ABN 25 003 377 188

FLIGHT CENTRE LIMITED (FLT)

APPENDIX 4E & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

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

Flight Centre Limited
Level 2, 545 Queen Street
BRISBANE QLD 4000

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

The financial report was authorised for issue by the directors on 24 August 2010. The company has the power to amend and reissue the financial report.

Results for announcement to the market

Results in brief

	June 2010 $'000	June 2009 $'000	Change $'000	Change %
Total transaction value (TTV) ~	**11,018,723**	**11,241,846**	(223,123)	(2.0%)
Revenue ~~	**1,795,418**	**1,725,362**	70,056	4.1%
Gross profit	**1,552,985**	**1,526,747**	26,238	1.7%
Net profit before tax	**198,532**	**40,397**	158,135	391.5%
Net profit after tax	**139,868**	**38,164**	101,704	266.5%

~ Total transaction value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations, as agent for various airlines and other service providers, plus revenue from other sources. Flight Centre's revenue is, therefore, derived from TTV.

~~ Revenue from the sale of travel services is recorded at the time of issuing travel documents, consistent with an agency relationship. There is a portion of the United Kingdom (UK) business that recognises revenue on an availed basis under a principal relationship, due to the different rules and regulations governing the Flight Centre operations in the UK. The 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 still operating as an agent.

Dividends	Amount per Security Cents	100% Franked Amount Cents
30 June 2010:		
Interim dividend	**26.0**	**26.0**
Final dividend*	**44.0**	**44.0**
30 June 2009:		
Interim dividend	**9.0**	**9.0**
No final dividend for 30 June 2009 was paid	-	-

*The record date for determining entitlements to the final dividend of 44.0 cents per share is Thursday 16 September 2010. The payment date for the final dividend is Thursday 7 October 2010.

Net tangible assets	June 2010 $	June 2009 $
Net tangible asset backing per ordinary security	**$3.07**	$1.92

Compliance statement

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

Signed: Date: 24 August 2010

G.F. Turner
Director

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors
The following persons were Flight Centre Limited directors during the whole of the financial year and up to the date of this report.

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

Principal activities
During the year, the group's principal continuing activities involved the wholesaling and retailing of international and domestic travel. There were no significant changes in the nature of the group's activities during the year.

Significant changes in state of affairs
During the year, there were no significant changes in the group's state of affairs.

Dividends - Flight Centre Limited

	2010 $'000	2009 $'000
Final ordinary dividend for the year ended 30 June 2009 of $nil (2008: 48.5 cents) per fully paid share	**-**	48,310
Interim ordinary dividend for the year ended 30 June 2010 of 26.0 cents (2009: 9.0 cents) per fully paid share, paid on 1 April 2010, fully franked	**25,937**	8,965
	25,937	57,275

Review of operations
Despite continuing volatility in some markets throughout the year, FLT traded strongly during 2009/10 to achieve:
- Record financial results – profit has now increased year-on-year in all but 2 of FLT's 15 years as a public company
- Record global ticket sales
- Improved margins; and
- Strong cash growth, with company funds more than doubling during 2009/10.

FLT's underlying pre-tax profit (before impairment and non-recurring items) was $205.1million, a result well above its initial target of a $125million-$135million profit before tax ('PBT'). Non-recurring items consist of $6million in expenses incurred in the USA and $0.6million in impairment relating to FLT's head office property in South Africa.

The company's actual result was $198.5million, a 392% increase on the $40.4million PBT achieved during 2008/09. After-tax, the company achieved a $139.9million profit, a record net profit after tax ('NPAT') result and a 267% increase on 2008/09.

In recording these strong profit results, FLT overcame the effects of:
- Minimal economic recovery in some key markets, including the USA and UK, the company's second and third largest operations
- A $10.1million reduction in year-on-year interest income, reflecting the lower interest rates in Australia during the first half
- Short-term disruption caused by the volcanic ash cloud in Europe, airline strikes and unrest in some major international markets
- Slower recovery in the global corporate travel sector; and
- Significantly lower ticket prices (yields), a legacy of the unprecedented airfare discounting that has taken place since the second half of 2008/09.

Ticket sales increased healthily, as cheap fares continued to stimulate demand and as FLT benefited from initiatives launched to increase market share.

Review of operations (continued)

Underlying TTV (excluding India) was flat in comparison to 2008/09 because of the lower airfare yields and the effects of exchange rate movements on USA and UK sales results when translated into Australian dollars.

Gross profit increased, which led to further growth in income margin to 14.1%.

Shop numbers increased 3%, excluding India, to 2,045.

After bolstering its balance sheet during the second half of 2008/09, FLT built on its financial strength by increasing cash reserves and maintaining moderate debt levels. General cash totalled $322.3million at June 30 2010, compared to $160.9million one year earlier, and was part of a $999.5million global cash and investment portfolio. Total debt at 30 June 30 was $178.1million, giving FLT a $144.2million positive net debt position at year-end. Debt increased modestly during the year because of increased employee participation in the company's Business Ownership Scheme and inclusion of debt associated with the Indian business.

