inc by adding the remaining 74% interest to the 26% interest it acquired in 2007.

This solidified FCm Travel Solutions' position as one of the major corporate travel providers in the US. New office openings in New York and Washington for FCm Travel Solutions, along with new partner agreements in Argentina, Bolivia, Costa Rica, Guatemala and Venezuela further expanded our network across the Americas.

The ongoing and successful integration of Garber and the FCm business in India has given the company greater control to increase its offering in these key hubs and means FLT is well placed to capitalize on the rebounding business travel market.

System enhancements for our global corporate business, including the ongoing implementation of our customer relationship management software (Lighthouse) and the introduction of global communication platform (Lighthouse Chatter), as well as the continued rollout of ClientBank to network partners, has improved collaboration, data consolidation and lead generation for FCm.

Other highlights included the introduction of specialist brand CiEvents into Greater China and further expansion of Stage & Screen in North America. Stage & Screen opened new offices in New York and Toronto and started operations in Vancouver.

The Corporate Traveller brand was also launched in the US on July 1, 2011 to increase marketshare in the small-to-medium size enterprise (SME) sector. Since being re-launched in Australia February 2010, Corporate Traveller has proved to be a highly successful and competitive offering for the SME market. The business has undergone significant organic growth and now operates in six countries – Australia, New Zealand, United States, Canada, the United Kingdom and South Africa.

During 2011/12, our corporate division will continue to strengthen its capabilities and offering, with a focus on partner network growth in Africa and the Middle East's emerging business travel markets. The business will also remain focused on system enhancements, technology and product to ensure the corporate division continues to deliver strong year-on-year results.

In Asia and the Middle East, FLT continues to develop its footprint in both corporate and leisure travel.

While these businesses predominantly focus on corporate travel and are now entrenched as a key part of the FCm network, FLT is also developing a retail travel presence in India, Singapore, China, Hong Kong and Dubai.

In India, FLT now has eight leisure travel stores trading under the Flight Shops brand, while the first Flight Centre branded leisure shop in Asia opened in Singapore in May.

In China, Hong Kong and Dubai, FLT is currently successfully targeting leisure travellers via Flight Centre branded websites and head office-based sales teams.

FINANCE

by Andrew Flannery

FLT's broader finance area covers a diverse range of people, from the accountants that provide daily support to the company's shops to the head office teams that oversee treasury, tax, reporting, finance systems and other key functions.

Together, these people played a significant role in FLT's financial and operational achievements during 2010/11.

Undoubtedly, one of the company's major achievements in recent years has been its ability to enhance its financial strength, particularly in relation to its balance sheet and cash holdings.

General cash has now quadrupled during the past five years and totalled $376.8million at June 30 2011, compared to $322.3million one year earlier.

Debt was $168million at year-end, giving FLT a $209million positive net debt position.

FLT's total cash and investment portfolio also reached record levels during 2010/11 and exceeded $1billion at June 30 for the first time.

About 80% of the total portfolio is managed in Australia by FLT's treasury team, with the balance spread across the company's other geographies.

Funds are invested in accordance with FLT's conservative treasury policy, with an emphasis on capital preservation and liquidity, followed by maximising returns. Currently, 93% of the portfolio is held in cash and cash equivalents, with 6% fixed income and less than 1% remaining in corporate CDOs.

As expected, cash grew rapidly during the six months to June 30 as funds accumulated during peak second half booking periods for payment to suppliers after the peak travel periods early in the first half of 2011/12. This led to a large second half operating cash inflow, after a moderate first half outflow.

A $162.9million operating cash inflow was recorded over the full year, compared to a $243million inflow during 2009/10.

The year-on-year movement reflects:

- A $50million increase in taxes paid during 2010/11
- An increase in receivables, brought about by strong growth in the corporate business. Corporate clients can pay on account; and
- A slight timing issue, which saw some supplier over-ride payments made in early July 2011, rather than late in June 2011

Within the finance area, new initiatives during 2010/11 included:

- The introduction of a new Global Employee Share Plan to replace the previous plan, which focussed on Australia
- The launch of a finance project that aims that aims to streamline processes and enhance systems
- A focus on cash repatriation
- Development of a future CFO school to identify and groom potential CFOs globally; and
- An overhaul of the finance arrangements that relate to FLT's popular Business Ownership Scheme (BOS), a program that effectively allows team leaders to invest in their business

Under the new BOS funding arrangement, BOS participants can now borrow funds on commercial terms from FLT to buy an unsecured note in their businesses, rather than borrowing from external lenders.

BOS participants who choose to borrow funds from the company are required to make normal interest repayments to FLT, which will increase the company's interest earnings in future.

Operational Overview *continued*

MARKETING

by Colin Bowman

FLT's marketing teams celebrated another successful year during 2010/2011, with the teams' innovation, dedication and enthusiasm enhancing brand awareness and generating strong levels of customer enquiry for the company's leisure travel shops, corporate travel offices and online businesses.

Highlights during the year included:

- A move into social media channels, with the implementation of a global strategy that includes Facebook, Twitter and travel blogs
- Continued expansion of the travel expo and event program to include a new Australia and New Zealand Travel Spectacular and an Adventure Expo
- Execution of a new recruitment marketing strategy, which saw FLT's Artworks team recognised as the 2011 Winner for Advertising Excellence in Online - Careerone.com.au
- Implementation of cross-brand marketing strategies for FLT's emerging brands to capitalise on areas of expertise across the business
- Enhancements to Travel Money and Intrepid retail shops in Australia, including new shop fitouts, a brand refresh and new point-of-sale material
- The launch of 99 Bikes' online web store and continued expansion of new shops in Australia and the expansion of Advance Traders' bicycle brand range and merchandising initiatives
- The launch of Student Flights' new Black Market Fares to emphasise the brand's commitment to delivering cheaper airfares to students and young adults
- A new shop design for Escape Travel and the introduction of a new tagline – The Holiday People – to highlight the brand's experience and dedication to delivering a personalized service
- The launch of the myTime program
- The launch of discountcruises.com in South Africa and Canada, as well as continued growth of Cruiseabout shops in Australia; and
- Growth of Flight Centre's retail presence in Asia, particularly in Singapore and Hong Kong

During the year ahead, FLT's marketing teams will continue to focus on delivering cost effective enquiry to the company's shops and offices globally.

Other focuses will include improving handling of email enquiries, enhancing brand websites and developing client databases.

The successful expo and events program will also be expanded globally, with new events added to the calendar in the USA, South Africa and New Zealand.

PEOPLEWORKS

by Michael Murphy

The Peopleworks businesses oversee the key human resources, training and staff development functions within FLT

Businesses that operate within this area include:

- Recruitment
- The Learning Centre
- The Leadership Centre
- Human Resources; and
- Healthwise and Moneywise, businesses set-up to improve staff's health and financial well-being respectively

In addition, the Peopleworks businesses maintain close ties with the Employment Office joint venture, which continues to make substantial profits for the group while providing FLT with recruitment systems and recruitment marketing support.

Development was again a key focus for Peopleworks during 2010/11, as the company continued to develop the FC Business School, the FC Travel Academy and various other programs.

The business school is an internal training provider for our people and now offers certificate and diploma programs in travel, hospitality and management. The sales academy has been established to provide annual professional training and qualifications to all sales people. Consultants earn credit as they work through their bronze, silver, gold and platinum professional sales training modules.

Moneywise and Healthwise continued to provide valuable services to FLT's people globally, in addition to operating externally.

Moneywise's home loan services expanded significantly - 10 brokers are now in place throughout Australia – while Healthwise expanded its service offering to include a new active travel product. Healthwise Active Travel arranges travel and entry requirements for marathons, masters games and other activities.

The Flight Centre Foundation, a key element in FLT's corporate social responsibility platform, continued to accumulate funds for key charities.

In addition to this, FLT donated $AUD3.4million to the Queensland Disaster Relief Fund, following the floods and cyclones in January, and an additional $NZD1million to a similar body in New Zealand, following the Christchurch earthquakes in February.

During 2011/12, FLT plans to turn the foundation into a public fund, which will allow it to improve the level of support it provides to charities.

Outlook

By Graham Turner, managing director

FLT will target a PBT between $265million and $275million, excluding abnormal items that may arise, for 2011/12.

The midpoint in this range represents 10% growth on underlying 2010/11 PBT.

While FLT has started 2011/12 solidly and has traded in line with expectations during the first two months of the year, economic conditions remain volatile, particularly in the USA and UK.

The company also continues to monitor market conditions in Australia, where other retailers reported a slowdown in spending during the second half of 2010/11.

New challenges will undoubtedly arise – as they do every year – but we will be disappointed if we do not achieve this profit target, given our momentum, strong balance sheet and sales force, brand diversity and the strategies that are now in place to drive future growth.

Specifically, these strategies relate to:

- Fast-tracking growth in corporate travel, mainly through organic expansion
- Improving and streamlining retail processes and deploying new desktop tools to our travel consultants, which will lead to an improved customer experience and enhanced productivity
- Refocusing on the area – a localised grouping of shops – as the central business unit to deploy initiatives, improve customer offerings and reinforce ownership of our business model
- Enhancing our relevance to suppliers to ensure supplier margins are maintained and that we continue to offer choice and value
- Effective enquiry management to ensure enquiry generated in our products and marketing campaigns is converted into business
- As well as giving our customers what they want, developing better products and services; and
- Further support of emerging businesses by investing in them and providing appropriate senior management focus to guarantee their success

Within our business, we see opportunities in all brands and in all markets and we will continue to grow shop and business numbers by 8-10% globally.

Australia continues to be the major contributor to group profit, but overseas businesses are expected to make an increasingly valuable contribution in the future.

In the UK, we have developed strong foundations for future growth through the ongoing expansion in new businesses, brands and sales consultant numbers.

Benefits are expected to flow through during 2011/12 and in the years ahead as our new consultants gain experience and productivity improves.

In the USA, FLT expects continued profit growth, following the significant improvements recorded during the past two years.

The US business now includes:

- 48 corporate travel businesses in New York, New Jersey, Chicago, Boston, Washington DC, Seattle, Los Angeles, San Francisco, Dallas and Phoenix
- The 169-shop Liberty Travel retail network, which is supported by a stable of online leisure travel brands; and
- Wholesaler GOGO, which has 40 outlets throughout the country to service external retail travel agents

The US corporate travel business generated record profit during 2010/11 and has been earmarked for more rapid growth during 2011/12.

Since June 30, Corporate Traveller brand has been introduced to focus on SME accounts, alongside the established FCm Travel Solutions business and in line with FLT's corporate travel structure elsewhere in the world.

Priorities for Liberty include "upstaffing" existing shops, improving productivity and converting the healthy levels of enquiry its marketing initiatives are generating.

In GOGO, improved results are expected, as the business regains some of the momentum lost following the system changes that took place during 2010/11.

While the acquired Liberty-GOGO business has not yet delivered the bottom-line returns we initially expected, which led to the goodwill write-down in July 2011, benefits have started to flow through.

These benefits have been particularly evident in the product area, which was a key rationale for the acquisition in February 2008.

Specifically, the acquisition has allowed FLT to include Liberty and GOGO's directly contracted Americas product range in the Flight Centre Global Product (FCGP) area.

This product is now available to FLT's customers and consultants globally, thereby improving our product offering and creating margin improvement opportunities. Benefits will also flow back to the US business, as American customers now have access to the international FCGP inventory.

Corporate Governance Principles

FLT believes it has complied with the ASX Corporate Governance Principles and Recommendations, other than amalgamating the remuneration committee and the nomination committee, as outlined in section 2.

FLT reviews its Corporate Governance Statement annually in May and more frequently if any changes in the recommendations are implemented. Reviews are undertaken by internal and external advisers to the board and include step-by-step analysis of FLT's position in relation to each recommendation.

Where applicable, amendments are proposed and then adopted.

FLT keeps up to date with current and proposed governance changes through its association, involvement and training with relevant bodies such as the Australian Securities Exchange, ASIC and Chartered Secretaries Australia.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The board's functions include:

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

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

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

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

The full board deals with all significant matters. To assist in its deliberations, the board has established a number of committees that act primarily in a review or advisory capacity. Regional operational committees are in place and include board directors, who use their knowledge and experience to help the regionally-based senior executive and his or her key management personnel address issues that may arise.

Board and Senior Executive Induction

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

2. STRUCTURE THE BOARD TO ADD VALUE

The board has a complementary mix of skills that provides the desired depth and experience. Currently, there are three non-executive directors (including the chairman) and one executive director, who is MD.

The MD is not the board chairman.

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

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

Board Composition

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

Remuneration and Nomination Committee Functions

Flight Centre's remuneration committee includes FLT's non-executive directors and is chaired by Gary Smith, who is not chairman of the company's board. Due to the board's small size, Flight Centre has a combined remuneration and nomination committee. Consequently, the remuneration and nomination committee considers (per the charter) board composition to ensure it includes the appropriate blend of skills and competencies to oversee the company.

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

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

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

Once a shortlist is created, the candidates will be interviewed by the remuneration and nomination committee.

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

Directors' attendance records are reported in the meetings of directors section in the annual report.

Board and Senior Executive Evaluation

The board members and other senior executives evaluate the board on its overall performance and individual directors' performance. The board as a unit is assessed on board process and dynamics, while the individual directors and chairman are assessed on leadership, interaction with other directors and senior executives, imparting of knowledge, attendance and involvement in decision making.

The board is evaluated each year based on its performance during the financial year. An interview process was undertaken in June 2011 to assess the board and the findings were presented to the full board in August 2011.

The managing director has monthly one-on-one meetings with senior executives and provides feedback on their performance, future goals and strategies. These discussions are relayed to the board.

Independence and Materiality

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

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

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

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

The board endorses Flight Centre's Code of Conduct and it applies to all directors, officers, employees, consultants and contractors. FLT's philosophies require all company personnel to act with integrity and are supported by numerous policies relating to legal and ethical compliance. The philosophies are included in the annual report.

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

Political contributions

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

Trading Policy

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

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

Diversity Policy

FLT has expanded and enhanced its longstanding Equal Employment Opportunity policy to create a Diversity Policy, which is in line with ASX requirements. The company continues to follow a best practice recruitment process to ensure all selection is conducted on experience, merit and competency, based on the key selection criteria for each role. All policies, procedures and advertising are reviewed to ensure no gender bias occurs and the most suitable person is selected. Compulsory online training modules have been developed to enhance the policies' effectiveness.

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

FLT has, for a number of years, submitted an annual return with the Australian Government's Equal Opportunity for Women in the Workplace Agency and has exceeded the agency's requirements on each occasion. While the FLT board currently contains no female directors, the board has stipulated that it will consider and shortlist women when future appointments are made.

The board has also established a directorship policy for its subsidiaries. Under this policy, the executive general manager (EGM) is appointed as a director and receives valuable training and experience. Out of 37 active subsidiary companies globally, the group currently has 18 female employee directorships and a further four female non-employee directorships.

Where possible, FLT seeks to identify and develop leaders from within its ranks. Currently, about 75% of staff members are women. More than half (51%) of FLT's senior leaders are women.

For further details, refer to the diversity policy at www.flightcentre.com

Corporate Governance Principles *continued*

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Audit Committee

Audit committee functions include:

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

Committee Composition

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

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

The board has reviewed the committee's composition and is satisfied that, given the size of Flight Centre's board, the committee has appropriate financial representation. The audit committee chairman is not the board's chairman.

Refer to www.flightcentre.com for audit committee charter

Auditor Appointment

The company and audit committee policy is to appoint an external auditor that clearly demonstrates quality and independence. The external auditor's performance is reviewed annually. PricewaterhouseCoopers(PwC), the current auditor, is obliged to rotate audit engagement partners at least every five years. The group has moved to have PwC appointed in each jurisdiction it operates in (other than in India, Singapore and Dubai).

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

Certification of Financial Reports

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

5. MAKE TIMELY AND BALANCED DISCLOSURE

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

The company has written policies and procedures governing continuous disclosure and shareholder communication.

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

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

Refer to www.flightcentre.com for the communications and disclosure policy.

6. RESPECT RIGHTS OF SHAREHOLDERS

Shareholder Communications

The board aims to inform shareholders of all major developments affecting the group's activities and its state of affairs through distribution of the annual report, ASX announcements and media releases. All such communications are placed on the company website, www.flightcentre.com.

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

Auditor communication

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

Refer to www.flightcentre.com for the communications and disclosure policy.

7. RECOGNISE AND MANAGE RISK

Risk management is good management and is the responsibility of all employees.

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

The framework is based around the following risk initiatives:

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

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

The CEO and senior management are responsible for identifying, evaluating and monitoring risk. Senior management personnel are responsible for ensuring clear communication of their risk position throughout the company. A self-assessment on significant business risks is conducted by all geographies on a six-monthly basis, with the last report completed on 22 August 2011. Risks considered included strategic, operational, regulatory and compliance matters.

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

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

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

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

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

Refer to www.flightcentre.com for the internal audit charter.

Risk Profile

Risks to which Flight Centre is subject to include:

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

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

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

8. REMUNERATE FAIRLY AND RESPONSIBLY

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

Details on directors' attendance at remuneration and nomination committee meetings is included on page 17.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Limited (FLT) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

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

G.F.Turner **P.R.Morahan**

P.F.Barrow **G.W.Smith**

PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

DIVIDENDS – FLIGHT CENTRE LIMITED

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

	2011 $'000	2010 $'000
Fully franked 44.0 cent per fully paid ordinary share final ordinary dividend for the year ended 30 June 2010 (2009: nil), paid on 7 October 2010	43,905	–
Fully franked 36.0 cent per fully paid share interim ordinary dividend for the year ended 30 June 2011 (2010: 26.0 cents) paid on 1 April 2011	35,973	25,937
	79,878	25,937

REVIEW OF OPERATIONS

A review of operations and details of FLT's outlook for 2011/12 are included on pages 4 - 11 of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 23 August 2011, FLT's directors declared a fully franked 48.0 cents per share final dividend on ordinary shares for the 2011 financial year. The total amount of the dividend is $47,977,706. The interim and final combined dividend payments represent an $84M return to shareholders, 50% of FLT's net profit after tax before the $27.9M goodwill adjustment.

During July 2011, FLT, through its wholly-owned subsidiary, P4 Finance Pty Ltd, provided loans of $52.4M to employees on commercial terms for their investment in the group's Business Ownership Scheme (BOS).