Over the full year, a $243.1million operating cash inflow was recorded. As expected, overall cash grew rapidly during the six months to 30 June as client funds accumulated during peak second half booking periods for payment to suppliers after the peak travel periods early in the first half of 2010/11. This led to a large operating cash inflow during the second half, after the moderate outflow recorded during the first half.

In light of FLT's strong cash performance, the company's directors today declared a $0.44 final dividend payable on 7 October 2010 to shareholders registered on 16 September 2010.

The fully franked final dividend follows the $0.26 interim dividend (paid on 1 April 2010) and represents an overall 50% return of NPAT to shareholders.

At an operational level, FLT rebounded strongly after 2008/09, when challenging market conditions saw the company record only the second year-on-year profit decline since it listed on the Australian Securities Exchange in 1995.

Within FLT's businesses, highlights included:

- Record profit and sales results in Australia and Canada
- Near record profit in the UK, when measured in local currency, despite the ash cloud, British Airways' strikes and continued turmoil in the local economy
- Strong growth in New Zealand, where EBIT almost doubled
- Good second half results in South Africa, which led to an EBIT increase over the full year
- Breakeven overall EBIT results from the emerging Asia and Middle East corporate businesses. The Greater China business, formerly a loss-making operation, broke-even over the last four months of the year; and
- Significantly reduced US losses, which were in line with FLT's revised expectations.

In the e-commerce area, FLT expanded its presence in three areas – websites used to generate enquiry for FLT's retail brands, sites used to generate enquiry for online "direct brands" and fully transactional sites, such as flightcenter.com in the USA.

Other new sites include discountcruises.com in the USA and roundtheworldexperts.co.uk. The UK-based roundtheworldexperts.co.uk site has performed strongly since launch, with TTV almost doubling in local currency during 2009/10 to £30million.

Flight Centre-branded websites have also been launched in China, Hong Kong, Singapore and Dubai to capitalise on the brand's global strength and to generate additional retail enquiry in these countries.

Review of operations (continued)

Outlook
FLT has started the year with good momentum from 2009/10 and, assuming current conditions continue, should benefit from:
- TTV growth generated by a return to normal shop and business growth
- Continued growth in international airfare yields, which have increased modestly but have remained well below the highs of 2008/09's first half
- Further recovery in global corporate travel, a sector that began to rebound during 2009/10 but has not yet fully recovered from the GFC's effects
- Stronger trading conditions in key international markets, including the UK, given continued improvements in consumer confidence
- A positive contribution from India, now that FLT has control of the FCm India corporate travel business; and
- Further turnaround in USA results, which should see the business make a positive EBIT contribution over the full year.

The market outlook in all 11 countries FLT operates in remains fairly uncertain but the company will initially target 10-20% pre-tax profit growth in comparison to the actual result achieved during 2009/10, excluding any abnormal items that may arise. This translates to a pre-tax profit between $220million and $240million.

In the US, goodwill relating to the Liberty acquisition remains unimpaired, following the business's improved results and encouraging second half performance. Non-cash impairment is, however, possible during 2010/11 if economic conditions in the USA or other factors adversely affect trading results during the next 12 months. While Liberty has not yet contributed positively to EPS, the acquisition has delivered benefits to FLT, particularly in its global product business, while major restructuring efforts have been underway.

The GoGo wholesale business has continued to trade profitably, while access to the business's directly contracted Mexico, Caribbean and North American rates has fast-tracked growth in FLT's global product area. Liberty's North America product range is now available to FLT's customers and consultants worldwide.

In addition to FLT's normal business improvement initiatives, six key strategies are in place globally to improve results and, ultimately, shareholder returns. These strategies relate to:
- Attracting and retaining the right leaders in the right numbers through FLT's graduate recruitment program
- Sourcing and manufacturing unique land and air products for FLT customers
- Using FLT's "One Best Way" concept in all major areas, such as brand guides and customer systems
- Applying effective business growth systems and milestones follow-up on a rolling top 20 new, emerging and acquired businesses, including online travel agency opportunities as well as India and the USA
- Developing a full global distribution system for air, land and the web; and
- Defending FLT's model and growing market share in and against other internet products.

Cost containment remains a priority. FLT will, however, increase its investment in several key areas, including capital expenditure. As shop growth will return to normal levels, cap-ex will increase in comparison to 2009/10 and is expected to be in the order of $50million-$55million, just under FLT's annual depreciation and amortisation expense.

In Australia, the company has also increased salaries and incentives paid to front-end retail sales staff to better reward travel consultants for the increasing complexity in their roles and to grow sales and productivity overall. This increased expense will be partially offset by both an expected increase in consultant productivity and a decrease in senior executive remuneration, as executive incentive earnings will decrease in comparison to 2009/10, when the company achieved unprecedented growth in year-on-year profit.

Matters subsequent to the end of the financial year
On 24 August 2010, the Directors of Flight Centre Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $43,903,478 which represents a fully franked dividend of 44.0 cents per share.

No other matters have arisen since 30 June 2010.

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 annual report because the directors believe it will be likely to result in unreasonable prejudice to the group.

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

Information on directors

Director	Experience and directorships	Special responsibilities	Particulars of directors' interests in shares and options of: Flight Centre Limited — Ordinary shares	Options
P.R.Morahan, MAICD Age: 49	Flight Centre Limited 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: 49	Flight Centre Limited 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: 59	Flight Centre Limited director since 1995. Chairman of Oaks Hotels and Resorts Limited and a director of Mosaic Oil NL. Former director of Cluff Resources Pacific NL and NSW Gold NL and a former senior partner of chartered accounting firm MBT. More than 25 years' experience with retail travel and other tourism-related companies.	Independent Non-executive director Audit committee chairman Remuneration committee member	35,000	-
G.F.Turner BVSc Age: 61	Founding Flight Centre Limited director with significant experience in running retail travel business in Australia, New Zealand, USA, UK, South Africa and Canada. Director of The Australian Federation of Travel Agents Limited.	Managing director Remuneration committee member	15,824,235	-

Company secretary
The company secretary is Mr D.C. Smith B.Com, LLB. Mr Smith has worked for Flight Centre Limited for eight years in various roles. He was appointed company secretary on 31 January 2008. The company co-secretary is Mr S.Kennedy B. Bus, ACIS. Mr Kennedy has worked for Flight Centre Limited for 14 years in various finance roles before moving into the role of assistant company secretary six 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 2010 and the number of meetings attended by each director were:

	Full meetings of directors		Committee meetings: Audit		Committee meetings: Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
P.R.Morahan	18	18	5	5	4	4
G.W.Smith	18	18	5	5	4	4
P.F.Barrow	18	18	5	5	4	4
G.F.Turner	17	18	*	*	3	4

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

Remuneration report

The remuneration report sets out Flight Centre Limited's (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 Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation; and
- E Additional information.

A broad overview of FLT's remuneration system and the philosophies that underpin it is also included as an introduction. The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

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 other employees (excluding non-executive directors) with:

- Security in the form of fixed retainers; and
- Opportunities to earn additional incentives and other variable income when the company or their 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 are engrained in the company's culture. This reflects the company's belief that its people and its shareholders will prosper 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 (via shares) and sharing in its success. For some executives and other employees, sharing in the success of FLT can be achieved by participating in the company's Business Ownership Scheme (BOS). Under the BOS, invited participants can invest financially in an unsecured note program and earn an interest return on this investment. Returns are not guaranteed and are subject to the business's performance.

As incentives and BOS interest are tied to performance and are, therefore, variable, all employees earn a mix of fixed and at risk pay. As employees progress through the company's ranks, the balance of this mix shifts to a higher proportion of at risk rewards.

For FLT's managing director and key management personnel, between 54% and 85% of total remuneration was at risk during 2009/10.

As outlined in the following sections, remuneration for some executives can include shares acquired through the company's Employee Share Plan ('ESP') or options issued under the Senior Executive Option Plan ('SEOP'). Options issued under the Senior Executive Option Plan are linked to business performance and only become available to the executive after specific profit growth targets are achieved.

Remuneration report (continued)

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

FLT's executive reward framework conforms to 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 the executive's duties and responsibilities and rewarding him or her for achieving strategic objectives and creating shareholder value
- Acceptable to shareholders
- Transparent – clear targets are in place and achievements against these targets are measurable; and
- Compatible with the company's capital management strategies and structures.

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

At the start of each year, executives are offered an overall remuneration package consisting of fixed and variable components. Fixed remuneration includes base pay, long service leave provisions and superannuation. Variable remuneration includes incentives and BOS interest. Short-term incentives are in place for all employees (excluding non-executive directors) and are paid monthly based on performance against set targets. This ensures executives and other staff are rewarded with higher incentive payments when shareholders are rewarded with higher returns in the form of profit, earnings per share or other key measures.

The other major component of variable pay – BOS interest – will also typically increase when shareholder wealth increases.

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

- Provision of clear targets and structures for achieving rewards. When outcomes achieved exceed targets, rewards will be greatest
- Achievement, capability and experience are recognised and rewarded; and
- Competitive reward for contribution to growth in shareholder wealth is delivered.

For shareholders, benefits include:

- A clear focus on performance improvement at all levels of the company, as year-on-year profit growth is a core component
- 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.