No other material matters have arisen since 30 June 2011.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATIONS

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

INFORMATION ON DIRECTORS

Director	Experience and directorships	Special responsibilities	Particulars of directors' interests in shares and options of Flight Centre Limited: Ordinary shares	Particulars of directors' interests in shares and options of Flight Centre Limited: Options
P.R.Morahan, MAICD Age: 50	FLT director since 2007. Executive chairman of the investment company that owns Moreton Hire. Member of Australian Institute of Company Directors and the Australian Institute of Management.	Independent non-executive chairman Remuneration committee member Audit committee member	17,742	–
G.W.Smith BCom, FCA, FAICD Age: 51	FLT director since 2007. Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered Accountant. Former Queensland Tourism Industry Council chairman and a former director of Ecotourism Australia Limited and S8 Limited.	Independent non-executive director Remuneration committee chairman Audit committee member	15,000	–
P.F.Barrow FCA,FAICD Age: 60	FLT director since 1995. Former senior partner of chartered accounting firm MBT. More than 25 years' experience with travel and tourism-related companies. Former chairman of Oaks Hotels and Resorts Limited and a former director of Mosaic Oil NL, Cluff Resources Pacific NL and NSW Gold NL. Based in New York.	Independent non-executive director Audit committee chairman Remuneration committee member	30,000	–
G.F.Turner BVSc Age: 62	Company director since 1987 and founding FLT director with significant experience in running retail travel businesses in Australia, New Zealand, USA, UK, South Africa and Canada. Director of the Australian Federation of Travel Agents Limited.	Managing director	15,811,211	–

COMPANY SECRETARY

The company secretary is Mr D.C. Smith (B.Com, LLB). Mr Smith was appointed company secretary on 31 January 2008 and has worked for FLT for nine years. The company co-secretary is Mr S.Kennedy (B. Bus, ACIS). Mr Kennedy has worked for FLT for 15 years and became assistant company secretary seven years ago.

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011 and the number of meetings attended by each director were:

	Full meetings of directors		Committee meetings: Audit		Committee meetings: Remuneration & Nomination	
	A	B	A	B	A	B
P.R.Morahan	12	12	5	5	4	4
G.W.Smith	12	12	5	5	4	4
P.F.Barrow	12	12	5	5	4	4
G.F.Turner	12	12	*	*	*	*

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

Directors' Report *continued*

REMUNERATION REPORT

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

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

A Overview – FLT's reward system
B Principles used to determine the nature and amount of remuneration (audited)
C Details of remuneration (audited)
D Service agreements (audited)
E Share-based compensation (audited); and
F Additional information (audited).

The information in this remuneration report has been audited as required by section 308(3c) of the *Corporations Act 2001*.

A. OVERVIEW – FLT'S REWARD SYSTEM

FLT has developed an executive reward framework that balances participants' interests with those of the company and its shareholders.

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

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

These outcome-based incentives are a key part of FLT's business model and culture. This reflects the company's beliefs that what gets rewarded gets done and that its people and its shareholders will prosper in both the short and long-term if the right outcomes are rewarded.

The company also believes in providing its people with opportunities to take genuine ownership of the business by investing in FLT and sharing in its success. This investment can include participation in the company's Employee Share Plan (ESP), Senior Executive Option Plan (SEOP),Business Ownership Scheme (BOS) or Senior Executive Performance Rights Plan (SEPRP).

In addition to fostering a genuine sense of ownership, these programs provide FLT's people with the incentive to develop robust businesses that will deliver sustainable long-term results. As the company's incentive programs are heavily based on year-on-year improvement, executives and other business leaders are also focused on delivering sustainable results, rather than short-term profits.

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (AUDITED)

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

What is FLT's remuneration philosophy?

FLT's reward framework is in line with market practice and aims to ensure overall reward is:

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

REMUNERATION REPORT

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

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

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

Additional detail on each of these components is included on pages 22 and 23.

What percentage of overall remuneration is fixed for FLT executives?

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

For example, for FLT's managing director and key management personnel who served for the full year, between 55% and 79% of total remuneration was at risk during 2010/11 (2009/10: 54%-85%).

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

While some groups believe that no more than 50% of remuneration should be at risk in a year, the fundamental elements of FLT's business model and philosophies mean that its overall reward structures will vary.

This reflects:

- The crucial role the group's incentive-based model plays in encouraging executives and other staff to deliver improved results and shareholder returns; and
- The high level of executive participation in the BOS program. Returns on the investments executives make in their individual businesses under this program are not fixed and will increase when the business performs well, thereby increasing the percentage of at risk salary.

What outcomes were FLT's executives' short-term incentives linked to during 2010/11?

For the key management personnel disclosed in this report, incentives were based on:

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

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

Neither the managing director nor any of FLT's key management personnel were remunerated on factors external to the company.

Are non-financial key performance indicators used?

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

REMUNERATION REPORT

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

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

Under this plan, participating executives become entitled to options if FLT achieves pre-determined year-on-year profit growth targets. The targets are set at the start of each year.

Options are available in three tiers – a low tier of 10,000 options, a mid tier of 25,000 and a top tier of 40,000 options. Generally, executives will be entitled to the top tier if FLT significantly exceeds its PBT target for the year.

During 2010/11, participating executives earned the mid tier of 25,000 options, based on FLT achieving an underlying PBT 2% above the top end of the $220M-$240M range outlined to the market at the start of the financial year. To achieve the top tier, FLT needed to achieve a $260M PBT.

Similar hurdles are in place for the Senior Executive Performance Rights Plan (SEPRP), which was initiated during 2010/11.

What is the SEPRP?

The SEPRP is a new long-term incentive program that has been offered to two senior executives who have not participated in the SEOP.

The plan, which is offered at the board's discretion, aims to recognise and reward individuals who are likely to play a key role in the company's future success.

What are the performance hurdles?

Performance conditions include low tier, mid tier and high tier PBT targets to be reached during each of the four financial years during the current offer period. These hurdles are outlined in detail in section E of this report.

How does the FLT remuneration system benefit its employees?

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

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

How does the FLT remuneration system benefit its shareholders?

For shareholders, benefits include:

- A clear short and long-term performance improvement focus, as year-on-year profit growth is a core component of FLT's remuneration system
- A focus on sustained growth in shareholder wealth, consisting of dividends and share price growth and delivering constant returns on assets; and
- The ability to attract and retain high calibre executives

How does FLT align executive remuneration with shareholder wealth creation?

For executives, targeted remuneration packages are generally based on:

- FLT achieving its global profit target; and
- The executive achieving specific targets or key performance indicators (KPIs) in his or her business

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

- Broadly in line with budgetary expectations in years where results are in line with expectations
- Above budgetary expectations in years where results are above expectations; and
- Below budgetary expectations in years where results are below expectations

REMUNERATION REPORT

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

	2010/11	2009/10	2008/09	2007/08	2006/07
Profit before income tax	**$213.1m**	$198.5m	$40.4m	$201.0m	$174.0m
Profit after tax	**$139.8m**	$139.9m	$38.2m	$134.8m	$120.8m
Dividends (relating to the year)					
Interim	**36.0c**	26.0c	9.0c	37.5c	20.0c
Final	**48.0c**	44.0c	–	48.5c	46.0c
Earnings per share	**140.0c**	140.3c	38.3c	138.0c	127.5c
Share price at 30 June	**$21.62**	$16.63	$8.65	$16.67	$19.21

How has overall executive remuneration varied in recent years, given the movements in PBT during the period?

During 2008/09, when FLT's profit and shareholder returns were significantly below budgetary expectations, executive earnings contracted in comparison to the prior year. Conversely, during 2009/10, when the company recorded significantly stronger than anticipated year-on-year profit growth, executive earnings increased year-on-year.

While FLT's underlying 2010/11 PBT was easily a record and was well above 2009/10 PBT, average remuneration for the managing director and eight executives who were considered key management personnel for the full year decreased 31%.

Why did executive remuneration decrease when profit before tax (PBT) increased?

This year-on-year decrease was expected, given the correlation between executive salaries and FLT's profit growth targets.

During 2009/10, FLT's actual increase in PBT was almost five-fold – from $40.4M to $198.5M. For executive wages to be maintained at 2009/10 levels, FLT would have needed to record a similarly high level of year-on-year profit growth during 2010/11.

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

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

The committee includes FLT's non-executive directors and the global leader of the company's Peopleworks (human resources) area.

What are the remuneration and nomination committee's responsibilities?

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

How does the remuneration and nomination committee make its recommendations?

The committee considers:

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

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

Directors' Report *continued*

REMUNERATION REPORT

How are directors paid?

Non-executive directors receive fixed fees for service and do not have access to performance-related bonuses (incentives) that are available to FLT's senior executives. The fees reflect the positions' demands and responsibilities and are reviewed annually by FLT's renumeration and nomination commitee.

Fees are determined within an aggregate directors' fee pool, which is periodically recommended for shareholder approval. The pool currently stands at $650,000 per annum, as approved by shareholders on 3 November 2008.

During 2010/11, the company's non-executive directors earned approximately 70% of this maximum allowance.

How is the chairman's pay determined?

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

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

Directors are not eligible to participate in the Employee Share Plan and have elected not to participate in the employee option plans or the SEPRP.

Components of executive remuneration

Base pay

Base pay (retainer) is guaranteed and will typically represent a fraction of overall executive earnings. For example, the managing director and his Australian-based executive team earned $175,000 in base pay during 2010/11 (2009/10: $162,000).

The company does not guarantee annual base pay increases.

Short-term incentives

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

Executives earn short-term incentives if:

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

Year-on-year profit growth is typically used as a KPI for senior executives. This creates an alignment between executive earnings and shareholder value creation, as executives will be rewarded with higher earnings in years when shareholders are rewarded with higher than expected pre-tax profit results.

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

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

BOS interest

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

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

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

BOS participants have invested a combined total of $67.3M in the program.

REMUNERATION REPORT

Share-based compensation

Share-based compensation may be available to staff through:

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

The Employee Option Plan was not offered during 2010/11.

The ESP was amended and expanded during the year to give FLT's staff greater opportunity to invest in their company, in line with the company's philosophy of providing its people with ownership opportunities. The new global plan was available to all staff in Australia (excluding directors), New Zealand, Canada, the USA, South Africa and the UK.

Specific executives were granted share options under the SEOP, as outlined in section E of this report.

The SEPRP was initiated during 2010/11 as a new long-term incentive for certain executives. The plan aims to recognise and reward individuals who are likely to play a key role in the company's future success but who are not participants in the SEOP. At this time, offers have been made to two senior executives under this plan, which is outlined in greater detail in section E of this report.

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

Superannuation

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

C. DETAILS OF REMUNERATION (AUDITED)

The following tables outline board and key management personnel remuneration details for the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year ended 30 June 2011. Board and key management personnel are as defined in AASB 124 Related Party Disclosures and are responsible for planning, directing and controlling the entity's activities. As required under the *Corporations Act 2001*, the five company officers receiving the highest emoluments for the year are also included.

Group

- S.O'Brien – executive general manager – global corporate (resigned 15 March 2011)
- R.Flint – executive general manager – Asia
- M.Waters-Ryan – executive general manager – global air, land and information technology
- A.Flannery – chief financial officer
- C.Galanty – executive general manager – UK, South Africa
- C.Bowman – executive general manager – global marketing
- D.W.Smith – executive general manager – USA
- M.Murphy – executive general manager – global Peopleworks

Parent Entity

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

Directors' Report *continued*

REMUNERATION REPORT

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

	Short-term employee benefits			Post employment benefits		Long-term benefits	Share-based payments	
2011	Cash salary and fees $	Short-term incentive $	BOS Interest[1] $	Super-annuation $	Termination benefits[2] $	Long service leave[3] $	Equity settled options[4] $	Total $
Non-executive directors								
P.R.Morahan	170,000	-	-	15,300	-	-	-	185,300
G.W.Smith	124,000	-	-	11,160	-	-	-	135,160
P.F.Barrow	124,000	-	-	11,160	-	-	-	135,160
Sub total non-executive directors	418,000	-	-	37,620	-	-	-	455,620
Executive directors								
G.F.Turner	175,000	422,373	-	25,000	-	112,523	-	734,896
Other key management personnel of the group								
S.O'Brien [5,6,7] (resigned 15 March 2011)	123,640	208,943	134,821	43,467	826,837	-	-	1,337,708
R. Flint [5,6,7]	175,000	504,381	306,924	28,393	-	43,248	129,372	1,187,318
M.Waters-Ryan [5,6]	175,000	367,662	427,659	27,216	-	36,387	65,171	1,099,095
A. Flannery [7]	175,000	413,501	-	28,280	-	49,449	65,171	731,401
C. Galanty	241,429	209,028	238,471	38,675	-	-	-	727,603
C. Bowman [7]	175,000	227,007	-	26,102	-	20,995	65,171	514,275
D.W.Smith	196,756	297,387	-	17,158	-	-	-	511,301
M. Murphy [7]	175,000	210,030	-	25,091	-	29,103	65,171	504,395
Total KMP compensation	2,029,825	2,860,312	1,107,875	297,002	826,837	291,705	390,056	7,803,612
Other group executives								
M. Mulholland [5,6]	108,137	355,059	470,045	25,000	-	17,708	-	975,949
N. Lucock [5]	154,119	459,974	278,388	39,204	-	-	-	931,685
R. Miller [6]	175,000	248,753	224,723	26,627	-	9,763	129,372	814,238
Total other group executives compensation	437,256	1,063,786	973,156	90,831	-	27,471	129,372	2,721,872

2010								
Non-executive directors								
P.R.Morahan	155,963	-	-	14,037	-	-	-	170,000
G.W.Smith	105,505	-	-	9,495	-	-	-	115,000
P.F.Barrow	107,087	-	-	9,638	-	-	-	116,725
Sub total non-executive directors	368,555	-	-	33,170	-	-	-	401,725

REMUNERATION REPORT

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

Name	Short-term employee benefits			Post employment benefits		Long-term benefits	Share-based payments	
	Cash salary and fees	Short-term incentive	BOS Interest[1]	Super-annuation	Termination benefits[2]	Long service leave[3]	Equity settled options[4]	Total
Executive directors								
G.F.Turner	144,335	936,081	-	58,977	-	196,083	-	1,335,476
Other key management personnel of the group								
M.Waters-Ryan [5 6 7]	154,910	793,916	678,413	26,372	-	111,774	165,211	1,930,596
S.O'Brien [5 6 7]	146,468	782,578	400,932	29,189	-	52,667	165,211	1,577,045
R. Miller [5 6 7]	128,750	407,955	549,290	25,557	-	28,070	-	1,139,622
A.Flannery [5 6 7]	146,468	672,123	-	29,758	-	23,479	165,211	1,037,039
R. Flint [5 6 7]	128,750	502,566	316,136	27,923	-	43,708	-	1,019,083
M.Murphy	146,468	556,064	-	26,089	-	17,921	165,211	911,753
C. Bowman	143,269	540,205	-	49,905	-	12,916	165,211	911,506
C.Galanty	268,361	536,584	-	101,082	-	-	-	906,027
D.W.Smith	214,164	279,775	-	26,302	-	-	-	520,241
Total KMP compensation	**1,990,498**	**6,007,847**	**1,944,771**	**434,324**	**-**	**486,618**	**826,055**	**11,690,113**

[1] Interest earned under the BOS is the gross return on the financial investment invited executives have made in the program and does not take into account financial liabilities (interest and principal repayments) that may relate to this investment.
[2] Termination benefits include leave entitlements and redundancy payments owing to employees at the date of termination.
[3] Long service leave includes amounts accrued during the year.
[4] Share-based payments represent amounts expensed in relation to options/rights granted under the SEOP/SEPRP (refer pages 26 to 29).
[5] Denotes one of the five highest paid executives of the group, as required to be disclosed under the *Corporations Act 2001*.
[6] Denotes one of the five highest paid executives of the parent entity, as required to be disclosed under the *Corporations Act 2001*.
[7] Denotes key management personnel of the parent entity, as required to be disclosed under the *Corporations Act 2001*.

Directors' Report *continued*

REMUNERATION REPORT

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

	Fixed remuneration		At risk – STI		At risk – LTI	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Directors of Flight Centre Limited						
P.R.Morahan	**100**	100	**-**	-	**-**	-
G.W.Smith	**100**	100	**-**	-	**-**	-
P.F.Barrow	**100**	100	**-**	-	**-**	-
G.F.Turner	**43**	30	**57**	70	**-**	-
Other key management personnel of the group						
S.O'Brien (resigned 15 March 2011)	**47**	15	**53**	75	**-**	10
R.Flint	**21**	20	**68**	80	**11**	-
M.Waters-Ryan	**22**	15	**72**	76	**6**	9
A.Flannery	**34**	19	**57**	65	**9**	16
C.Galanty	**38**	41	**62**	59	**-**	-
C.Bowman	**43**	23	**44**	59	**13**	18
D.W.Smith	**42**	46	**58**	54	**-**	-
M.Murphy	**45**	21	**42**	61	**13**	18

D. SERVICE AGREEMENTS (AUDITED)

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

E. SHARE-BASED COMPENSATION (AUDITED)

Senior Executive Option Plan (SEOP)

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

Under the plan's rules, options are granted for no consideration and are exercisable over FLT's fully paid ordinary shares.

The plan's rules also stipulate that the number of shares resulting from exercising all unexercised options cannot exceed 5% of the company's issued capital. Currently, 1% are under option.

Challenging annual performance hurdles are set and the options vest if the hurdles are achieved. The hurdles relate to year-on-year growth in FLT's profit before tax.

For 2010/11, three specific profit targets were in place to provide participating executives with the opportunity to earn 10,000, 25,000 or the maximum allowance of 40,000 options.

Upon release of the audited financial statements to the ASX on 23 August 2011, each of the participating executives earned the mid tier of 25,000 options. This was based on FLT achieving an underlying $245M profit before tax (PBT), a 19.6% increase on the 2009/10 result.

For participating executives to receive the full tranche of 40,000 options, FLT needed to record a $260M PBT, a 27% increase on the underlying 2009/10 result. The low tier was based on FLT achieving an underlying $220M PBT.

The relevant portion of the expense relating to these options has been recognised during the period ended 30 June 2011 (refer to Equity settled options on page 24).

Three profit growth targets are again in place during 2011/12. All require FLT to significantly improve on its record 2010/11 PBT.