During 2009/10, executive reward increased in comparison to 2008/09. This reflects the strong year-on-year improvement in FLT's results, which saw:

- Profit before tax increase 392%
- Profit after tax increase 267%
- Earnings per share increase 266%
- Dividends relating to the year (December interim and June final) increase 678%; and
- The company's share price increase 92% to $16.63 at 30 June 2010.

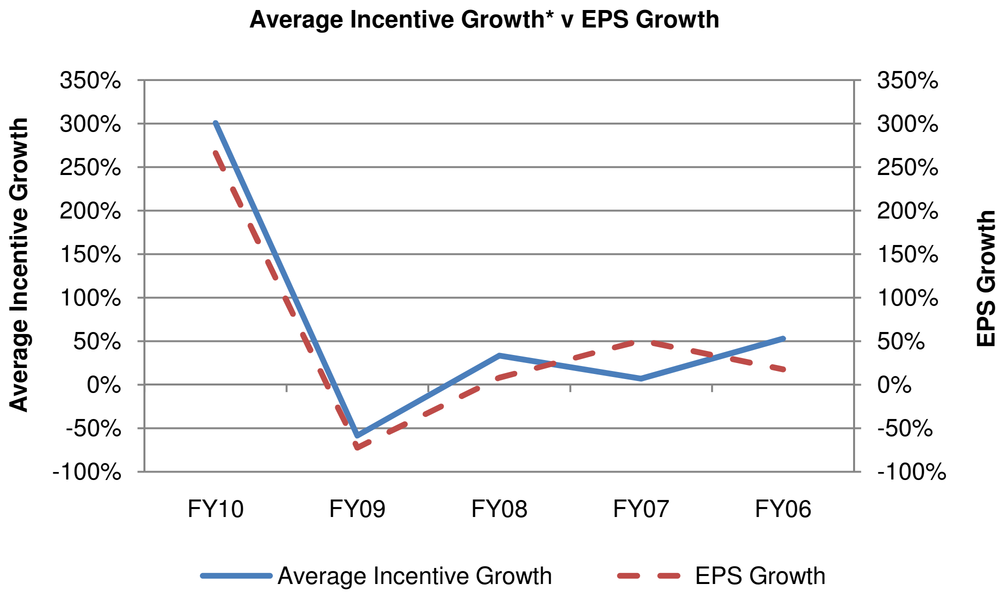
Remuneration report (continued)

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

The 266% increase in earnings per share was broadly in line with the 301% increase in key management personnel's (including the managing director) average incentive earnings for the year. This reflects the strong link between FLT incentive earnings and growth in shareholder value.

A similar trend was evident during 2008/09, when the decrease in average incentive earnings (58%) was broadly in line with the decline in EPS (72%).

The following graph illustrates movement in EPS and movement in average incentive earnings over the past five years, showing a link between shareholder wealth creation, measured by EPS, and growth in average incentives.



*Incentives are paid to Key Management Personnel and the Managing Director.

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

	2009/10	2008/09	2007/08	2006/07	2005/06
Profit before income tax	$198.5m	$40.4m	$201.0m	$174.0m	$119.4m
Profit after tax	$139.9m	$38.2m	$134.8m	$120.8m	$79.9m
DIVIDENDS (relating to the year)					
Interim	26.0c	9.0c	37.5c	20.0c	20c
Final	44.0c	-	48.5c	46.0c	32c
Earnings per share	140.3c	38.3c	138.0c	127.5c	84.6c
Share price at 30 June	$16.63	$8.65	$16.67	$19.21	$9.93

Remuneration report (continued)

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

Role of the remuneration committee
FLT's board has established a remuneration committee to advise on remuneration and incentive structures, policies and practices.

The committee provides specific recommendations on remuneration packages and other employment terms for directors and senior executives.

In making these recommendations, the committee considers:

- External benchmarks against ASX companies
- Targeted earnings being aligned with growth in profit before tax. If the company achieves its targeted pre-tax profit result, incentive earnings should be broadly in line with expectations; and
- Three to five years of salary data for the position to ensure earnings flex up or down with results over the longer term.

The Corporate Governance Statement provides further details on this committee's role.

Non-executive directors
Fees paid to non-executive directors reflect the positions' demands and responsibilities and are reviewed annually by FLT's board.

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

Non-executive directors receive cash fees for service and do not have access to performance-related bonuses that are available to FLT's executives.

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 2009/10, the company's non-executive directors earned a combined total of $401,725, approximately 62% of this maximum allowance. No fee increases were recorded for individual directors during the year.

Directors are not eligible to participate in the company's employee share plan and have elected not to participate in the employee option plans.

Executive pay
For executives, overall remuneration consists of up to five components:

- Base pay
- Short-term performance incentives
- Business Ownership Scheme (BOS) interest
- Long-term incentives, in the form of share-based compensation; and
- Other remuneration, such as superannuation contributions.

The combination of these comprises the executive's total remuneration.

Base pay
FLT executives are offered packages that include a guaranteed base pay element.

In keeping with the company's philosophy of incentivising its workforce and rewarding achievement, base pays will typically represent a fraction of executives' overall earnings, with a larger portion being at risk and subject to performance.

The managing director and key management personnel earned approximately $162,000, on average, in base pay during 2009/10. This represents a 2% increase on the base pay earned by key management personnel who were employed for the full year during 2008/09.

The company does not guarantee its executives annual increases in base pay.

Remuneration report (continued)

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

Short-term incentives
For all employees (excluding non executive directors), incentives are an integral component of the overall remuneration framework. Incentives are based on measurable achievements relating to set key performance indicators.

Executives are typically entitled to short-term incentives if:

- They meet their key performance indicators
- The company achieves a predetermined profit target; or
- They achieve a predetermined profit target within their business divisions.

Year-on-year profit growth targets are commonly used for senior executives and ensure that the variable incentive component is only available when shareholder value is created and when returns are consistent with the company's business plan.

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

For the key management personnel disclosed in this report, incentives for 2009/10 were based on:

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

The managing director's incentive was linked to overall company pre-tax profit growth.

FLT does not guarantee its executives' incentive earnings or the total package an executive will earn in any given year.

Generally, executives' short-term incentive earnings will be broadly in line with budgetary expectations if the company achieves its targeted pre-tax profit result.

Executive short-term incentive earnings are likely to be above budgetary expectations if the company exceeds its targeted pre-tax profit result.

Executive short-term incentive earnings are likely to be below budgetary expectations if the company performs below its targeted pre-tax profit result.

BOS interest
FLT believes it is important that its leaders see the businesses they run as their businesses.

Under the BOS, an eligible executive is invited to invest in an unsecured note to improve performance in both the short and long-term.

In return for this investment, the executive receives a return on investment based on the performance of his/her business.

Returns on the investment FLT executives make under the BOS program are variable. 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 a year of strong profit growth, as experienced during 2009/10.

Staff that have been invited to participate in the BOS have invested a combined total of $60million in the program.

Remuneration report (continued)

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

Share-based compensation
As outlined previously, FLT believes it is important that all staff have the opportunity to take a level of ownership in the company. Accordingly, a number of share and option plans are available to allow employees to invest in the company.

Share-based compensation is available through FLT's:

- Employee Share Plan
- Employee Option Plan; and
- Senior Executive Option Plan.

The Employee Share Plan and the Senior Executive Option Plan were both available during 2009/10. The Employee Share Plan is available to all staff in Australia (excluding directors). Under the Senior Executive Option Plan, specific executives have been granted share options. Options are offered at the Board's discretion and vest if profit performance conditions are met. Directors have not received any options during the year. Details on longer term targets relating to this plan are included in section D of this report.

Superannuation
FLT pays contributions, in accordance with relevant government legislation, to a defined contribution superannuation fund.

B Details of remuneration (audited)
Board and key management personnel (as defined in AASB 124 *Related Party Disclosures*) remuneration details for the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year ended 30 June 2010 are set out in the following tables.

Flight Centre Limited's and the overall group's key management personnel include the directors (as per page 3) and the following executives who are responsible for planning, directing and controlling the entity's activities:

Group

- D.W.Smith – executive general manager – USA
- C.Galanty – executive general manager – UK, South Africa
- R.Miller – executive general manager – global retail
- S.O'Brien – executive general manager – global corporate
- A.Flannery – chief financial officer
- C.Bowman – executive general manager – global marketing
- M.Waters-Ryan – executive general manager – global product, information technology, land, air
- M.Murphy – executive general manager – global peopleworks
- R.Flint – executive general manager – Asia

Parent Entity

- R.Miller – executive general manager – global retail
- S.O'Brien – executive general manager – global corporate
- A.Flannery – chief financial officer
- C.Bowman – executive general manager – global marketing
- M.Waters-Ryan – executive general manager – global product, information technology, land, air
- M.Murphy – executive general manager – global peopleworks
- R.Flint – executive general manager – Asia

As required under the Corporations Act 2001, detailed remuneration information for directors, company officers and key management personnel is set out within this section. This includes the five company officers receiving the highest emoluments for the year ended 30 June 2010.