REMUNERATION REPORT

If FLT achieves its 10% underlying PBT growth target – a $270M result – participating executives will be eligible for the low tier of 10,000 options. The mid tier of 25,000 options is based on FLT achieving a $280M PBT, a result slightly above market guidance, while the top tier of 40,000 options is based on a $290M PBT – 18% growth on the underlying 2010/11 result.

As targets are set annually by the remuneration and nomination committee and are based on year-on-year profit growth, FLT is unable to provide specific details on performance hurdles for 2012/13 and beyond at this time. Since the plan was initiated, however, the following structure has generally been in place:

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

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

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

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

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

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

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

	Number of options granted during the year		Number of options vested during the year	
Other KMP of Flight Centre Limited	2011	2010	2011	2010
S.O'Brien (resigned 15 March 2011)	-	-	40,000	-
R.Flint	-	-	-	-
M.Waters-Ryan	-	-	40,000	-
A.Flannery	-	-	40,000	-
C.Galanty	-	-	-	-
C.Bowman	-	-	40,000	-
D.W.Smith	-	-	-	-
M.Murphy	-	-	40,000	-
R.Miller [1]	-	-	-	-

[1] R Miller was considered key management personnel during 2010, but not during 2011.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. This amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the option's term, the impact of dilution, the share price at grant date and the underlying share's expected price volatility, the expected dividend yield and the risk-free interest rate for the option's term.

Directors' Report *continued*

REMUNERATION REPORT

The model inputs for options granted on 29 June 2009:

(a) options are granted for no consideration. Each tranche vests upon release of the audited financial statements based on achievement of certain profit targets at each year-end, from 30 June 2010 to 30 June 2014.
(b) exercise price: $10.00
(c) grant date: 29 June 2009
(d) expiry date: 30 June 2015
(e) share price at grant date: $8.65
(f) expected price volatility of the company's shares: 40-45%
(g) expected dividend yield: 3.0-4.8%
(h) risk-free interest rate: 4.8-5.5%

Shares provided on exercise of remuneration options

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

Other key management personnel of the group	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year 2011	2010
A.Flannery	8 March 2011	**40,000**	-
C.Bowman	8 March 2011	**40,000**	-
S.O'Brien (resigned 15 March 2011)	8 March 2011	**40,000**	75,000

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

Exercise date	Amount paid per share
8 March 2011	$10.00

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

Senior Executive Performance Rights Plan (SEPRP)

The SEPRP is a new program that has been offered to two senior executives who have not participated in the SEOP.

The plan, which is offered at the board's discretion, aims to recognise and reward individuals who are likely to play a key role in FLT's future success. Under the terms of the offer, the two participants are each eligible for up to 22,000 performance rights (maximum of 5,500 per year) which, upon vesting, will be automatically exercised into an equal number of FLT shares.

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

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

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

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

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

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

Targets for 2011/12 are identical to the targets that are in place for participants in the SEOP and as outlined in the previous section of this report.

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

REMUNERATION REPORT

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

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

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

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

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

	Number of performance rights granted during the year		Number of performance rights vested during the year	
Other key management personnel of the group	2011	2010	2011	2010
R.Flint	22,000	-	-	-
R.Miller [1]	22,000	-	-	-

[1] R Miller was considered key management personnel during 2010, but not during 2011.

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date. This amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes pricing model that takes into account the exercise price, the term, the impact of dilution, the share price at grant date and the underlying share's expected price volatility, the expected dividend yield and the risk-free interest rate for the performance rights' terms.

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

(a) performance rights are granted for no consideration. Each tranche vests upon release of the audited financial statements based on achievement of certain profit targets at each year-end, from 30 June 2011 to 30 June 2014.
(b) exercise price: $0.00
(c) grant date: 12 August 2011
(d) expiry date: 30 June 2015
(e) share price at grant date: $18.45
(f) expected price volatility of the company's shares: 30%
(g) expected dividend yield: 4.31%
(h) risk-free interest rate: 3.65%-3.73%

No performance rights have vested or were exercised during the period.

Employee Share Plan (ESP)

During 2010/11, FLT initiated a new global employee share plan, in addition to the existing Employee Share Plan that was in place in Australia.

Under the existing plan, which expired on 30 June 2011, for every nine shares employees purchased at market value, FLT issued an additional share. The contribution offered to employees is expensed in the income statement with a corresponding increase in equity. 20,541 shares were issued to the plan trustee and allocated to Australian employees during the year as FLT ordinary shares (2010: 61,593).

Under the new global Employee Share Plan, which was launched in November 2010, 32,382 shares were issued and allocated to employees as FLT ordinary shares during the year (2010: Nil). For every four shares employees purchased with their after-tax salaries, FLT granted a conditional right to one matched share. The expense is recognised over the period that the matched share vests. Details on the new global ESP are set out in note 34 to the financial statements and in section B of this report.

Directors' Report *continued*

REMUNERATION REPORT

F. ADDITIONAL INFORMATION (AUDITED)

FLT's performance

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

Details of remuneration: cash bonuses, options and performance rights

For each incentive and grant of options or performance rights included in the tables on pages 24 to 29, the percentage of the available bonus or grant that was paid, or that vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.
The options vest over five years and the performance rights over four years, provided the vesting conditions are met. No options or performance rights will vest if the conditions are not satisfied, hence the minimum value of the options or performance rights yet to vest is nil. The maximum value of the options or performance rights yet to vest has been estimated as the amount of the grant date fair value that could be expensed.

	Incentives		Options and Performance Rights					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options / performance rights may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Directors of FLT								
P.R.Morahan	-	-	-	-	-	-	-	-
G.W.Smith	-	-	-	-	-	-	-	-
P.F.Barrow	-	-	-	-	-	-	-	-
G.F.Turner	100	-	-	-	-	-	-	-
Other key management personnel of the group								
S.O'Brien (resigned 15 March 2011)	100	-	2009	20%	80%	2011-2015	nil	-
R.Flint	100	-	2011	-	-	2012-2014	nil	380,946
M.Waters-Ryan	100	-	2009	20%	-	2011-2015	nil	242,092
A.Flannery	100	-	2009	20%	-	2011-2015	nil	242,092
C.Galanty	100	-	-	-	-	-	-	-
C.Bowman	100	-	2009	20%	-	2011-2015	nil	242,092
D.W.Smith	100	-	-	-	-	-	-	-
M.Murphy	100	-	2009	20%	-	2011-2015	nil	242,092

Shares under option or performance rights

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

Date granted	Expiry date	Issue price of shares	Number under performance right/ option
29 June 2009	30 June 2015	$10.00	720,000
12 August 2011	30 June 2015	$0.00	44,000

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been entered into with directors or executives during the current reporting period. No loans were in place at 30 June 2011.

OFFICERS' INDEMNITY AND INSURANCE

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

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

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

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

	Consolidated	
(a) Audit services	2011 $	2010 $
PricewaterhouseCoopers Australian firm	**804,800**	749,000
Related practices of PricewaterhouseCoopers Australian firm	**888,949**	1,038,349
Total remuneration for audit services	**1,693,749**	1,787,349

(b) Non-audit services

Audit-related services

PricewaterhouseCoopers Australian firm		
Other services	**4,500**	76,359
Related practices of PricewaterhouseCoopers Australian firm		
Audit of regulatory returns	**9,345**	1,605
Due diligence services	-	8,840
Other services	-	47,062
Total remuneration for audit-related services	**13,845**	133,866

Directors' Report *continued*

Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	**11,496**	-
Total remuneration for taxation services	**11,496**	-
Total remuneration for non-audit services	**25,341**	133,866

(c) Non-PricewaterhouseCoopers audit firms

Audit and other assurance services

Audit and review of financial reports	**132,760**	35,794
Total remuneration for audit services	**132,760**	35,794

Other services

Due diligence	**30,000**	-
Other services	**179,814**	86,377
Total remuneration for non-audit services	**209,814**	86,377
Total remuneration for audit and non-audit services	**2,061,664**	2,043,386

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33.

ROUNDING OF AMOUNTS

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

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

G.F. Turner
Director
BRISBANE
23 August 2011

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Flight Centre Limited for the year ended 30 June 2011,
I declare that to the best of my knowledge and belief, there have been:

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

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

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

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
23 August 2011

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Balance Sheet

Assets	Notes	Consolidated (As at 30 June 2011) 2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	10	**974,925**	903,329
Available-for-sale financial assets	12	**60,119**	80,648
Financial assets at fair value through profit and loss	13	**4,790**	15,474
Trade and other receivables	11	**409,486**	331,910
Current tax receivables	14	**10,130**	10,884
Inventories		**1,060**	1,035
Derivative financial instruments	16	**-**	1,019
Other assets	15	**1,889**	1,264
Total current assets		**1,462,399**	1,345,563
Non-current assets			
Property, plant and equipment	17	**138,923**	148,415
Intangible assets	18	**345,374**	403,948
Investments accounted for using the equity method	19	**5,897**	15,304
Deferred tax assets	21	**52,403**	62,151
Other assets	15	**5,304**	2,928
Total non-current assets		**547,901**	632,746
Total assets		**2,010,300**	1,978,309
Liabilities			
Current liabilities			
Trade and other payables	22	**985,593**	978,046
Borrowings	23	**99,174**	93,067
Provisions	24	**11,980**	10,111
Current tax liabilities	25	**57,479**	55,457
Derivative financial instruments	16	**4,845**	935
Total current liabilities		**1,159,071**	1,137,616
Non-current liabilities			
Trade and other payables	22	**17,479**	16,310
Borrowings	23	**68,601**	84,998
Provisions	24	**17,913**	17,893
Deferred tax liabilities	26	**6,499**	10,840
Derivative financial instruments	16	**121**	-
Total non-current liabilities		**110,613**	130,041
Total liabilities		**1,269,684**	1,267,657
Net assets		**740,616**	710,652
Equity			
Contributed equity	27	**381,308**	378,931
Reserves	28(b)	**(74,741)**	(43,081)
Retained profits	28(a)	**434,049**	374,802
Total equity		**740,616**	710,652

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

Income Statement

	Notes	Consolidated (For the year ended 30 June 2011) 2011 $'000	2010 $'000
Revenue			
Revenue from the sale of travel services	3	**1,605,623**	1,489,085
Revenue from the sale of travel as principal	3	**211,258**	274,097
Other revenue	3	**45,547**	32,236
Total revenue		**1,862,428**	1,795,418
Cost of travel as principal		**(184,323)**	(242,433)
Gross profit		**1,678,105**	1,552,985
Other income	4	**3,059**	4,433
Expenses			
Selling expenses		**(1,152,456)**	(1,058,968)
Administration / support expenses[1]		**(273,946)**	(265,356)
Finance costs	5	**(33,974)**	(31,967)
Other expenses	4	**(7,095)**	-
Share of profit / (loss) of joint ventures and associates accounted for using the equity method	19	**(600)**	(2,595)
Profit before income tax expense		**213,093**	198,532
Income tax expense	7	**(73,283)**	(58,664)
Profit attributable to members of Flight Centre Limited		**139,810**	139,868

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

		Cents	Cents
Basic earnings per share	9	**140.0**	140.3
Diluted earnings per share	9	**138.9**	138.8

[1] Includes impairment charge to goodwill of $27.9M

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

Statement of Comprehensive Income

	Notes	Consolidated (For the year ended 30 June 2011) 2011 $'000	2010 $'000
Profit attributable to members of Flight Centre Limited		**139,810**	139,868
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets	28	**3,071**	6,202
Movement in retained profits attributable to available-for-sale financial assets	28	**(685)**	-
Changes in the fair value of cash flow hedges	28	**814**	1,381
Net exchange differences on translation of foreign operations	28	**(35,231)**	(21,147)
Income tax expense on items of other comprehensive income	28	**(668)**	(3,028)
Other comprehensive income		**(32,699)**	(16,592)
Total comprehensive income for the year attributable to members of Flight Centre Limited		**107,111**	123,276

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

Statement of Changes in Equity

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009		377,602	(7,169)	240,256	610,689
Profit for the year		-	-	139,868	139,868
Other comprehensive income		-	(16,592)	-	(16,592)
Total comprehensive income for the year		-	(16,592)	139,868	123,276
Transactions with owners in their capacity as owners:					
Capital redemption	28	-	(20,615)	20,615	-
Employee share-based payments	27 / 28	1,329	1,295	-	2,624
Dividends provided for or paid	8	-	-	(25,937)	(25,937)
Balance at 30 June 2010		378,931	(43,081)	374,802	710,652

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2010		**378,931**	**(43,081)**	**374,802**	**710,652**
Profit for the year		**-**	**-**	**139,810**	**139,810**
Other comprehensive income		**-**	**(32,014)**	**(685)**	**(32,699)**
Total comprehensive income for the year		**-**	**(32,014)**	**139,125**	**107,111**
Transactions with owners in their capacity as owners:					
Employee share-based payments	**27 / 28**	**2,377**	**354**	**-**	**2,731**
Dividends provided for or paid	**8**	**-**	**-**	**(79,878)**	**(79,878)**
Balance at 30 June 2011		**381,308**	**(74,741)**	**434,049**	**740,616**

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

Statement of Cash Flows

	Notes	Consolidated (For the year ended 30 June 2011) 2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**1,761,763**	1,732,908
Payments to suppliers and employees (including GST)		**(1,542,838)**	(1,472,261)
Interest received		**39,741**	26,589
Dividends received		**388**	-
Royalties received		**535**	532
Interest paid		**(32,537)**	(31,029)
Income taxes paid		**(64,187)**	(13,622)
Net cash inflow from operating activities	10	**162,865**	243,117
Cash flows from investing activities			
Payment for purchase of businesses (net of cash acquired)	30	**(5,247)**	(13,414)
Payments for property, plant and equipment	17	**(39,838)**	(17,823)
Payments for intangibles	18	**(7,896)**	(2,634)
Proceeds from sale of investments		**38,652**	3,971
Loans advanced to related parties	35	**(4,297)**	(1,907)
Loans repaid by related parties	35	**1,492**	1,105
Net cash (outflow) from investing activities		**(17,134)**	(30,702)
Cash flows from financing activities			
Proceeds from borrowings		**38,470**	44,333
Repayment of borrowings		**(27,709)**	(21,137)
Proceeds from issue of shares	27	**2,377**	1,329
Dividends paid to company's shareholders	8	**(79,878)**	(25,937)
Net cash (outflow) from financing activities		**(66,740)**	(1,412)
Net increase in cash held		**78,991**	211,003
Cash and cash equivalents at the beginning of the financial year		**892,898**	691,973
Effects of exchange rate changes on cash and cash equivalents		**(2,100)**	(10,078)
Cash and cash equivalents at end of the year	10	**969,789**	892,898

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

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2011 and the subsidiaries' results for the year then ended. FLT and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

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

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

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

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

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

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

(ii) Associates

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

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

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

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

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

(iii) Joint ventures

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

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

Notes to the Financial Statements

(iv) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of FLT.

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rates at the date when the fair value is determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations with different functional currencies to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as the foreign operations' assets and liabilities and translated at the closing rate.

(d) Revenue recognition

The group recognises revenue when:

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

The revenue amount is not considered reliably measurable until all contingencies relating to the sale have been resolved.

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

(i) Revenue from travel services

Revenue from the sale of travel services is recorded at the time of issuing travel documents, consistent with an agency relationship. Part of the United Kingdom (UK) business recognises revenue on an availed basis under a principal relationship, due to the different rules governing Flight Centre's UK operations. Revenue from the sale of travel services and the cost of travel services is disclosed separately for all principal relationships. The treatment in the UK has no influence on the overall group's operations as an agent.

(ii) 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 agent for various airlines and other service providers, plus revenue from other sources. Flight Centre's revenue is, therefore, derived from TTV. TTV is stated net of GST payable.

(iii) Lease income

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

(iv) Interest income

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

(v)Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence (refer note 1(h)).

(vi) Royalties

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

(e) Income tax

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

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

(f) Leases

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

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

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for a subsidiary's acquisition comprises the transferred assets' fair values, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes any contingent consideration arrangement's fair value and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis,

Notes to the Financial Statements

the group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Where equity instruments are issued in an acquisition, the instruments' fair values are their published market prices at the exchange date unless 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 fair value measure. Transaction costs arising on equity instruments' issue 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 acquired subsidiary's net identifiable assets' fair values and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

(h) Impairment of assets

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

(i) Trade receivables

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

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

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

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

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

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

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

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

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

(k) Investments and other financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. Derivatives are classified as held-for-trading unless they are designated as hedges. Derivatives in this category are current if they are expected to be settled within 12 months. Otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period's end. These are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) in the balance sheet.

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

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

Fair value

Listed investments' fair values are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group uses independent third parties to establish fair values.

Impairment

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

(l) Derivatives

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

Notes to the Financial Statements *continued*

(m) Fair value estimation

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

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

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

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

(n) Property, plant and equipment

Buildings and other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure directly attributable to the item's acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the item's cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. For other assets, depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 30 years
- Plant and equipment 2-8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting period's end.

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

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

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the acquisition's cost over the fair value of the group's interest in the fair value of the net identifiable assets of the acquired subsidiary or associate at the acquisition date. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost, less accumulated impairment losses. Gains and losses on the entity's disposal include the sold entity's carrying amount of goodwill.

Goodwill is allocated to the group's cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose, reported according to operating segments (note 31).

Goodwill on subsidiaries' acquisitions is included in intangible assets. Goodwill on associates' acquisitions is included in investment in associates.

(ii) Software

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

(iii) Other intangible assets

Other intangible assets, such as brand names, customer contracts and licences, are acquired as part of business combinations and are recognised initially at fair value. Where they have an indefinite useful life, they are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate they may be impaired. Other assets are amortised over their expected useful life, not exceeding seven years.

(p) Trade and other payables

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

(q) Employee benefits

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

Liabilities for employees' wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting period's end, are recognised in trade and other payables up to the reporting period's end and represent the amounts expected to be paid when the liabilities are settled. Sick leave is recognised as an expense when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as trade and other payables.

(ii) Long service leave

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in provisions. The liability represents the present value of expected future payments to be made for the services employees provided up to the reporting period's end. The company considers expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments at the reporting period's end are discounted using market yields on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

(iv) Share-based payments

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

Executive options

The fair value of options granted under the FLT Senior Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the options.

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

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

Employee share plans

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

Senior Executive Performance Rights Plan

The fair value of performance rights granted under the FLT Senior Executive Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the performance rights.