Remuneration report (continued)

B Details of remuneration (audited) (continued)

Key management personnel and other executives of the group

	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	
Name	**Cash salary and fees $**	**Short term incentive $**	**BOS Interest[1] $**	**Super-annuation $**	**Termination benefits[2] $**	**Long service leave[3] $**	**Equity settled options[4] $**	**Total $**
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**
Executive directors								
G.F.Turner	144,335	936,081	-	58,977	-	196,083	-	1,335,476
Other key management personnel of the group								
D.W.Smith	214,164	279,775	-	26,302	-	-	-	520,241
C.Galanty	268,361	536,584	-	101,082	-	-	-	906,027
R. Miller [5,6]	128,750	407,955	549,290	25,557	-	28,070	-	1,139,622
S.O'Brien [5,6]	146,468	782,578	400,932	29,189	-	52,667	165,211	1,577,045
A.Flannery [5,6]	146,468	672,123	-	29,758	-	23,479	165,211	1,037,039
C. Bowman	143,269	540,205	-	49,905	-	12,916	165,211	911,506
M.Waters-Ryan [5,6]	154,910	793,916	678,413	26,372	-	111,774	165,211	1,930,596
M.Murphy	146,468	556,064	-	26,089	-	17,921	165,211	911,753
R. Flint [5,6]	128,750	502,566	316,136	27,923	-	43,708	-	1,019,083
Total key management personnel compensation	**1,990,498**	**6,007,847**	**1,944,771**	**434,324**	**-**	**486,618**	**826,055**	**11,690,113**
2009								
Non-executive directors								
P.R.Morahan	155,963	-	-	14,037	-	-	-	170,000
G.W.Smith	105,505	-	-	9,495	-	-	-	115,000
P.F.Barrow	116,250	-	-	5,363	-	-	-	121,613
Sub-total non-executive directors	**377,718**	**-**	**-**	**28,895**	**-**	**-**	**-**	**406,613**
Executive directors								
G.F.Turner	47,401	73,413	-	9,941	-	138,683	-	269,438
Other key management personnel of the group								
D.W.Smith [5]	213,030	254,424	6,313	36,665	-	-	-	510,432
C.Galanty [5]	324,465	118,787	-	85,750	-	-	-	529,002
A.Grigson (resigned 20 March 2009)	102,881	49,787	-	13,740	261,471	55,961	-	483,840
S.O'Brien [5,6]	142,202	221,398	83,544	28,861	-	(14,882)	58,942	520,065
A.Flannery	114,679	128,488	-	21,231	-	2,711	-	267,109
C. Bowman [5,6]	142,202	150,667	-	28,404	-	510	-	321,783
M.Waters-Ryan [5,6]	142,200	210,568	72,855	30,251	-	(30,663)	-	425,211
M.Murphy [6]	142,202	130,867	-	22,695	-	2,346	-	298,110
S.Garrett (resigned 30 September 2008)	35,551	35,747	-	6,417	204,585	-	-	282,300
Total key management personnel compensation	**1,784,531**	**1,374,146**	**162,712**	**312,850**	**466,056**	**154,666**	**58,942**	**4,313,903**
Other group executives								
D.C.Smith [6]	125,000	145,014	-	22,965	-	(703)	-	292,276

[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 that may relate to this investment. Typically this would be interest and principal repayments relating to the initial investment the executive was required to make.

[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 include amounts expensed in relation to options granted under the SEOP (refer pages 14 to 16).

[5] Denotes one of the five highest paid executives of the group, as required to be disclosed under the Corporations Act 2001.

[6] Denotes key management personnel and one of the five highest paid executives of the parent entity, as required to be disclosed under the Corporations Act 2001.

Remuneration report (continued)

B Details of remuneration (audited) (continued)

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	2010 %	2009 %	**2010 %**	2009 %	**2010 %**	2009 %
Directors of Flight Centre Limited						
P.R.Morahan	**100**	100	**-**	-	**-**	-
G.W.Smith	**100**	100	**-**	-	**-**	-
P.F.Barrow	**100**	100	**-**	-	**-**	-
G.F.Turner	**30**	73	**70**	27	**-**	-
Other key management personnel of the group						
D.W.Smith	**46**	49	**54**	51	**-**	-
C.Galanty	**41**	78	**59**	22	**-**	-
R.Miller	**16**	*	**84**	*	**-**	*
S.O'Brien	**15**	30	**75**	59	**10**	11
A.Flannery	**19**	52	**65**	48	**16**	-
C.Bowman	**23**	53	**59**	47	**18**	-
M.Waters-Ryan	**15**	33	**76**	67	**9**	-
M.Murphy	**21**	56	**61**	44	**18**	-
R.Flint	**20**	*	**80**	*	**-**	*

** Not a key management personnel of the group in 2009*

C 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. Employees can terminate employment with the company in accordance with statutory notice periods.

D Share-based compensation (audited) - Options

Options have been granted under the Senior Executive Option Plan in January 2009 and June 2009.

Under the plan's rules, options are granted to various senior executives for no consideration and are exercisable over the company'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 on grant date and options vest if the hurdles are achieved.

Generally, the performance hurdles relate to year-on-year profit growth.

Upon release of the audited financial statements to the ASX on 24 August 2010, participating executives earned the full entitlement of 40,000 options each, based on the company's achievement in increasing its pre-tax profit from the $40.4million result achieved during 2008/09 to $198.5million in 2009/10.

The relevant portion of the expense relating to these options has been recognised during the period ended 30 June 2010 (refer to Equity settled options on page 13).

Three specific profit growth targets were set at the beginning of 2009/10, when the company was anticipating a $125million-$135million pre-tax profit result.

For participating executives to earn the full tranche of options during 2009/10, FLT pre-tax profit needed to exceed $175million, a result 30% above FLT's anticipated result.

Three profit growth targets are again in place during 2010/11. All require FLT to significantly improve on its 2009/10 pre-tax profit result.

As targets are set annually by the remuneration committee and are based on year-on-year growth, FLT is unable to outline future performance hurdles at this time.

Remuneration report (continued)

D Share-based compensation (audited) – Options (continued)

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
23 January 2009	23 January 2009	23 January 2014	$7.75	$0.79
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 based on achievement of certain profit targets at each year end, from 30 June 2010 to 30 June 2014, provided pre determined profit targets are met.	30 June 2015	$10.00	$2.17 to $2.32

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

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

Details of options over ordinary shares in the company provided as remuneration to each director of Flight Centre Limited and each of the key management personnel of the parent entity and the group are set out below. When exercisable, each option is convertible into one ordinary share of Flight Centre Limited. Further information on the options is set out in note 34 to the financial statements.

	Number of options granted during the year		**Number of options vested during the year**	
	2010	2009	**2010**	2009
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.O'Brien	**-**	275,000	**-**	75,000
A.Flannery	**-**	200,000	**-**	-
C.Bowman	**-**	200,000	**-**	-
M.Waters-Ryan	**-**	200,000	**-**	-
M.Murphy	**-**	200,000	**-**	-
R.Flint	**-**	-	**-**	-

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 and the 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 expected price volatility of the underlying share's expected price volatility, the expected dividend yield and the risk-free interest rate for the option's term.

The model inputs for options granted during the year ended 30 June 2009 included:
- granted on 23 January 2009

(a) options are granted for no consideration and fully vested and exercisable from 23 January 2009.
(b) exercise price: $7.75
(c) grant date: 23 January 2009
(d) expiry date: 23 January 2014
(e) share price at grant date: $6.45
(f) expected price volatility of the company's shares: 33%
(g) expected dividend yield: 3.6%
(h) risk-free interest rate: 2.8%

Remuneration report (continued)

D Share-based compensation (audited) – Options (continued)

- 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 shares in the company provided as a result of the exercise of remuneration options to each director of Flight Centre Limited and other key management personnel of the group are set out below.

	Date of exercise of options	**Number of ordinary shares issued on exercise of options during the year**	
		2010	2009
Other key management personnel of the group			
S.O'Brien	4 February 2010	**75,000**	-

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	**Amount paid per share**
4 February 2010	$7.75

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

Employee share plan
Under the new Employee Share Plan, 61,593 shares were issued to the Plan Trustee and allocated to employees during the year (2009: 35,231). The shares are issued as ordinary shares of the company. For every nine shares purchased by the employee, Flight Centre Limited issued an additional one share. The expense was recognised when the shares were issued.

E Additional information (audited)

Performance of Flight Centre Limited
The overall level of executive reward takes into account the performance of the group over a number of years with greater emphasis given to the current and prior year. A major proportion of current executive remuneration is based on company current year results, such as pre-tax profit.

Details of remuneration: cash bonuses and options
For each incentive and grant of options included in the tables on pages 13 to15, 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 on page 17. No part of the bonus is payable in future years. The options vest over five years, provided the vesting conditions are met (refer to page 14 to 16). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been estimated as the amount of the grant date fair value of the options that could be expensed.

Remuneration report (continued)

E Additional information (audited) (continued)

	Incentives		Options					
	Paid	Forfeited	Year granted	Vested	Forfeited	Financial years in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
Directors of Flight Centre Limited	%	%		%	%		$	$
P.R.Morahan	-	-	-	-	-	-	-	-
G.W.Smith	-	-	-	-	-	-	-	-
P.F.Barrow	-	-	-	-	-	-	-	-
G.F.Turner	100	-	-	-	-	-	-	-
Other key management personnel of the group								
D.W.Smith	100	-	-	-	-	-	-	-
C.Galanty	100	-	-	-	-	-	-	-
R.Miller	100	-	-	-	-	-	-	-
S.O'Brien	100	-	2009	-	-	2011-2015	nil	450,670
A.Flannery	100	-	2009	-	-	2011-2015	nil	450,670
C.Bowman	100	-	2009	-	-	2011-2015	nil	450,670
M.Waters-Ryan	100	-	2009	-	-	2011-2015	nil	450,670
M.Murphy	100	-	2009	-	-	2011-2015	nil	450,670
R.Flint	100	-	-	-	-	-	-	-

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

Date options granted	Expiry date	Issue price of shares	Number under option
29 June 2009	30 June 2015	$10.00	1,000,000

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 2010.