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

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

(v) Profit sharing and bonus plans

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

(vi) Termination benefits

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

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the company's equity holders, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Provisions

Provisions for legal claims and make good obligations are recognised when; the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

Notes to the Financial Statements *continued*

(t) Contributed equity

Ordinary shares are classified as equity (note 27).

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

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

(u) Rounding of amounts

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

(v) Dividends

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

(w) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

(x) Borrowings and borrowing costs

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

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

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

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

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The group has assessed the impact of these new standards and interpretations and has outlined their expected impacts below. Impacts are not expected to be material.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards* arising from AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards* arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held-for-trading. Fair value gains and losses on available-for-sale debt investments will, therefore, have to be recognised directly in profit or loss. In the current reporting period, the group recognised $2.39M of such gains in other comprehensive income (note 28).

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual periods beginning on or after 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standard as a result of the IASB's annual improvements project. The group will apply the amendments from 1 July 2011. The group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iv) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB amended Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. As FLT does not make any such prepayments, the amendment is not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

(v) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. FLT is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will, therefore, have no impact on the entity's financial statements.

(vi) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particular entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

(vii) 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 amendment is not expected to have any impact on the group's financial statements. The group will apply the amendment from 1 July 2012.

(viii) IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in other Entities* and revised IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (effective 1 January 2013)

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-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 is unchanged, as is 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.

IFRS 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 the joint arrangement parties share rights and obligations. 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. Joint operation parties will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 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 affect its financial statements

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. The group's application of this standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

IAS 27 is renamed Separate Financial Statements and now deals solely with separate financial statements. The group's application of this standard will not affect any of the amounts recognised in the financial statements.

Amendments to IAS 28 clarify that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate and vice versa. The amendments also introduce a "partial disposal" concept. The group is assessing the impact of these amendments.

Notes to the Financial Statements *continued*

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

(ix) IFRS 13 *Fair value measurement* (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will change as a result of the new guidance. It is, therefore, not possible to state the new rule's impacts, if any, on any of the amounts recognised in the financial statements. However, the new standard's application 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 will be applied in the reporting period ending 30 June 2014.

(x) Revised IAS 19 *Employee Benefits* (effective 1 January 2013)

In June 2011, the IASB released a revised standard on accounting for employee benefits. The AASB is expected to issue an equivalent revised AASB 119 Employee Benefits shortly. The revised standard requires immediate recognition of all remeasurements of defined benefit liabilities/assets in other comprehensive income (removal of the so-called corridor method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and may affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Since FLT does not have any defined benefit obligations, the amendments will not have any impact on the group's financial statements. The group has not yet decided when to adopt the new standard.

(xi) Revised IAS 1 *Presentation of Financial Statements* (effective 1 July 2012)

In June 2011, the IASB made an amendment to IAS 1 Presentation of Financial Statements. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment 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. It will not affect the measurement of any items recognised in the balance sheet or the profit or loss statement in the current period. The group intends to adopt the new standard from 1 July 2012.

(xii) 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 decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures to achieve consistency with the international equivalent standard and remove a duplication of the *Corporations Act 2001*'s requirements. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports are unchanged, but are currently subject to review and may also be revised in future.

(xiii) 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

AASB 2011-5 and AASB 2011-6 provide relief from consolidation, the equity method and proportionate consolidation to not-for-profit entities and entities reporting under the reduced disclosure regime under certain circumstances. They will not affect the group's financial statements. The amendments apply from 1 July 2011 and 1 July 2013 respectively.

(z) Segment reporting

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

(aa) Inventories

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

(ab) Financial guarantee contracts

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

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

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

(ac) Goods and Services Tax (GST)

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

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

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

(ad) Parent entity financial information

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of goodwill

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

(ii) Make good provision

A present value provision has been made for anticipated costs for future restoration of leased premises. The provision includes future cost estimates and assumptions associated with returning the premises to their previous condition. Actual expenditure may differ from the amounts currently provided.

(iii) Provision for impairment of receivables

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

(iv) Fair value of available-for-sale assets and financial assets at fair value through profit and loss

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the reporting period's end. The quoted market price used for the group's financial assets is the current bid price. The fair value of financial instruments traded in inactive markets is based on market indicators, including bid prices.

Notes to the Financial Statements *continued*

3 REVENUE

	Consolidated 2011 $'000	Consolidated 2010 $'000
Total transaction value (TTV)	**12,199,508**	10,893,927
Revenue from the sale of travel services		
Commission and fees from the provision of travel	**1,150,266**	1,065,724
Revenue from the provision of travel	**373,026**	345,660
Other revenue from travel services	**82,331**	77,701
	1,605,623	1,489,085
Revenue from the sale of travel as principal	**211,258**	274,097
Other revenue		
Rents and sub lease rentals	**4,899**	4,739
Interest	**40,124**	26,951
Royalties	**524**	546
	45,547	32,236

Total transaction value (TTV)

FLT's revenue is derived from its TTV, as outlined in note 1d.

4 OTHER INCOME AND EXPENSES

	Consolidated 2011 $'000	Consolidated 2010 $'000
Other Income		
Net foreign exchange gains	**-**	4,433
Gain on revaluation of previously held equity investment	**744**	-
Gain on sale of financial assets at fair value	**2,315**	-
	3,059	4,433
Other Expenses		
Net foreign exchange losses	**7,095**	-

5 EXPENSES

Profit before income tax includes the following specific expenses:	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Depreciation			
Buildings		**1,236**	1,351
Plant and equipment		**36,366**	39,334
Total depreciation		**37,602**	40,685
Amortisation			
Brand names		**3,034**	4,005
Other intangibles		**7,415**	7,372
Borrowing costs		**1,940**	1,725
Total amortisation		**12,389**	13,102
Other charges against assets			
Impairment charge of buildings	17	**-**	643
Impairment charge of goodwill	18	**27,917**	-
Finance costs			
Interest and finance charges paid / payable		**34,097**	31,666
Unwind of make good provision discount		**(123)**	301
Total finance costs		**33,974**	31,967
Defined contribution superannuation expense		**43,288**	38,179
Net loss on disposal of property, plant and equipment and intangible assets		**2,539**	755
Rental expense relating to operating leases[1]			
Lease payments		**129,338**	100,446
Impairment losses – financial assets			
Trade receivables		**3,408**	2,983

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

Notes to the Financial Statements *continued*

6 REMUNERATION OF AUDITORS

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

	Consolidated	
	2011 $	2010 $
(a) Audit services		
PricewaterhouseCoopers Australian firm	**804,800**	749,000
Related practices of PricewaterhouseCoopers Australian firm	**888,949**	1,038,349
Total remuneration for audit services	**1,693,749**	1,787,349
(b) Non-audit services		
Audit-related services		
PricewaterhouseCoopers Australian firm		
Other services	**4,500**	76,359
Related practices of PricewaterhouseCoopers Australian firm		
Audit of regulatory returns	**9,345**	1,605
Due diligence services	**-**	8,840
Other services	**-**	47,062
Total remuneration for audit-related services	**13,845**	133,866
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	**11,496**	-
Total remuneration for taxation services	**11,496**	-
Total remuneration for non-audit services	**25,341**	133,866
(c) Non-PricewaterhouseCoopers audit firms		
Audit and other assurance services		
Audit and review of financial reports	**132,760**	35,794
Total remuneration for audit services	**132,760**	35,794
Other services		
Due diligence	**30,000**	-
Other services	**179,814**	86,377
Total remuneration for non-audit services	**209,814**	86,377
Total remuneration for audit and non-audit services	**2,061,664**	2,043,386

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

7 INCOME TAX EXPENSE

(a) Income tax expense	Consolidated 2011 $'000	Consolidated 2010 $'000
Current tax	66,995	73,901
Deferred tax	5,422	(12,803)
Adjustments for current tax of prior periods	866	(2,434)
Income tax expense	73,283	58,664
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 21)	8,480	3,525
(Decrease) / increase in deferred tax liabilities (note 26)	(3,058)	(16,328)
	5,422	(12,803)

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

Profit before income tax expense	213,093	198,532
Tax at the Australian tax rate of 30% (2010 - 30%)	63,928	59,560
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible / (assessable) amounts	2,360	3,154
Intercompany loan forgiveness	6	5
Goodwill impairment	11,315	-
Other amounts	554	(940)
	78,163	61,779
Tax losses not recognised	2	534
Effect of different tax rates on overseas income	(3,680)	(892)
Tax losses booked	(2,068)	-
Under / (over) provision of prior year's income tax	866	(2,757)
	(4,880)	(3,115)
Income tax expense	73,283	58,664

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Current tax - (credited) / debited directly to equity (note 28)	-	-
Net deferred tax (credited) / debited directly to equity (note 28)	(212)	(469)

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

Available-for-sale financial assets	668	3,028

(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	9	9,213
Potential tax benefit at 30% (30% - 2010)	3	2,764

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

(f) Tax consolidation legislation

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

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

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

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

8 DIVIDENDS

	Parent	
	2011 $'000	2010 $'000
(a) Ordinary shares		
Final ordinary dividend for the year ended 30 June 2010 of 44.0 cents (2009: nil) per fully paid share, paid on 7 October 2010, fully franked	**43,905**	-
Interim ordinary dividend for the year ended 30 June 2011 of 36.0 cents (2010: 26.0 cents) per fully paid share, paid on 1 April 2011, fully franked	**35,973**	25,937
	79,878	25,937
(b) Dividends not recognised at the end of the year		
Since year-end, the directors have recommended a 48.0 cents per fully paid share (2010: 44.0 cents) final dividend. The aggregate amount of the dividend to be paid on 7 October 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year-end is:	**47,978**	43,905
(c) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30%	**159,054**	134,616

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

(i) Franking credits that will arise from the current tax liability's payment

(ii) Franking debits that will arise from the dividend payments recognised as a liability at the reporting period's end; and

(iii)Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting period's end

The dividend recommended by the directors since year-end, but not recognised as a liability at year-end, will reduce the franking account by $20.6M (2010: $18.8M).

9 EARNINGS PER SHARE

	Consolidated 2011	Consolidated 2010
(a) Basic earnings per share	**Cents**	Cents
Profit attributable to the company's ordinary equity holders	**140.0**	140.3
(b) Diluted earnings per share		
Profit attributable to the company's ordinary equity holders	**138.9**	138.8
(c) Reconciliations of earnings used in calculating earnings per share	**$'000**	$'000
Profit attributable to the company's ordinary equity holders used in calculating basic and diluted earnings per share	**139,810**	139,868
(d) Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**99,834,317**	99,712,556
Adjustments for calculation of diluted earnings per share:		
Options	**804,055**	1,030,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**100,638,372**	100,742,556

(e) Information concerning the classification of securities

(i) Options

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

Notes to the Financial Statements *continued*

10 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2011 $'000	2010 $'000
Cash at bank and on hand	376,763	322,332
Client account	598,162	580,997
	974,925	903,329

(a) Reconciliation to Statement of Cash Flows

	2011 $'000	2010 $'000
Cash and cash equivalents	974,925	903,329
Bank overdrafts (note 23)	(5,136)	(10,431)
Balance per Statement of Cash Flows	969,789	892,898

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

	2011 $'000	2010 $'000
Profit for the year	139,810	139,868
Depreciation and amortisation	49,991	53,787
Impairment charges against assets	27,917	643
Net (gain) / loss on disposal of non-current assets	2,539	755
Net (gain) / loss on revaluation of investment	(744)	-
Net (gain) / loss on sale of financial assets at fair value	(2,315)	-
Share of (profits) / losses of associate and joint venture partnership not received as dividends or distributions	600	2,595
Non-cash financing costs	1,509	485
Net exchange differences	1,492	4,579
(Increase) / decrease in trade debtors	(73,780)	(52,193)
(Increase) / decrease in deferred tax assets	8,465	4,727
(Increase) / decrease in inventories	135	(933)
Increase / (decrease) in trade creditors and other payables	5,336	35,898
Increase / (decrease) in provision for income taxes payable	3,079	56,703
Increase / (decrease) in provision for deferred income tax	(3,058)	(16,328)
Increase / (decrease) in other provisions	1,889	12,531
Net cash inflow / (outflow) from operating activities	162,865	243,117

(c) Risk exposure

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

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

11 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011 $'000	2010 $'000
Trade receivables	378,903	305,119
Less: Provision for impairment of receivables	(5,633)	(6,267)
	373,270	298,852
GST receivable	2,430	2,161
Prepayments	26,669	23,127
Other receivables	7,117	7,770
	36,216	33,058
Total trade and other receivables	409,486	331,910

(a) Impaired trade receivables

At 30 June 2011, current group trade receivables with a nominal value of $5.6M (2010: $6.3M) were impaired. The impaired receivables mainly relate to discrepancies under discussion with large corporate clients.

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

At 1 July	6,267	5,843
Bad debts expense	3,408	2,983
Balance acquired / (reduced) through acquisition / deconsolidation	-	2,618
Changes due to foreign exchange translation	(378)	(140)
Receivables written off during the year as uncollectible	(3,664)	(5,037)
	5,633	6,267

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

(b) Past due but not impaired

At 30 June 2011, group trade receivables of $41.5M (2010: $39.8M) were past due but not impaired. These receivables are due from a number of large corporate customers and suppliers and full recovery is expected because of contractual agreements. The trade receivables' ageing analysis is as follows:

Up to 9 months	40,876	35,976
Over 9 months	608	3,869
	41,484	39,845

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

(c) Other receivables

These amounts generally arise from transactions outside the group's usual operating activities. Interest may be charged at commercial rates where the repayment terms exceed six months. Collateral is not normally obtained.

(d) Foreign exchange and interest rate risk

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

(e) Fair value and credit risk

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

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

Notes to the Financial Statements *continued*

12 CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2011 $'000	2010 $'000
Listed debt securities	6,680	10,079
Unlisted debt securities	53,439	70,569
	60,119	80,648

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

These are bearing interest at between 0% and 10.75% (2010: 0% and 10.75%).

The weighted average interest rate for the year was 4.88% (2010: 4.74%).

(a) Unlisted securities

Unlisted securities are traded in the secondary market.

(b) Assets pledged as security

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

(c) Impairment and risk exposure

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

No impairment charge was written off to the income statement during the period (2010: nil).

13 CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2011 $'000	2010 $'000
Debt securities at fair value through profit and loss	4,790	15,474

14 CURRENT ASSETS – CURRENT TAX RECEIVABLES

	Consolidated	
	2011 $'000	2010 $'000
Income tax receivable	10,130	10,884

15 OTHER ASSETS

	Consolidated	
	2011 $'000	2010 $'000
(a) Current		
Loans to related parties (refer to note 35 for terms of the loans)	**1,889**	1,264
(b) Non-current		
Loans to related parties (refer to note 35 for terms of the loans)	**5,304**	2,928

16 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2011 $'000	2010 $'000
Current assets		
Forward foreign exchange contracts – held-for-trading ((a)(ii))	**-**	1,019
Total current derivative financial instrument assets	**-**	1,019
Current liabilities		
Forward foreign exchange contracts – held-for-trading ((a)(ii))	**4,845**	-
Interest rate swaps – cash flow hedges ((a)(i))	**-**	935
Total current derivative financial instrument liabilities	**4,845**	935
Non-current liabilities		
Interest rate swaps – cash flow hedges ((a)(i))	**121**	-
Total non-current derivative financial instrument liabilities	**121**	-

(a) Instruments used by the group

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

(i) Interest rate swap contracts – cash flow hedges

The group's bank loans currently bear an average variable interest rate of 5.57% (2010: 5.27%). The group protects part of the loans from exposure to interest rate fluctuation by entering into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 57% (2010: 65%) of the variable loan principal outstanding and are timed to settle and reset as each loan repayment falls due. The fixed interest rate is 0.88% (2010: 3.15%) and the variable rates are between 0.25% and 0.49% (2010: 0.24% and 1.07%).

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

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is re-classified into profit and loss when the hedged interest expense is recognised. In the year ended 30 June 2011, no ineffectiveness was recognised.

Notes to the Financial Statements *continued*

(ii) Forward exchange contracts

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

(b) Risk exposures

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

17 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

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

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

Year ended 30 June 2010	Freehold land and buildings $'000	Plant and equipment $'000	Total $'000
Opening balance at 1 July 2009			
Cost	41,478	272,367	313,845
Accumulated depreciation	(1,460)	(134,960)	(136,420)
Net book amount at 1 July 2009	40,018	137,407	177,425
Year ended 30 June 2010			
Opening cost	41,478	272,367	313,845
Additions	101	17,722	17,823
Acquisitions	262	2,534	2,796
Disposals	-	(49,392)	(49,392)
Impairment (a)	(643)	-	(643)
Exchange differences	(159)	(5,801)	(5,960)
Closing cost	41,039	237,430	278,469
Opening accumulated depreciation	(1,460)	(134,960)	(136,420)
Depreciation expense	(1,351)	(39,334)	(40,685)
Depreciation on disposals	-	44,233	44,233
Exchange differences	(66)	2,884	2,818
Closing accumulated depreciation	(2,877)	(127,177)	(130,054)
At 30 June 2010			
Cost	41,039	237,430	278,469
Accumulated depreciation	(2,877)	(127,177)	(130,054)
Net book amount at 30 June 2010	38,162	110,253	148,415

(a) Impairment charge

There are no impairment charges in 2011.

The impairment charge in 2010 related to the decline in building values in South Africa ($0.6M). This followed an external market valuation.

Notes to the Financial Statements *continued*

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Year ended 30 June 2011	Goodwill $'000	Brand names and customer relationships $'000	Other intangible assets $'000	Total $'000
Opening balance at 1 July 2010				
Cost	325,682	68,824	50,047	444,553
Accumulated depreciation	-	(9,472)	(31,133)	(40,605)
Net book amount at 1 July 2010	325,682	59,352	18,914	403,948
Year ended 30 June 2011				
Opening cost	325,682	68,824	50,047	444,553
Additions	-	-	7,896	7,896
Acquisitions	15,812	-	-	15,812
PPA adjustment	293	-	-	293
Disposals	-	-	(3,117)	(3,117)
Impairment	(27,917)	-	-	(27,917)
Deferred consideration	91	-	-	91
Exchange differences	(38,494)	(5,531)	(1,989)	(46,014)
Closing cost	275,467	63,293	52,837	391,597
Opening accumulated amortisation	-	(9,472)	(31,133)	(40,605)
Amortisation expense	-	(3,034)	(7,415)	(10,449)
Amortisation on disposals	-	-	1,267	1,267
Exchange differences	-	1,979	1,585	3,564
Closing accumulated amortisation	-	(10,527)	(35,696)	(46,223)
At 30 June 2011				
Cost	275,467	63,293	52,837	391,597
Accumulated amortisation	-	(10,527)	(35,696)	(46,223)
Net book amount at 30 June 2011	275,467	52,766	17,141	345,374

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS *continued*

Year ended 30 June 2010	Goodwill $'000	Brand names and customer relationships $'000	Other intangible assets $'000	Total $'000
Opening balance at 1 July 2009				
Cost	330,803	69,540	69,915	470,258
Accumulated amortisation	-	(5,805)	(45,167)	(50,972)
Net book amount at 1 July 2009	330,803	63,735	24,748	419,286
Year ended 30 June 2010				
Opening cost	330,803	69,540	69,915	470,258
Additions	-	-	2,634	2,634
Acquisitions	16,937	-	48	16,985
Disposals	-	-	(22,669)	(22,669)
Deferred consideration	(2,023)	-	-	(2,023)
Exchange differences	(20,035)	(716)	119	(20,632)
Closing cost	325,682	68,824	50,047	444,553
Opening accumulated amortisation	-	(5,805)	(45,167)	(50,972)
Amortisation expense	-	(4,005)	(7,372)	(11,377)
Amortisation on disposals	-	-	22,387	22,387
Exchange differences	-	338	(981)	(643)
Closing accumulated amortisation	-	(9,472)	(31,133)	(40,605)
At 30 June 2010				
Cost	325,682	68,824	50,047	444,553
Accumulated amortisation	-	(9,472)	(31,133)	(40,605)
Net book amount at 30 June 2010	325,682	59,352	18,914	403,948

Other intangible assets predominantly relate to software.

(a) Impairment tests

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

Goodwill	Australia $'000	UK $'000	United States $'000	Other countries[1] $'000	Total $'000
2011	**49,928**	**70,964**	**121,805**	**32,770**	**275,467**
2010	49,836	69,058	174,548	32,240	325,682

[1]Other countries consist of a number of individually insignificant CGU.

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

The value-in-use calculations use cash flow projections based on management approved financial budgets covering a five-year period. Cash flows beyond five years were not used. No growth rates were used to calculate the CGU's terminal values.

Notes to the Financial Statements *continued*

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS *continued*

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

Goodwill	Discount rate[1] 2011 %	Discount rate[1] 2010 %
CGU		
Australia	**16.4**	15.9
United States	**15.6**	14.9
UK	**16.4**	15.9
Other countries	**16.4**	15.9

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

Weighted average growth rates between 0% and 2% are used to extrapolate cash flows beyond the budget period.

These assumptions have been used for the analysis of each CGU within the business segment, with the exception of a recently acquired CGU within the United States segment, where fair value less cost to sell was used.

(c) Impairment charge

The impairment charge of $27.92m to goodwill during 2010/11 relates to the Liberty CGU within the United States segment. Liberty is the US retail and wholesale business and FLT wrote-off a portion of goodwill associated with this CGU due to lower then expected trading results since acquisition and for the forecast period.

(d) Impact of possible changes in key assumptions

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

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

Investments accounted for using the equity method – carrying value	Consolidated 2011 $'000	Consolidated 2010 $'000
Shares in associates (a)	-	8,382
Interests in joint ventures (b)	**5,897**	6,922
Total	**5,897**	15,304
Share of (loss) / profit of investments accounted for using the equity method		
Shares in associates (a)	**11**	(1,961)
Interests in joint ventures (b)	**(611)**	(634)
Total	**(600)**	(2,595)

Shares in associates and interests in joint ventures

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

(a) Investments in associates

(i) Carrying amounts

Name of company	Principal activity	Ownership interest 2011 %	Ownership interest 2010 %	Consolidated 2011 $'000	Consolidated 2010 $'000
Unlisted					
Garber's Travel Service, Inc.	Travel Services	**100**	26	-	8,382

On 17 December 2010, FC USA Inc. (a subsidiary of Flight Centre Limited) acquired the remaining 74% shareholding of Garber's Travel Service, Inc., a travel agency group based in Boston, incorporated in the United States. Garber's Travel Service, Inc. is accounted for as a subsidiary at 30 June 2011.

(ii) Movements in carrying amounts

	Consolidated 2011 $'000	Consolidated 2010 $'000
Carrying amount at the beginning of the financial year	**8,382**	18,898
Increases / (decreases) due to changes in ownership interest	**(8,393)**	(8,169)
Share of profits / (losses) after income tax	**11**	(1,961)
Gain / (loss) on foreign exchange translation	-	(386)
Carrying amount at the end of the financial year	-	8,382

Notes to the Financial Statements *continued*

(a) Investments in associates *continued*

(iii) Share of associates' profits or losses

	Consolidated	
	2011 $'000	2010 $'000
Profit / (loss) before income tax	14	(1,975)
Income tax expense	(3)	14
Profit / (loss) after income tax	11	(1,961)

(iv) Summarised financial information of associates

	Group's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2011				
Garber's Travel Service, Inc.	-	-	2,653	11
	-	-	2,653	11
2010				
Garber's Travel Service, Inc.	2,663	806	6,095	(124)
FCm Travel Solutions (India) Private Limited	-	-	-	(1,837)
	2,663	806	6,095	(1,961)

(v) Share of associates' expenditure commitments, other than for the supply of inventories

	Consolidated	
	2011 $'000	2010 $'000
Lease commitments	-	1,311

(b) Interests in joint ventures

The group is involved in four joint ventures as follows:

On 21 January 2008, FLT acquired a 50% shareholding in Employment Office Australia Pty Ltd, a Brisbane-based recruitment business incorporated in Australia.

On 1 August 2008, FLT acquired a 50% shareholding in Intrepid Retail Group Pty Ltd, a Melbourne-based adventure travel business incorporated in Australia.

On 31 August 2008, FLT acquired a 50% shareholding in Pedal Group Pty Ltd. Pedal Group has a 100% shareholding in 99 Bikes Pty Ltd, a Brisbane-based chain of retail bike stores, and a 100% shareholding in Advance Traders (Australia) Pty Ltd, a Brisbane-based wholesale bike company. All companies are incorporated in Australia.

On 31 October 2008, FLT acquired 100% of the equity of Back Roads Touring Co. Ltd, a London-based coach touring company incorporated in the UK. On 2 February 2009, Back Roads issued shares to a third party in what was deemed to be a dilution of 25% of Flight Centre's shareholding. The third party also obtained an option to purchase a further 25% shareholding. The third party's purchase and option over Back Roads' shares meant that from 2 February 2009 Flight Centre had joint control over Back Roads and would account for the entity as a joint venture. In February 2011, the third party option lapsed without being exercised.

Information relating to the joint ventures is presented in accordance with the accounting policy described in note 1(b)(iii) and is set out below.

	Ownership interest		Carrying value of investment	
Name	2011	2010	2011 $'000	2010 $'000
Employment Office Australia Pty Ltd	50%	50%	2,528	2,617
Intrepid Retail Group Pty Ltd	50%	50%	1,925	2,348
Pedal Group Pty Ltd	50%	50%	1,444	1,818
Back Roads Touring Co. Ltd	75%	75%	-	139
			5,897	6,922

Share of joint venture revenues, expenses and results	2011 $'000	2010 $'000
Revenues	16,995	18,584
Expenses	(17,606)	(19,218)
Profit / (loss) after income tax	(611)	(634)
Share of joint venture assets and liabilities		
Current assets	12,281	10,095
Non-current assets	2,025	1,634
Total assets	14,306	11,729
Current liabilities	5,043	3,571
Non-current liabilities	5,639	3,736
Total liabilities	10,682	7,307
Net assets	3,624	4,422
Share of joint venture commitments		
Lease commitments	6,195	3,813
Capital expenditure commitments	178	-

Notes to the Financial Statements *continued*

20 SUBSIDIARIES

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Australian AssetCo Pty Ltd	Australia	Ordinary	**100**	100
Australian OpCo Pty Ltd [1]	Australia	Ordinary	**100**	100
Escape Travel Franchising Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre (China) Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Foundation Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Foundation Trust [6]	Australia	Ordinary	**100**	-
Flight Centre Property Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Technology Pty Ltd [1]	Australia	Ordinary	**100**	100
Flight Centre Office Trust	Australia	Ordinary	**100**	100
Moneywise Global Pty Ltd	Australia	Ordinary	**100**	100
P4 Finance Pty Ltd [6]	Australia	Ordinary	**100**	-
Shanghai Journey Pty Ltd	Australia	Ordinary	**100**	100
Travel Money Currency Exchange Pty Ltd	Australia	Ordinary	**100**	100
Travel Money Holdings Pty Ltd	Australia	Ordinary	**100**	100
Travel Services Corporation Pty Ltd	Australia	Ordinary	**100**	100
Garber Travel (Canada) Inc [6]	Canada	Ordinary	**100**	-
The Flight Shops Inc	Canada	Ordinary	**100**	100
The Flight Shops Inc	Canada	Preference	**100**	100
A.I.T International Ticketing (Beijing) Limited [3]	China	Ordinary	**100**	100
Flight Centre – Comfort Business Travel Services Co Ltd [3]	China	Ordinary	**95**	95
Shanghai CiEvent Business Consulting Co Ltd	China	Ordinary	**100**	100
FC Investment Consulting Co. Ltd	China	Ordinary	**100**	100
American International Travel Limited [3]	Hong Kong	Ordinary	**100**	100
CH Services Limited	Hong Kong	Ordinary	**100**	100
GCH Services Limited	Hong Kong	Ordinary	**100**	100
FCm Travel Solutions (India) Private Limited [3]	Republic of India	Ordinary	**100**	100
Flight Centre (Mauritius) Limited	Mauritius	Ordinary	**100**	100
FFA Limited	New Zealand	Ordinary	**100**	100
Flight Centre (NZ) Limited	New Zealand	Ordinary	**100**	100
Travel Money (NZ) Limited	New Zealand	Ordinary	**100**	100
Flight Centre Property (South Africa) (Proprietary) Limited	Republic of Sth Africa	Ordinary	**100**	100
Flight Centre (South Africa) Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
Pendoring Contracting Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
Air Services International Pte Ltd	Singapore	Ordinary	**100**	100
FCm Singapore Pte Ltd [5]	Singapore	Ordinary	**100**	100
Britannic Travel Limited	United Kingdom	Ordinary	**100**	100
Britannic Travel Wholesale Limited	United Kingdom	Ordinary	**100**	100
Flight Centre Moneywise Limited	United Kingdom	Ordinary	**100**	100

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Flight Centre (UK) Wholesale Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Corporate Limited [4]	United Kingdom	Ordinary	-	100
Flight Centre (UK) Corporate Limited [4]	United Kingdom	Preference	-	100
Flight Centre (UK) Finance Limited [4]	United Kingdom	Ordinary	-	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Operations Limited [4]	United Kingdom	Ordinary	-	100
Garber's Travel Services Limited [6]	United Kingdom	Ordinary	**100**	-
FCm Bannockburn LLC [4]	USA	Ordinary	-	100
Flight Centre USA Holding Corp	USA	Ordinary	**100**	100
Garber's Travel Service, Inc. [6]	USA	Ordinary	**100**	-
Gogo Tours Inc [4]	USA	Ordinary	-	100
Holiday Vacations Inc [4]	USA	Ordinary	-	100
FC USA Inc	USA	Ordinary	**100**	100
Lib/Go Travel Inc [4]	USA	Ordinary	-	100
Flight Centre (ME) Limited	United Arab Emirates	Ordinary	**100**	100
FCm Travel Solutions (L.L.C) [2]	United Arab Emirates	Ordinary	**49**	49

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

[2] FCm Travel Solutions (L.L.C), incorporated in Dubai, is considered an FLT subsidiary. The 51% equity holding is a local statutory requirement, as only local residents are permitted to own or hold licences to operate a travel management business in Dubai, United Arab Emirates. Further, in accordance with Accounting Standards, FLT is considered to control the company with a 49% equity holding, due to management control (directorships, company secretary acting under FLT instruction and day-to-day management). In addition, profits are distributed in FLT's favour (88%).

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

[4] These entities have been deregistered during the 30 June 2011 financial year.

[5] FCm Travel Solutions Singapore Pte Ltd has been amalgamated with FCm Singapore Pte Ltd.

[6] These entities have been acquired or incorporated during the 30 June 2011 financial year.

Notes to the Financial Statements *continued*

21 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
The balance comprises temporary differences attributable to:	2011 $'000	2010 $'000
Doubtful debts	**1,140**	1,734
Employee benefits	**15,084**	13,428
Provision for asset write-down	**536**	4,720
Property, plant and equipment	**7,700**	7,000
Accruals	**5,912**	5,222
Investment write-down	**4,965**	7,002
Unearned income	**350**	1,219
Losses	**13,063**	12,914
Leasing	**5,660**	5,507
Provisions	**4,502**	7,636
Other	**1,333**	2,328
	60,245	68,710
Set-off of deferred tax liabilities pursuant to set-off provisions (note 26)	**(7,842)**	(6,559)
Net deferred tax assets	**52,403**	62,151
Deferred tax assets to be recovered within 12 months	**20,008**	26,619
Deferred tax assets to be recovered after more than 12 months	**40,237**	42,091
	60,245	68,710

Movements	Financial assets $'000	Employee benefits $'000	Doubtful Debts $'000	Depreciation $'000
At 1 July 2009	9,125	11,035	1,571	8,265
Credited / (charged) to the income statement	436	1,705	(721)	(1,285)
Credited / (charged) directly to equity	-	469	-	-
Credited / (charged) to comprehensive income	(3,028)	-	-	-
Acquisition of subsidiaries	-	219	884	20
At 30 June 2010	6,533	13,428	1,734	7,000

Movements	Accruals $'000	Leasing $'000	Other $'000	Total $'000
At 1 July 2009	7,923	7,244	28,274	73,437
Credited / (charged) to the income statement	(2,701)	(1,737)	778	(3,525)
Credited / (charged) directly to equity	-	-	-	469
Credited / (charged) to comprehensive income	-	-	-	(3,028)
Acquisition of subsidiaries	-	-	234	1,357
At 30 June 2010	5,222	5,507	29,286	68,710

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

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

Notes to the Financial Statements *continued*

22 TRADE AND OTHER PAYABLES

	Consolidated 2011 $'000	Consolidated 2010 $'000
(a) Current		
Trade payables	**217,007**	212,942
Client creditors	**736,525**	735,690
Accrued unsecured note interest	**5,423**	4,346
Annual leave	**24,986**	23,039
Accrual for vouchers	**1,527**	1,805
Contingent consideration	**125**	224
	985,593	978,046
(b) Non-current		
Lease incentive liability	**2,935**	3,381
Contingent consideration	**1,174**	981
Straight-line lease liability	**13,370**	11,948
	17,479	16,310

Risk exposure

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

Contingent consideration	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
As at 1 July	**224**	556
Additions due to acquisition	**373**	-
Payments	**(1,348)**	(500)
Unwinding and discount rate adjustments	**-**	20
Reclassification from non-current	**876**	148
As at 30 June	**125**	224
Non-current		
As at 1 July	**981**	3,115
Additions due to acquisition	**1,090**	-
Movement attributable to change in FX	**(112)**	-
Unwinding and discount rate adjustments	**-**	(47)
Change in growth assumptions	**91**	(1,939)
Reclassification to current	**(876)**	(148)
As at 30 June	**1,174**	981
Total contingent consideration	**1,299**	1,205

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

23 BORROWINGS

	Consolidated 2011 $'000	Consolidated 2010 $'000
(a) Current		
Secured		
Bank overdrafts	5,136	10,431
Bank loan	6,650	22,737
Unsecured		
Bank loans	20,109	-
Unsecured notes principal	67,279	59,899
Total current borrowings	99,174	93,067
(b) Non-current		
Secured		
Bank loan	15,271	15,299
Unsecured		
Bank loan	53,330	69,699
Total non-current borrowings	68,601	84,998

Unsecured notes

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

The group's weighted average interest rate during the year was 39.15% (2010: 40.42%), calculated on the face value of the unsecured notes principal.

Bank overdrafts

Total secured overdraft facilities available to the group are $6.3M (2010: $12.55M). These bear interest in the range of 5%-6.85% (2010: 5%-12.5%).

Risk exposures

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

(i) Financing arrangements

	Consolidated 2011 $'000	Consolidated 2010 $'000
Bank loan facilities		
Unused at balance date	706	20,981
Used at balance date	97,011	110,348
Total facilities	97,717	131,329

Bank loan facilities have an average maturity of 2.14 years at floating interest rates.

The current interest rates on bank loan facilities range from 1.59%-11.75% (2010: 1.69%-12.5%)

A purchase card facility of $31M is available to the company (2010: $33M).

Notes to the Financial Statements *continued*

Bank guarantees / Letter of credit facilities

Letters of credit facilities of $172M are available to the company (2010: $187M). The total letters of credit issued under these facilities was $48M (2010: $86M).

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

(ii) Fair value

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

	Carrying amount	Fair value	Carrying amount	Fair value
On balance sheet	**2011 $'000**	**2011 $'000**	**2010 $'000**	**2010 $'000**
Non-traded financial liabilities				
Bank overdrafts	**5,136**	**5,136**	10,431	10,431
Bank loans	**95,360**	**95,360**	107,735	107,735
Unsecured notes principal	**67,279**	**67,279**	59,899	59,899
	167,775	**167,775**	178,065	178,065

(iii) Assets pledged as security for secured liabilities

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

	Consolidated	
	2011 $'000	**2010 $'000**
Non-current		
Buildings	**31,513**	33,460
Total assets pledged as security	**31,513**	33,460

24 PROVISIONS

	Consolidated	
	2011 $'000	2010 $'000
(a) Current		
Employee benefits – long service leave	**11,980**	10,111
(b) Non-current		
Employee benefits – long service leave	**13,364**	12,204
Make good provision	**4,549**	5,689
	17,913	17,893

Movements in provisions

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

	Make good provision	
	2011 $'000	2010 $'000
Carrying amount at start of year	**5,689**	3,678
Additional provisions recognised	**455**	2,158
Decrease in provision due to amounts used during the year	**(294)**	(335)
Decrease in provision due to unused amounts	**(1,029)**	-
Decrease in discounted amount arising from passage of time and discount rate adjustments	**(123)**	301
Decrease due to changes in foreign currency exchange rates	**(149)**	(113)
Carrying amount at end of year	**4,549**	5,689

The group is required to restore leased premises to their original condition at the end of the respective lease terms.

A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and restore the leased premises.

These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term or the asset's useful life.

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

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

The entire provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect this leave that is not to be expected to be taken or paid within the next 12 months:

	Consolidated	
	2011 $'000	2010 $'000
Leave obligations expected to be settled after 12 months	**1,930**	1,770

Notes to the Financial Statements *continued*

25 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

	Consolidated	
	2011 $'000	2010 $'000
Provision for taxation	57,479	55,457

26 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	6,043	4,057
Property, plant and equipment	5,218	9,929
Unrealised foreign exchange	497	536
Investments	423	-
Prepayments	3	41
Leasing	2,097	1,763
Other	60	1,073
	14,341	17,399
Set-off of parent entity's deferred tax liabilities pursuant to set-off provisions (note 21)	(7,842)	(6,559)
Net deferred tax liabilities	6,499	10,840
Deferred tax liabilities to be settled within 12 months	6,047	4,099
Deferred tax liabilities to be settled after more than 12 months	8,294	13,300
	14,341	17,399

	Receivables $'000	Depreciation $'000	Foreign exchange movements $'000	Other $'000	Total $'000
Movements in deferred tax liabilities:					
At 1 July 2009	3,146	27,643	456	2,482	33,727
Charged/ (credited) to profit or loss	911	(17,714)	80	395	(16,328)
At 30 June 2010	4,057	9,929	536	2,877	17,399
At 1 July 2010	4,057	9,929	536	2,877	17,399
Charged/ (credited) to profit or loss	1,986	(4,711)	(39)	(294)	(3,058)
At 30 June 2011	6,043	5,218	497	2,583	14,341

27 CONTRIBUTED EQUITY

(a) Share capital		2011 Shares	2010 Shares	2011 $'000	2010 $'000
Fully paid ordinary shares	(b) (c)	**99,953,554**	99,780,631	**381,308**	378,931

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 July 2009	**Opening balance**	**99,644,038**		**377,602**
1 July 2009	Employee Share Plan	29,962	$8.67	260
2 July 2009	Employee Share Plan	3,465	$7.35	25
2 July 2009	Employee Share Plan	3,393	$8.67	29
4 February 2010	Senior Executive Option Plan	75,000	$7.75	581
5 May 2010	Employee Share Plan	7,072	$19.73	140
31 May 2010	Employee Share Plan	8,908	$16.52	147
30 June 2010	Employee Share Plan	8,793	$16.77	147
30 June 2010	**Closing balance**	**99,780,631**		**378,931**
1 July 2010	**Opening balance**	**99,780,631**		**378,931**
27 July 2010	Employee Share Plan	1,929	$17.83	34
26 August 2010	Employee Share Plan	1,953	$18.71	37
27 September 2010	Employee Share Plan	1,881	$22.81	43
27 October 2010	Employee Share Plan	1,527	$22.79	35
30 November 2010	Employee Share Plan	1,825	$23.74	43
29 December 2010	Employee Share Plan	1,665	$24.60	41
31 January 2011	Employee Share Plan	6,618	$24.54	162
28 February 2011	Employee Share Plan	7,518	$23.11	174
8 March 2011	Senior Executive Option Plan	120,000	$10.00	1,200
29 March 2011	Employee Share Plan	7,131	$21.00	150
29 April 2011	Employee Share Plan	6,409	$23.25	149
31 May 2011	Employee Share Plan	1,986	$22.57	45
31 May 2011	Employee Share Plan	5,021	$22.57	113
28 June 2011	Employee Share Plan	7,460	$20.21	151
30 June 2011	**Closing balance**	**99,953,554**		**381,308**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of the company's wind up in proportion to the number of and amount paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting, either in person or by proxy, is entitled to one vote. Upon a poll, each share is entitled to one vote.

(d) Employee Share Plan

Information relating to the Employee Share Plan is set out in the remuneration report and in note 34.

(e) Senior Executive Option Plan

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

Notes to the Financial Statements *continued*

(f) Senior Executive Performance Rights

Information relating to the Senior Executive Performance Rights Plan is set out in the remuneration report and in note 34.

(g) Capital management

FLT maintains a conservative funding structure that allows it to meet its operational and regulatory requirements, while providing sufficient flexibility to fund growth, working capital requirements and future strategic opportunities.

The group's capital structure includes a mix of debt (refer to note 23), general cash (refer to note 10) and equity attributable to the parent's equity holders (refer to notes 27 and 28).

In recent years, the company has initiated strategies to strengthen its balance sheet by increasing general cash and maintaining moderate debt levels, with a view to creating greater shareholder value in the future.

When determining dividend returns to shareholders, FLT's board considers a number of factors, including the company's anticipated cash requirements to fund its growth and operational plans and current and future economic conditions.

While payments may vary from time to time, according to these anticipated needs, the board's current policy is to return 50-60% of net profit after tax to shareholders.

	Consolidated	
	2011 $'000	2010 $'000
Total borrowings	167,775	178,065
Total equity	740,616	710,652
Gearing ratio	23%	25%

28 RESERVES AND RETAINED PROFITS

(a) Retained profits

	Consolidated	
Balance 1 July	2011 $'000	2010 $'000
Profit for the year	139,810	139,868
Dividends	(79,878)	(25,937)
Movement in available-for-sale reserve	(685)	-
Capital redemption reserve	-	20,615
Balance at 30 June	434,049	374,802

(b) Reserves

Available-for-sale investments revaluation reserve	(3,343)	(5,697)
Share-based payments reserve	2,679	2,325
Foreign currency translation reserve	(74,004)	(38,773)
Hedging reserve – cash flow hedges	(73)	(936)
Capital redemption reserve	-	-
	(74,741)	(43,081)

(b) Reserves *continued*

Movement in reserves:	Consolidated	
	2011 $'000	2010 $'000
Available-for-sale investments revaluation reserve		
Balance 1 July	(5,697)	(8,871)
Revaluation gross	2,386	6,202
Movement in value to retained earnings	685	-
Deferred tax (note 21)	(717)	(3,028)
Balance 30 June	(3,343)	(5,697)
Share-based payments reserve		
Balance 1 July	2,325	1,030
Share-based payment expense	142	826
Deferred tax (note 21)	212	469
Balance 30 June	2,679	2,325
Foreign currency translation reserve		
Balance 1 July	(38,773)	(17,626)
Net exchange differences on translation of foreign operations	(35,231)	(21,147)
Balance 30 June	(74,004)	(38,773)
Hedging reserve – cash flow hedges		
Balance 1 July	(936)	(2,317)
Fair value adjustments	814	1,381
Deferred tax (note 21)	49	-
Balance 30 June	(73)	(936)
Capital redemption reserve		
Balance 1 July	-	20,615
Share buy-back	-	-
Restructure	-	(20,615)
Balance 30 June	-	-

Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

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

(ii) Share-based payments reserve

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

(iii) Foreign currency translation reserve

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

(iv) Hedging reserve – cash flow hedges

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

Notes to the Financial Statements *continued*

(v) Capital redemption reserve

The capital redemption reserve is a reserve fund required under the UK Companies Act (1985) when shares are redeemed out of retained profits and not out of a new issue of share capital. Amounts held in this account cannot be distributed to shareholders by dividend, although they may be used to make bonus issues of share capital. This reserve ensures that the company's capital is not diluted by the redemption of some of the shares.

29 COMMITMENTS

Operating leases

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

	Consolidated	
	2011 $'000	2010 $'000
Within one year	**94,636**	94,382
Later than one year but not later than five years	**244,596**	233,441
Later than five years	**37,811**	47,704
	377,043	375,527

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

30 BUSINESS COMBINATIONS

Current year acquisition – The Gapyear Company Limited

(i) Summary of acquisition

On 7 October 2010, Flight Centre (UK) Limited, a 100% subsidiary of FLT, purchased 80% of shares in The Gapyear Company Limited (Gapyear) for £800k. As part of the purchase agreement, Flight Centre (UK) Limited also has an option to acquire the remaining 20% of shares from founder Tom Griffiths. The option means that Flight Centre (UK) Limited has effectively acquired a 100% interest in the subsidiary at the date of the business combination. As such, no non-controlling interest will be recognised.

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

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

FLT has provisionally recognised the fair values of Gapyear's identifiable assets and liabilities based on the best information available at the reporting date. Provisional business combination accounting is detailed below. These amounts have been calculated using the group's accounting policies.

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

Purchase consideration	2011 $'000
Cash paid	1,292
Contingent consideration[1]	441
Deferred consideration	309
Total purchase consideration	2,042
Fair value of net identifiable assets acquired	44
Goodwill	1,998

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

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

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:

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

(iii) Assets and liabilities acquired

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

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

(iv) Acquisition-related costs

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

Notes to the Financial Statements *continued*

Current year acquisition – Garber's Travel Service Inc

(i) Summary of acquisition

On 17 December 2010, FC USA Inc., a 100% subsidiary of FLT, acquired the remaining 74% shareholding of Garber's Travel Service, Inc., a travel agency group based in Boston in the United States.

From the acquisition date to year-end, Garber contributed a net profit of $1.117M to FLT and revenue of $11.705M. Had the acquisition occurred on 1 July 2010, the net profit for the year ended 30 June 2011 attributable to Garber would have been $1.176M and revenue of $21.908M.

FLT has provisionally recognised the fair values of Garber's identifiable assets and liabilities, based on the best information available at the reporting date. Provisional business combination accounting is detailed below. These amounts have been calculated using the group's accounting policies.

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

Purchase consideration	2011 $'000
Cash paid	10,485
Deferred consideration	713
Fair value of previously held equity interest (26%)	7,927
Total purchase consideration	19,125
Fair value of net identifiable assets acquired	5,311
Goodwill	13,814

A gain of $744k was recognised in revaluing the previously held equity interest to fair value at the date of acquisition and is reported in Other Income note 4.

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

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:

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

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	6,486	6,486
Accounts receivable	1,216	1,216
Other assets	231	231
Property, plant and equipment	178	178
Investments	118	-
Deferred tax assets	495	495
Trade and other payables	(1,956)	(1,956)
Provisions	(688)	(1,339)
Net identifiable assets acquired	**6,080**	**5,311**

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

(iv) Acquisition-related costs

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

Prior year acquisitions – FCm Travel Solutions (India) Private Limited

(i) Summary of acquisition

On 26 April 2010, Flight Centre Limited took 100% ownership and control of FCm Travel Solutions (India) Private Limited by acquiring the remaining 44% interest from the former partner, Mr. Rahul Nath. Prior to the transaction, FLT held a 56% interest in the company.

From the acquisition date to year-end, FCm Travel Solutions (India) contributed a net profit of $0.9M to FLT. Had the acquisition occurred on 1 July 2009, consolidated loss for the year ended 30 June 2010 would have been $2.3M.

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

FLT has finalised the purchase price allocation for FCm Travel Solutions (India) Private Limited. Final fair values are listed below.

Purchase consideration	2011 $'000
Cash paid	13,000
Written down value of motor vehicles transferred	422
Fair value of previously held equity interest (56%)	9,452
Total purchase consideration	22,874
Fair value of net identifiable assets acquired	5,685
Goodwill (note 18)	17,189

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:

Cash consideration	13,000
Less: Cash acquired	(4,785)
Outflow of cash	8,215

There was no contingent consideration in this acquisition

Notes to the Financial Statements *continued*

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount at aquisition $'000	Fair value $'000
Cash and cash equivalents	(178)	4,785
Accounts receivable	32,103	33,172
Other assets	11,316	5,779
Property, plant and equipment	2,727	2,949
Intangible assets	35	168
Deferred tax asset	1,301	1,612
Trade and other payables	(23,048)	(19,896)
Borrowings	(16,789)	(21,727)
Provisions	(1,297)	(1,157)
Net identifiable assets acquired	**6,170**	**5,685**

No acquisition provisions were created.

The goodwill is attributable to the potential product and global corporate synergies and increased access to the Indian travel market, which will contribute to the group's overall revenue and profitability.

Prior year acquisitions – Air Services International Pte. Ltd

(i) Summary of acquisition

On 30 April 2010, FLT acquired 100% of the assets of Air Services International Pte. Ltd, a travel agency business based in Singapore.

From the acquisition date to year-end, Air Services International contributed a net loss of $0.4M to FLT. Had the acquisition occurred on 1 July 2009, consolidated revenue and profit for the year ended 30 June 2010 would have been $21.6M and $0.3M respectively.

These amounts have been calculated using the group's accounting policies.

FLT has recognised the fair values of the identifiable assets and liabilities of Air Services International. Final business combination accounting is detailed below.

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

Purchase consideration	2011 $'000
Cash paid	236
Total purchase consideration	236
Fair value of net identifiable assets acquired	3
Goodwill (note 18)	233

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:

Cash consideration	236
Less: Cash acquired	-
Outflow of cash	236

There was no contingent consideration in this acquisition *(iii) Assets and liabilities acquired*

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

	Acquiree's carrying amount $'000	Fair value $'000
Property and equipment	3	3

No acquisition provisions were created.

The goodwill is attributable to increased product access and Asia region corporate synergies, which will contribute to the group's overall revenue and profitability.

31 SEGMENT INFORMATION

(a) Identification and description of segments

FLT has identified its operating segments based on the internal reports that are reviewed and used by the board and executive team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The executive team currently consists of the following members:

- Managing director
- Chief financial officer
- Executive general manager – air, land and it
- Executive general manager – marketing
- Executive general manager – Peopleworks; and
- Executive general manager – Asia

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

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

(b) Types of products and services

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

(c) Major customers

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

(d) Accounting policies and inter-segment transactions

The group's accounting policies in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

If items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments, under FLT's policies This avoids asymmetrical allocations within segments, which management believes would be inconsistent.

Notes to the Financial Statements *continued*

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

The segment information provided to the board of directors and executive team for the reportable segments for the years ended 30 June 2011 and 30 June 2010 is as follows:

30 June 2011	Australia $'000	United States $'000	United Kingdom $'000	All other segments $'000	Total $'000
TTV	7,171,693	1,492,087	1,074,197	2,461,531	12,199,508
Total segment revenue	1,030,876	187,578	152,962	431,835	1,803,251
Inter-segment revenue	(106,234)	1,602	(7,067)	(13,304)	(125,003)
Revenue from external customers	924,642	189,180	145,895	418,531	1,678,248
Adjusted EBIT	191,312	1,487	15,812	16,055	224,666
Depreciation and amortisation	25,080	8,542	4,254	12,115	49,991
Share of profit/(loss) from associates and joint ventures	(611)	11	-	-	(600)
Other material items:					
Impairment of assets	-	27,917	-	-	27,917
Gain on revaluation of investment in subsidiary	-	744	-	-	744
Net gain/(loss) on sale of available-for-sale financial assets	2,315	-	-	-	2,315
Total segment assets	1,150,600	254,878	169,459	365,634	1,940,571
Total segment assets include:					
Investment in associates and joint ventures	5,897	-	-	-	5,897
Additions to non-current assets (PPE and Intangibles)	28,066	1,124	7,730	10,814	47,734
Total segment liabilities	645,139	181,203	123,729	150,173	1,100,244

30 June 2010	Australia $'000	United States $'000	United Kingdom $'000	All other segments $'000	Total $'000
TTV	6,406,723	1,537,272	990,572	1,959,360	10,893,927
Total segment revenue	940,312	210,525	145,942	358,515	1,655,294
Inter-segment revenue	(77,797)	(2,187)	(4,127)	(7,994)	(92,105)
Revenue from external customers	862,515	208,338	141,815	350,521	1,563,189
Adjusted EBIT	173,808	(8,302)	19,794	2,137	187,437
Depreciation and amortisation	27,081	12,184	4,073	10,449	53,787
Share of profit/(loss) from associates and joint ventures	395	(127)	(947)	(1,916)	(2,595)
Other material items:					
Impairment of assets	-	-	-	643	643
Net gain/(loss) on sale of available-for-sale financial assets	-	-	-	-	-
Total segment assets	988,791	356,418	158,479	392,492	1,896,180
Total segment assets include:					
Investment in associates and joint ventures	8,185	8,381	(1,143)	(119)	15,304
Additions to non-current assets (PPE and Intangibles)	13,350	2,547	1,153	3,407	20,457
Total segment liabilities	591,220	235,956	112,640	139,002	1,078,818

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

The board and executive team assess the performance of the operating segments based on a measure of adjusted EBIT. This measurement excludes the effects of non-recurring expenditure from the operating segments, deferred consideration and foreign exchange impacts on intercompany loans.

A reconciliation of adjusted EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2011 $'000	2010 $'000
Adjusted EBIT	**224,666**	187,437
Interest expense	**(7,338)**	(7,078)
Interest revenue	**28,177**	20,506
Net interest income / expense	**20,839**	13,428
Deferred consideration	**123**	(352)
Net foreign exchange (losses) / gains on intercompany loans	**(3,823)**	(2,050)
Impairment charges	**(27,917)**	(643)
Profit on revaluation of investment	**744**	-
Other non-material items	**(1,539)**	712
Profit before income tax	**213,093**	198,532

Notes to the Financial Statements *continued*

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

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the directors and executive team is measured in a manner consistent with that in the income statement.

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

Revenue presented for All other segments is calculated on a consistent basis with other segment revenues.

Segment revenue reconciles to total revenue as follows:

	Consolidated	
	2011 $'000	2010 $'000
Inter-segment sales elimination	(125,003)	(92,105)
Total segment revenue to external customers	1,678,248	1,563,189
Revenue from the sale of travel as principal	211,258	274,097
Gross profit from sale of travel as principal	(26,935)	(31,664)
Share of associates' losses disclosed separately	600	2,595
Profit on sale of investments disclosed separately	(744)	-
Other non-material revenue items	1	(12,799)
Total revenue	1,862,428	1,795,418

(h) Segment information presented to the board and executive team – Assets

The total asset amounts provided to the directors and executive team are measured in a manner consistent with that of the financial statements. These assets are allocated based on the segment's operations and the asset's physical location.

Reconciliation of segment assets to total assets is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Segment assets	1,940,571	1,896,180
Unallocated assets:		
Loans to external parties	7,193	4,192
Deferred tax asset	52,403	62,151
Current tax receivable	10,130	10,884
Other non-material assets	3	4,902
Total assets as per the balance sheet	2,010,300	1,978,309

The analysis of the location of non-current assets, other than financial instruments, deferred tax assets and loans to related parties (there are no employment benefit assets and rights arising under insurance contracts) located in Australia and other material foreign countries are shown below.

Australia	175,463	156,223
UK	12,135	9,549
USA	144,098	216,486
Other countries	158,498	185,409
Total non-current assets	490,194	567,667

(i) Segment information presented to the board and executive team – Liabilities

The amounts provided to the board and executive team with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the segment's operations.

The group's borrowings are not considered part of segment liabilities and are managed by the treasury function.

Reconciliation of segment liabilities to total liabilities is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Segment liabilities	**1,100,244**	1,078,818
Unallocated liabilites:		
Deferred tax liabilities	**6,499**	10,840
Current tax liabilities	**57,479**	55,457
Bank overdraft and external bank loans	**100,496**	118,166
Derivative financial instruments	**4,966**	935
Other non-material liabilities	**-**	3,441
Total liabilities as per the balance sheet	**1,269,684**	1,267,657

32 FINANCIAL RISK MANAGEMENT

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

A central treasury department oversees financial risk under board-approved policies that cover specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. Treasury identifies, evaluates and hedges financial risks in cooperation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The group holds the following financial assets and liabilities:

	Consolidated	
	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	**974,925**	903,329
Available-for-sale financial assets	**60,119**	80,648
Other financial assets	**4,790**	15,474
Trade and other receivables	**409,486**	331,910
Derivative financial instruments	**-**	1,019
	1,449,320	1,332,380
Financial liabilities		
Trade and other payables	**960,482**	954,783
Contingent consideration	**1,299**	1,205
Borrowings	**167,775**	178,065
Derivative financial instruments	**4,966**	935
	1,134,522	1,134,988

Notes to the Financial Statements *continued*

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies.

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and, where appropriate, uses forward exchange contracts to reduce foreign currency risk. All contracts expire within 12 months.

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

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

	Consolidated	
	2011 $'000	2010 $'000
Trade receivables		
US Dollar	**9,410**	8,466
Great Britain Pound	**475**	21
Canadian Dollar	**414**	419
Euro	**259**	477
Chinese Renminbi	**49**	2,525
Royal Brunei Dollar	**2,414**	835
Other	**327**	1
Trade payables		
US Dollar	**19,550**	6,633
Great Britain Pound	**2,274**	1,847
Canadian Dollar	**1,406**	1,127
Fijian Dollar	**5,770**	4,116
Thai Baht	**5,578**	4,699
Euro	**5,035**	3,993
Hong Kong Dollar	**1,652**	1,292
New Zealand Dollar	**3,116**	2,664
Malaysian Ringgit	**1,346**	1,627
French Pacific Franc	**710**	595
Singapore Dollar	**1,388**	1,143
Other	**1,135**	165

(ii) Price risk

The group is exposed to securities price risk. This arises from group investments classified on the balance sheet as available-for-sale or fair value through profit and loss (FVTPL).

To manage price risk arising from investments in securities, the investment portfolio is diversified in accordance with the limits established within the group's treasury policy.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, investment securities and derivative financial instruments, as well as credit exposures to corporate and retail customers, including outstanding receivables and committed transactions. Credit risk arising from cash and cash equivalents, investment securities and derivative financial instruments is managed in accordance with group treasury policy. Limits are set on credit rating, type of security, counterparty exposure and maturity.

Credit risk management assesses corporate clients' credit quality by analysing external credit ratings, financial position and security available where appropriate. Individual risk limits are established for all corporate customers in accordance with corporate credit policy, with regular monitoring and reporting to management. Sales to retail customers are settled in cash or via major credit cards, mitigating credit risk.

Credit risk on financial guarantees and letters of credit is disclosed in note 23.

Financial assets' credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Equivalent S&P Rating			Internally Rated			
	AA and above $'000	AA- to A- $'000	BBB+ to BBB $'000	Non-investment grade / unrated $'000	Closely monitored customers[1] $'000	No default customers[2] $'000	Total $'000
At 30 June 2011							
Cash and cash equivalents	**689,778**	**245,032**	**36,848**	**3,267**	**-**	**-**	**974,925**
Available-for-sale financial assets	**20,629**	**10,457**	**24,474**	**4,559**	**-**	**-**	**60,119**
Other financial assets	**-**	**2,243**	**-**	**2,547**	**-**	**-**	**4,790**
Trade and other receivables	**-**	**-**	**-**	**-**	**6,241**	**403,245**	**409,486**
At 30 June 2010							
Cash and cash equivalents	622,916	277,575	-	2,838	-	-	903,329
Available-for-sale financial assets	32,207	19,737	21,432	7,272	-	-	80,648
Other financial assets	-	6,340	-	9,134	-	-	15,474
Trade and other receivables	-	-	-	-	10,136	321,774	331,910
Derivative financial instruments	892	-	-	127	-	-	1,019

[1] Closely monitored customers have either had a provision raised against them or have payments outstanding greater than nine months but no specific provision has been raised.

[2] No default customers have no late payments or other breaches of trading terms which would require a provision to be raised.

Notes to the Financial Statements *continued*

(c) Liquidity risk

Prudent liquidity risk management requires the company to maintain sufficient cash and marketable securities, access to additional funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the end of the year, FLT held deposits at call of $252M (2010: $330M) that are readily available for managing liquidity risk. Because of the underlying business's dynamic nature, committed credit lines are available to maintain flexibility relating to funding.

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities) and cash and cash equivalents (refer note 10) on the basis of expected cash flows. This is generally carried out at local level in the group's operating companies in accordance with established practice and limits. These limits vary by location to take into account local market liquidity. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The group's access to undrawn borrowing facilities and the financial liabilities' maturities at the reporting period's end are disclosed in note 23.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings. Groupings are based on the remaining period to the contractual maturity date at the reporting period's end. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Group – 2011						
Non-derivatives						
Non-interest bearing – trade and other payables	**960,607**	**229**	**945**	**-**	**961,781**	**961,781**
Variable rate – borrowings	**84,719**	**15,068**	**81,265**	**3,245**	**184,297**	**167,775**
Total non-derivatives	**1,045,326**	**15,297**	**82,210**	**3,245**	**1,146,078**	**1,129,556**
Derivatives						
Gross settled						
(inflow)	**(148,788)**	**(540)**	**(228)**	**-**	**(149,556)**	**4,966**
outflow	**153,903**	**492**	**126**	**-**	**154,521**	**-**
Total derivatives	**5,115**	**(48)**	**(102)**	**-**	**4,965**	**4,966**
Group – 2010						
Non-derivatives						
Non-interest bearing – trade and other payables	955,007	189	709	83	955,988	955,988
Variable rate – borrowings	95,806	72,545	13,207	4,846	186,404	178,065
Total non-derivatives	1,050,813	72,734	13,916	4,929	1,142,392	1,134,053
Derivatives						
Gross settled						
(inflow)	(67,523)	-	-	-	(67,523)	(84)
outflow	67,439	-	-	-	67,439	-
Total derivatives	(84)	-	-	-	(84)	(84)

(d) Cash flow and fair value interest rate risk

The group holds a number of interest bearing assets which are issued at variable interest rates. FLT's income and operating cash flows are, therefore, exposed to changes in market interest rates.

Borrowings issued at variable rates expose the group to cash flow interest rate risk.

The variable rate borrowings and interest rate swap contracts outstanding at reporting date are disclosed in notes 23 and 16 respectively.

The group constantly analyses its interest rate exposure, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The group calculates the impact a defined interest rate shift will have on profit and loss. For each analysis, the same interest rate shift is used for all currencies.

The group's fixed rate borrowings and receivables are carried at amortised cost. They are, therefore, not subject to interest rate risk as defined in AASB 7.

The group uses floating-to-fixed interest rate swaps to manage its cash flow interest rate risk. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

(e) Fair value measurement

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

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level under the following measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) Quoted prices in non-active markets for identical assets or liabilities or inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following tables present the group's assets and liabilities measured and recognised at fair value.

Notes to the Financial Statements *continued*

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2011				
Assets				
Available-for-sale financial assets	6,680	53,439	-	60,119
Other financial assets	-	4,790	-	4,790
Total assets	**6,680**	**58,229**	**-**	**64,909**
Liabilities				
Contingent consideration	-	-	1,299	1,299
Derivative financial instruments	-	4,966	-	4,966
Total liabilities	**-**	**4,966**	**1,299**	**6,265**
30 June 2010				
Assets				
Available-for-sale financial assets	10,079	70,569	-	80,648
Other financial assets	-	15,474	-	15,474
Derivative financial instruments	-	1,019	-	1,019
Total assets	10,079	87,062	-	97,141
Liabilities				
Contingent consideration	-	-	1,205	1,205
Derivative financial instruments	-	935	-	935
Total liabilities	-	935	1,205	2,140

Details on fair value calculations for financial instruments traded in active and in inactive markets are included in Note 1k, along with financial liabilities' fair value calculations.

	Contingent consideration $'000
Opening balance 1 July 2009	3,671
Other decreases	(2,466)
Closing balance 30 June 2010	1,205
Other increases	206
Gains/(losses) recognised in other comprehensive income	(112)
Closing balance 30 June 2011	1,299

Summarised sensitivity analysis

Sensitivity figures are pre-tax. The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk. The movement in equity excludes movements in retained earnings.

Consolidated		Interest rate risk				Foreign exchange risk				Other price risk*			
		–1%	–1%	+1%	+1%	–10%	–10%	+10%	+10%	–1%	–1%	+1%	+1%
2011	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	974,925	(9,749)	-	9,749	-	3,518	-	(2,879)	-	-	-	-	-
Available-for-sale financial assets	60,119	(526)	-	526	-	-	-	-	-	-	140	-	(137)
Other financial assets	4,790	(48)	-	48	-	-	-	-	-	-	-	-	-
Trade and other receivables	409,486	-	-	-	-	1,483	-	(1,213)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Trade and other payables	961,781	-	-	-	-	(9,935)	-	8,129	-	-	-	-	-
Borrowings – current	99,174	319	-	(319)	-	-	-	-	-	-	-	-	-
Borrowings – non-current	68,601	686	-	(686)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	4,966	(137)	-	558	-	13,456	-	(11,010)	-	-	(837)	-	1,108
Total increase / (decrease)		(9,455)	-	9,876	-	8,522	-	(6,973)	-	-	(697)	-	971

Notes to the Financial Statements *continued*

Consolidated		Interest rate risk				Foreign exchange risk				Other price risk*			
		−1%	−1%	+1%	+1%	−10%	−10%	+10%	+10%	−1%	−1%	+1%	+1%
2010	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	903,329	(9,033)	-	9,033	-	1,508	-	(1,223)	-	-	-		-
Available-for-sale financial assets	80,648	(674)	-	674	-	-	-	-	-	-	207		(201)
Other financial assets	15,474	(155)	-	155	-	-	-	-	-	-	-		-
Trade and other receivables	331,910	-	-	-	-	1,416	-	(1,158)	-	-	-		-
Derivative financial instruments	1,019	-	-	-	-	7,125	-	(5,691)	-	-	-		-
Financial liabilities													
Trade and other payables	955,988	-	-	-	-	(3,401)	-	2,783	-	-	-	-	-
Borrowings – current	93,067	332	-	(332)	-	-	-	-	-	-	-	-	-
Borrowings – non-current	84,998	850	-	(850)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	935	(152)	-	470	-	-	-	-	-	-	(156)	-	242
Total increase / (decrease)		(8,832)	-	9,150	-	6,648	-	(5,289)	-	-	51	-	41

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

33 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2011 $	Consolidated 2010 $
Short-term employee benefits	5,998,012	9,943,116
Post employment benefits	1,123,839	434,324
Share-based payments	390,056	826,055
Long-term benefits	291,705	486,618
	7,803,612	11,690,113

Detailed remuneration disclosures are provided in sections A-F of the remuneration report on pages 18 to 30.

(b) Equity instrument disclosures relating to key management personnel

(i) Options and performance rights provided as remuneration and shares issued on exercise of such

Details of options and performance rights provided as remuneration and shares issued on the exercise of such, together with terms and conditions, can be found in section E of the remuneration report on pages 26 to 29.

(ii) Option and performance rights holdings

The number of options and performance rights over ordinary FLT shares held during the financial year by each director of Flight Centre Limited and other group key management personnel, including their personally related parties, is set out below.

	Balance at start of the year	Granted as compen-sation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
2011							
Executive and non-executive directors of Flight Centre Limited							
P.R. Morahan	-	-	-	-	-	-	-
G.W. Smith	-	-	-	-	-	-	-
P.F. Barrow	-	-	-	-	-	-	-
G.F. Turner	-	-	-	-	-	-	-
Other key management personnel of the group							
S.C.O'Brien (resigned 15 Mar 11)	200,000	-	(40,000)	(160,000)	-	-	-
R. Flint[1]	-	22,000	-	-	22,000	-	22,000
M.C. Waters-Ryan	200,000	-	-	-	200,000	40,000	160,000
A. J. Flannery	200,000	-	(40,000)	-	160,000	-	160,000
C. Galanty	-	-	-	-	-	-	-
C.R. Bowman	200,000	-	(40,000)	-	160,000	-	160,000
D.W. Smith	-	-	-	-	-	-	-
M.J. Murphy	200,000	-	-	-	200,000	40,000	160,000

[1] R. Flint participated in the Senior Executive Performance Rights Plan. Others participated in the Senior Executive Option Plan.

Notes to the Financial Statements *continued*

	Balance at start of the year	Granted as compen-sation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
2010							
Executive and non-executive directors of Flight Centre Limited							
P.R. Morahan	-	-	-	-	-	-	-
G.W. Smith	-	-	-	-	-	-	-
P.F. Barrow	-	-	-	-	-	-	-
G.F. Turner	-	-	-	-	-	-	-
Other key management personnel of the group							
D.W. Smith	-	-	-	-	-	-	-
C. Galanty	-	-	-	-	-	-	-
R. Miller	-	-	-	-	-	-	-
S. C. O'Brien	275,000	-	(75,000)	-	200,000	-	200,000
A. J. Flannery	200,000	-	-	-	200,000	-	200,000
C.R. Bowman	200,000	-	-	-	200,000	-	200,000
M.C. Waters-Ryan	200,000	-	-	-	200,000	-	200,000
M.J. Murphy	200,000	-	-	-	200,000	-	200,000
R. Flint	-	-	-	-	-	-	-

(iii) Share holdings

The numbers of shares held during the financial year by each director of Flight Centre Limited and other key group management personnel, including their personally related parties, are set out below.

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2011				
Directors of Flight Centre Limited				
Ordinary shares				
P.R. Morahan	17,742	-	-	17,742
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	35,000	-	(5,000)	30,000
G.F. Turner	15,844,535	-	(33,334)	15,811,201
Other key management personnel of the group				
Ordinary shares				
S.C. O'Brien (resigned 15 March 2011)	100,000	40,000	(15,000)	125,000
R. Flint	28,300	-	(28,300)	-
M.C. Waters-Ryan	4,159	-	-	4,159
A.J. Flannery	256	40,000	(40,000)	256
C. Galanty	2,002	-	-	2,002
C.R. Bowman	181	40,000	45	40,226
D.W. Smith		-	-	-
M.J. Murphy	3,000	-	81	3,081
2010				
Directors of Flight Centre Limited				
Ordinary shares				
P.R. Morahan	14,712	-	3,030	17,742
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	35,000	-	-	35,000
G.F. Turner	15,828,235	-	16,300	15,844,535
Other key management personnel of the group				
Ordinary shares				
D.W. Smith	-	-	-	-
C. Galanty	2,002	-	-	2,002
R. Miller	100	-	-	100
S.C. O'Brien	45,000	75,000	(20,000)	100,000
A.J. Flannery	200	-	56	256
C.R. Bowman	125	-	56	181
M.C. Waters-Ryan	4,159	-	-	4,159
M.J. Murphy	5,000	-	(2,000)	3,000
R. Flint	14,000	-	14,300	28,300

Notes to the Financial Statements *continued*

(c) Other transactions with key management personnel

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

34 SHARE-BASED PAYMENTS

(a) Senior Executive Option Plan

Options can be granted to executives at the board's discretion under the FLT Senior Executive Option Plan, which was established in March 2006.

Four executive team members are eligible to participate in the Senior Executive Option Plan. Directors have elected not to participate in FLT's option plans.

The plan rules provide that the total number of options which can be on issue at any time is limited such that the number of shares resulting from exercising of all unexercised options does not exceed 5% of the company's then issued capital.

Additional details are provided in the remuneration report and in the summary below:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Expired during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
2011									
29/06/09[1]	**30/06/15**	**$10.00**	**1,000,000**	**-**	**(160,000)**	**-**	**(120,000)**	**720,000**	**80,000**
Total			**1,000,000**	**-**	**(160,000)**	**-**	**(120,000)**	**720,000**	**80,000**
Weighted average exercise price			**$10.00**	**-**	**$10.00**	**-**	**$10.00**	**$10.00**	**$10.00**
2010									
23/01/09[1]	23/01/14	$7.75	75,000	-	-	-	(75,000)	-	-
29/06/09[1]	30/06/15	$10.00	1,000,000	-	-	-	-	1,000,000	-
Total			1,075,000	-	-	-	(75,000)	1,000,000	-
Weighted average exercise price			$9.84	-	-	-	$7.75	$10.00	-

[1] Senior Executive Option Plan

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was $21.89 (2010: $19.04).

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.0 years (2010: 5.0 years).

Fair value of options granted

Current year

No options were granted during the year ended 30 June 2011.

Prior year

No options were granted during the year ended 30 June 2010.

(b) Senior Executive Performance Rights Plan (SEPRP)

Performance rights can be granted to executives at the board's discretion under the FLT Senior Executive Performance Rights Plan, which was established in April 2010.

Two senior executives are eligible to participate in the SEPRP. Directors have elected not to participate.

The plan rules provide that the total number of performance rights which can be on issue at any time is limited such that the number of shares resulting from exercising all unexercised rights does not exceed 5% of FLT's then issued capital.

Additional details are provided in the remuneration report and in the summary below:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Expired during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
2011									
12/08/11[1]	30/06/15	$0.00	-	44,000	-	-	-	44,000	-
Total			-	44,000	-	-	-	44,000	-
Weighted average exercise price			-	$0.00	-	-	-	$0.00	-

[1] Senior Executive Performance Rights Plan

No performance rights vested or were exercised during the year.

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 4.0 years.

Fair value of options granted

Current year

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date. This amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes pricing model that takes into account the exercise price, the term, the impact of dilution, the share price at grant date and the underlying share's expected price volatility, the expected dividend yield and the risk-free interest rate for the performance rights' term.

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

(a) performance rights are granted for no consideration. Each tranche vests upon release of the audited financial statements based on achievement of certain profit targets at each year-end, from 30 June 2011 to 30 June 2014.

(b) exercise price: $0.00

(c) grant date: 12 August 2011

(d) expiry date: 30 June 2015

(e) share price at grant date: $18.45

(f) expected price volatility of the company's shares: 30%

(g) expected dividend yield: 4.31%

(h) risk-free interest rate: 3.65%-3.73%.

Prior year

No performance rights were granted during the year ended 30 June 2010.

Notes to the Financial Statements *continued*

(c) Employee Share Plan (ESP)

During 2010/11, FLT initiated a new global ESP, in addition to the existing ESP that was in place in Australia.

Under the existing plan, which expired on 30 June 2011, for every nine shares employees purchased at market value, FLT issued an additional share. The contribution offered to employees is expensed in the income statement with a corresponding increase in equity. 20,541 shares were issued to the plan trustee and allocated to Australian employees during the year as FLT ordinary shares (2010: 61,593).

On 30 September 2010, the board approved a new global ESP, whereby eligible employees are granted a conditional right to one matched share for every four shares purchased (for cash consideration), subject to vesting conditions. Where a participant satisfies the vesting conditions, he or she will become entitled to the matched shares on the last day of the vesting period. The plan is open to full and part-time permanent employees (excluding directors) of FLT companies in participating countries. Employees must have commenced employment with their FLT employer in a participating country at least three months prior to the first acquisition date of acquired shares under the plan. Employees may elect not to participate in the plan.

Acquired shares that are purchased by or on behalf of the participants may be shares that are newly issued by FLT or shares purchased on-market. For participants in Australia, New Zealand and the United Kingdom, acquired shares are held in trust by the plan trustee. For participants in the United States and Canada, acquired shares are held in the participant's name on the FLT Share Registry. South Africa operates a cash-settled share-based payment plan under the same vesting conditions and rights.

The market value of shares issued under the plan, measured as the weighted average price at which FLT's shares are traded on the ASX during the five days following the date on which the contributions are paid, is recognised in the balance sheet as an issue of shares in the period the shares are granted. The market value of matched shares allocated (but not issued) under the plan, measured as the weighted average price of shares traded on the ASX in the five trading days prior to those shares being allocated, is recognised in the balance sheet as part of reserves over the period that the matched share vests. A corresponding expense is recognised in employee benefit costs.

Offers under the plan may only be made to eligible employees, if approved by the board.

Acquired shares issued under the plan may be sold at any time, subject to the FLT share trading policy and any restrictions as set out in the offer. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

The number of shares issued to plan participants is the employee contribution amount divided by the weighted average price at which FLT's shares are traded on the ASX during the five days following the date on which the contributions are paid.

Where shares are issued to employees of subsidiaries within the group, the subsidiaries compensate the FLT parent entity for the fair value of these shares.

(d)Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 $'000	2010 $'000
Options issued under the Senior Executive Option Plan	261	826
Performance rights issued under the Senior Executive Performance Rights Plan	259	-
Matched shares allocated under Employee Share Plan	61	-
	581	826

35 RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the group is Flight Centre Limited.

(b) Subsidiaries and joint ventures

Interests in subsidiaries are set out in note 20 and interests in joint ventures are set out in note 19.

FLT is a joint venture partner in Pedal Group Pty Ltd. The other joint venture partners are related parties, namely Graham Turner's family company, Gainsdale Pty Ltd (25%), and Matthew Turner (25%).

(c) Key management and personnel compensation

Disclosures relating to key management personnel are set out in the directors' report and note 33.

(d) Transactions with related parties

	2011 $	2010 $
Income from related parties	-	-
Expenses to related parties		
Conference expense	**284,220**	5,763
Travel Expo expense	**750,844**	609,231

(e) Outstanding balances

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

	2011 $	2010 $
Current payables	**7,149**	2,880

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expenses have been recognised in respect of bad or doubtful debts due from related parties.

(f) Loans to/from related parties

	2011 $'000	2010 $'000
Loans to other related parties		
Beginning of the year	**4,192**	3,917
Loans advanced	**4,297**	1,907
Loans repaid	**(1,492)**	(1,105)
Write back of India loan on consolidation	-	(764)
Interest charged	**349**	270
FX movement	**(153)**	(33)
End of year	**7,193**	4,192

No provisions for doubtful debts have been raised in relation to any outstanding balances.

All loans to related parties were made on normal commercial terms and conditions and at market rates except that the repayment terms range from no fixed term to 10 years. The interest rate on loans during the year ranged from 2.92%- 8.17% (2010: 2.75%-7.74%).

(g) Terms and conditions

All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Notes to the Financial Statements *continued*

36 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' report.

Two separate Deeds of Cross Guarantee are in effect. The subsidiaries subject to the deeds are:

1) Flight Centre Limited and Australian OpCo Pty Ltd; and

2) Flight Centre Limited and Flight Centre Technology Pty Ltd

The Class Order requires the company and each of the subsidiaries to enter into a Deed of Cross Guarantee. The deed's effect is that the company guarantees each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

The above companies represent a Closed Group for the purposes of the Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by FLT, they also represent the Extended Closed Group.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the company and the subsidiaries listed above.

	Flight Centre Limited & Australian OpCo Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Income statement				
Revenue from the sale of travel services	**984,740**	952,539	**828,702**	824,994
Other revenue	**56,465**	50,801	**60,269**	54,039
Selling expenses	**(645,931)**	(634,186)	**(575,201)**	(529,819)
Administration / support expenses	**(153,987)**	(110,057)	**(136,663)**	(138,705)
Finance costs	**(22,080)**	(24,110)	**(17,180)**	(21,055)
Foreign exchange losses (net)	**(6,730)**	4,002	**(6,477)**	4,065
Share of profit from joint venture	**(611)**	(909)	**(611)**	(909)
Profit before income tax expense	**211,866**	239,080	**152,839**	192,610
Income tax expense	**(64,947)**	(59,091)	**(46,535)**	(45,584)
Profit for the year	**146,919**	178,989	**106,304**	147,026
Statement of comprehensive income				
Changes in the fair value of available-for-sale assets	**2,428**	5,959	**2,428**	6,607
Income tax expense on items of other comprehensive income	**(728)**	(2,033)	**(728)**	(2,033)
Total comprehensive income for the year	**148,619**	182,915	**108,004**	151,600
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	**367,612**	214,560	**306,763**	185,674
Profit from ordinary activities after income tax expense	**146,919**	178,989	**106,304**	147,026
Dividends provided for or paid	**(79,878)**	(25,937)	**(79,878)**	(25,937)
Retained profits at the end of the financial year	**434,653**	367,612	**333,189**	306,763

Set out below is the consolidated balance sheet of the company and the subsidiaries listed above.

	Flight Centre Limited & Australian OpCo Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current assets				
Cash and cash equivalents	**751,206**	578,314	**691,813**	529,548
Available-for-sale financial assets	**56,057**	73,357	**56,057**	73,357
Other financial assets	**4,790**	15,474	**4,790**	15,474
Trade and other receivables	**237,659**	164,096	**161,398**	31,504
Current tax receivables	**1,276**	1,443	**1,276**	1,443
Inventories	**28**	-	**28**	-
Derivative financial instruments	**-**	1,032	**-**	1,032
Other assets	**1,139**	249	**1,139**	249
Total current assets	**1,052,155**	833,965	**916,501**	652,607
Non-current assets				
Property, plant and equipment	**46,517**	43,534	**55,107**	51,701
Intangible assets	**66,940**	69,354	**65,144**	65,842
Investments accounted for using the equity method	**447,161**	404,551	**475,486**	432,875
Deferred tax assets	**35,002**	33,670	**33,823**	37,078
Other non-current assets	**5,228**	2,928	**5,228**	2,928
Total non-current assets	**600,848**	554,037	**634,788**	590,424
Total assets	**1,653,003**	1,388,002	**1,551,289**	1,243,031
Current liabilities				
Trade and other payables	**666,517**	498,477	**738,893**	463,355
Borrowings	**59,639**	54,320	**59,639**	54,320
Provisions	**11,892**	10,019	**11,892**	10,019
Current tax liabilities	**61,668**	52,501	**(13,322)**	238
Derivative financial instruments	**4,869**	-	**4,869**	-
Total current liabilities	**804,585**	615,317	**801,971**	527,932
Non-current liabilities				
Trade and other payables	**11,490**	10,437	**11,490**	10,437
Borrowings	**(1,616)**	(2,577)	**(1,616)**	(2,577)
Provisions	**15,989**	15,548	**15,989**	15,548
Deferred tax liabilities	**7,842**	6,557	**7,926**	6,913
Total non-current liabilities	**33,705**	29,965	**33,789**	30,321
Total liabilities	**838,290**	645,282	**835,760**	558,253
Net assets	**814,713**	742,720	**715,529**	684,778
Equity				
Contributed equity	**381,308**	378,931	**381,308**	378,931
Reserves	**(1,248)**	(3,823)	**1,032**	(916)
Retained profits	**434,653**	367,612	**333,189**	306,763
Total equity	**814,713**	742,720	**715,529**	684,778

Notes to the Financial Statements *continued*

37 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	Parent	
	2011 $'000	2010 $'000
Current assets	**918,174**	697,285
Total assets	**1,294,581**	1,270,966
Current liabilities	**554,124**	566,784
Total liabilities	**586,992**	596,749
Shareholders' equity		
Contributed equity	**381,308**	378,931
Reserves		
Available-for-sale investments revaluation reserve	**(3,927)**	(5,352)
Share-based payments reserve	**2,679**	2,325
Retained profits	**327,529**	298,313
Total shareholders' equity	**707,589**	674,217
Profit for the year	**109,094**	149,248
Total comprehensive income	**110,794**	153,792

(b) Guarantees entered into by the parent entity

FLT has given the following guarantees:

Unsecured		
North America	**4,950**	2,806
United Kingdom	**12,848**	12,334
Australia	**5,628**	5,852
Hong Kong	**5,977**	9,004
India	**20,796**	22,206
China	**7,021**	7,391
New Zealand	**5,986**	5,869
Other	**4,051**	2,107
	67,257	67,569

These guarantees have been provided directly by the parent entity or are letters of credit issued under the Syndicated Facility Agreement. No liability was recognised by the parent entity or the consolidated entity, as the guarantees' fair values are immaterial.

(c) Contingent liabilities of the parent entity

The parent entity had no contingent liabilities at 30 June 2011.

(d) Contractual commitments

Operating leases

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

	Parent	
	2011 $'000	**2010 $'000**
Within one year	**58,041**	55,263
Later than one year but not later than five years	**156,221**	140,591
Later than five years	**14,038**	19,005
	228,300	214,859

The operating leases above relate primarily to occupancy leases of varying terms, generally between five and seven years, and have escalation clauses and renewal rights. Not included in the above are contingent rental payments, which generally represent rental escalation based on CPI.

38 CONTINGENCIES

Contingent liabilities

Since the last annual reporting date, there has been no material change in any contingent assets or liabilities. No material losses are anticipated in respect of any contingent liabilities.

39 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On 23 August 2011, FLT's directors declared a fully franked 48.0 cents per fully paid ordinary share final ordinary dividend for the year ended 30 June 2011 (2010: 44.0 cents), as outlined in note 8. The interim and final combined dividend payments represent an $84M return to shareholders, 50% of FLT's NPAT before the $27.9M goodwill adjustment.

During July 2011, Flight Centre Limited, through its wholly-owned subsidiary, P4 Finance Pty Ltd, provided loans of $52.4M to employees on commercial terms for their investment in the group's Business Ownership Scheme (BOS).

No other matters have arisen since 30 June 2011.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 16 to 107 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

G.F. Turner
Director
BRISBANE
23 August 2011

Auditor's Report

pwc

Independent auditor's report to the members of Flight Centre Limited

Report on the financial report

We have audited the accompanying financial report of Flight Centre Limited (the company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Flight Centre Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

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Auditor's Report

Auditor's opinion

In our opinion:

(a) the financial report of Flight Centre Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 30 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Flight Centre Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
23 August 2011

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Shareholder Information

The shareholder information set out below was applicable at 23 August 2011.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Number of shareholders
1	–	1000	8,044
1,001	–	5,000	1,691
5,001	–	10,000	207
10,001	–	100,000	110
100,001		and over	31

There were 1051 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
Gainsdale Pty Ltd	15,658,289	15.7%
Gehar Pty Ltd	15,635,819	15.6%
James Management Services Pty Ltd	13,039,750	13.0%
Perpetual Investments	4,187,770	4.2%
Friday Investments Pty Limited	4,078,394	4.1%
AMP Capital Investors	3,152,022	3.2%
Lazard Asset Mgt Pacific Co	2,354,046	2.4%
Bennelong Australian Equity Partners	2,316,888	2.3%
Eley Griffiths Group	1,740,288	1.7%
BT Investment Mgt	1,692,854	1.7%
Paradice Investment Mgt	1,663,669	1.7%
Platypus Asset Mgt	1,506,538	1.5%
BlackRock Investment Mgt (Australia) (BGI)	1,357,529	1.4%
Tribeca Investment Partners	1,323,834	1.3%
Macquarie Funds Group	1,252,063	1.3%
ING Investment Mgt	1,218,409	1.2%
Regal Funds Mgt	911,906	0.9%
Northcape Capital	887,253	0.9%
Lingohr & Partner Asset Mgt	786,563	0.8%
Trinity Holdings Ltd	750,000	0.8%
	75,513,884	

Shareholder Information

C. Substantial holders

Substantial holders (including associate holdings) in the company are set out below:

Name	Ordinary shares	
	Number held	Percentage
Gainsdale Pty Ltd	15,658,289	15.7%
Gehar Pty Ltd	15,635,819	15.6%
James Management Services Pty Ltd	13,039,750	13.0%

Friday Investments Pty Ltd and Trinity Holdings Pty Ltd are potentially substantial shareholders as they are party to a pre-emptive agreement dated 5 October 1995 that also includes Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Friday Investments Pty Ltd and Trinity Holdings Ltd held 4,078,394 shares and 750,000 shares respectively at 23 August 2011.

Ordinary shares voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote. Options and preference rights have no voting rights.

Corporate Directory

DIRECTORS

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

SECRETARY

D.C.Smith

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 545 Queen Street
Brisbane QLD 4000
Tel: +61 7 3170 8156

SHARE AND DEBENTURE REGISTER

Computershare Investor Services Pty Ltd
117 Victoria Street
West End QLD 4101
Tel: 1300 85 05 05

AUDITOR

PricewaterhouseCoopers
Riverside Centre
Level 15, 123 Eagle Street
Brisbane QLD 4000

STOCK EXCHANGE LISTINGS

Flight Centre Limited shares are listed on the Australian Securities Exchange

WEBSITE ADDRESS

www.flightcentre.com

COMPANY VISION, PURPOSE AND PHILOSOPHIES

For our company to survive, grow and prosper for the next 100 years and beyond, we must clearly define and live by our vision, purpose and philosophies. We must protect and further develop our company culture and philosophies. Our culture must be robust and independent, with the ability to outlive our current and future leaders.

OUR VISION

"To be the world's most exciting travel company, delivering an amazing experience to our people, customers and partners."

OUR PURPOSE

"To open up the world for those who want to see."

For our people this means our purpose is to open up their world by helping them develop professionally and personally.

For our customers this means opening up their world through the exciting medium of well-organised, targeted and great value travel experiences.

For our shareholders it is giving them a magnificent return on their investment.

OUR PHILOSOPHIES

1. OUR PEOPLE

Our company is our people. We care for our colleagues' health and wellbeing, their personal and professional development and their financial security. We believe that work should be challenging and fun for everyone and through work we contribute to our community.

2. OUR CUSTOMER

We recognise that our customers always have a choice. Therefore, a superior customer service experience, provided with honesty, integrity and a great attitude, is key to our company's success, as is the travel experience we provide.

3. PROFIT

A fair margin resulting in a business profit is the key measure of whether we are providing our customers with a product and service they value.

4. OWNERSHIP

We believe each individual in our company should have the opportunity to share in the company's success through outcome-based incentives, profit share, BOS and Employee Share Plans. It is important that business leaders and business team members see the business they run as their business.

5. INCENTIVES

Incentives are based on measurable and reliable outcome-based KPIs. We believe that "what gets rewarded, gets done". If the right outcomes are rewarded, our company and our people will prosper.

6. BRIGHTNESS OF FUTURE

We believe our people have the right to belong to a Team (family), a Village, an Area (tribe) and Nation (hierarchy) that will provide them with an exciting future and a supportive working community. They also have the right to see a clear pathway to achieving their career goals. Promotion and transfers from within will always be our first choice.

7. OUR STANDARD SYSTEMS – ONE BEST WAY

In our business there is always "one best way" to operate. These are standard systems employed universally until a better way is shown. This improved way becomes the 'one best way system'. We value common sense over conventional wisdom.

8. FAMILY, VILLAGE, TRIBE

Our structure is simple, lean, flat and transparent, with accessible leaders.

There is a maximum of 4 and sometimes 5 layers. The village is an unfunded, self-help support group that forms an integral part of our structure.

1. Teams (the family) (minimum 3, maximum 7 members)
   Villages (minimum 3, maximum 7 teams)
2. Areas (tribe) (minimum 10, maximum 20 teams)
3. Nations (minimum 8, maximum 15 areas)
4. Regions/States/Countries (minimum 4, maximum 8 nations)
5. Global Executive Team/Board.

9. TAKING RESPONSIBILITY

We take full responsibility for our own success or failure. We do not externalise. We accept that we have total ownership and responsibility, but not always control. As a company we recognise and celebrate our individual and collective successes.

10. EGALITARIANISM AND UNITY

In our company, we believe that each individual should have equal privileges and rights. In leisure and corporate, in Australia and overseas, and in organically grown and acquired businesses, there should be no "them and us".

FLIGHT CENTRE LIMITED