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

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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.*

Remuneration report (continued)

E Additional information (audited) (continued)

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 provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reason:

- None of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

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	
	30 June 2010 $	30 June 2009 $
(a) Audit services		
PricewaterhouseCoopers Australian firm	**749,000**	764,900
Related practices of PricewaterhouseCoopers Australian firm	**1,038,349**	1,136,329
Total remuneration for audit services	**1,787,349**	1,901,229
(b) Non-audit services		
Audit-related services		
PricewaterhouseCoopers Australian firm		
Other services	**76,359**	9,419
Related practices of PricewaterhouseCoopers Australian firm		
Audit of regulatory returns	**1,605**	32,446
Due diligence services	**8,840**	-
Other services	**47,062**	-
Total remuneration for audit-related services	**133,866**	41,865
Taxation services		
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	**-**	111,307
Total remuneration for taxation services	**-**	111,307
Total remuneration for non-audit services	**133,866**	153,172
(c) Non-PricewaterhouseCoopers audit firms		
Audit and other assurance services		
Audit and review of financial reports	**35,794**	-
Total remuneration for audit services	**35,794**	-
Total remuneration for audit and non-audit services	**1,957,009**	2,054,401

Remuneration report (continued)

E Additional information (audited) (continued)

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

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

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

G.F. Turner
Director

BRISBANE
24 August 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Flight Centre Limited for the year ended 30 June 2010, 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 period.

Robert Baker

PricewaterhouseCoopers

Robert Baker
Partner
PricewaterhouseCoopers

BRISBANE
24 August 2010

Liability limited by a scheme approved under Professional Standards Legislation

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**903,329**	692,725
Available-for-sale financial assets	12	**80,648**	77,880
Other financial assets	13	**15,474**	15,474
Trade and other receivables	11	**331,910**	234,029
Current tax receivables	14	**10,884**	11,321
Inventories		**1,035**	105
Derivative financial instruments	16	**1,019**	279
Other assets	15	**1,264**	3,917
Total current assets		**1,345,563**	1,035,730
Non-current assets			
Property, plant and equipment	17	**148,415**	177,425
Intangible assets	18	**403,948**	419,286
Investments accounted for using the equity method	19	**15,304**	26,648
Deferred tax assets	21	**62,151**	68,091
Other assets	15	**2,928**	-
Total non-current assets		**632,746**	691,450
Total assets		**1,978,309**	1,727,180
LIABILITIES			
Current liabilities			
Trade and other payables	22	**978,046**	908,501
Borrowings	23	**93,067**	51,590
Provisions	24	**10,111**	6,922
Current tax liabilities	25	**55,457**	1,702
Derivative financial instruments	16	**935**	7,366
Total current liabilities		**1,137,616**	976,081
Non-current liabilities			
Trade and other payables	22	**16,310**	22,668
Borrowings	23	**84,998**	75,968
Provisions	24	**17,893**	11,662
Deferred tax liabilities	26	**10,840**	28,381
Derivative financial instruments	16	**-**	1,731
Total non-current liabilities		**130,041**	140,410
Total liabilities		**1,267,657**	1,116,491
Net assets		**710,652**	610,689
EQUITY			
Contributed equity	27	**378,931**	377,602
Reserves	28(b)	**(43,081)**	(7,169)
Retained profits	28(a)	**374,802**	240,256
Total equity		**710,652**	610,689

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

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Revenue			
Revenue from the sale of travel services	3	**1,489,085**	1,457,338
Revenue from the sale of travel as principal	3	**274,097**	225,883
Other revenue	3	**32,236**	42,141
Total revenue		**1,795,418**	1,725,362
Cost of travel as principal		**(242,433)**	(198,615)
Gross profit		**1,552,985**	1,526,747
Other income	4	**4,433**	(795)
Expenses			
Selling expenses		**(1,066,977)**	(1,126,479)
Administration / support expenses		**(257,347)**	(335,049)
Finance costs	5	**(31,967)**	(23,190)
Share of profit / (loss) of joint ventures and associates accounted for using the equity method	19	**(2,595)**	(837)
Profit before income tax expense		**198,532**	40,397
Income tax expense	7	**(58,664)**	(2,233)
Profit attributable to members of Flight Centre Limited		**139,868**	38,164

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	9	**140.3**	38.3
Diluted earnings per share	9	**138.8**	38.3

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

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Profit attributable to members of Flight Centre Limited		**139,868**	38,164
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets	28	**6,202**	2,453
Changes in the fair value of cash flow hedges	28	**1,381**	(2,833)
Net exchange differences on translation of foreign operations	28	**(21,147)**	27,418
Income tax expense on items of other comprehensive income	28	**(3,028)**	(735)
Other comprehensive income		**(16,592)**	26,303
Total comprehensive income for the period attributable to members of Flight Centre Limited		**123,276**	64,467

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

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008		**377,343**	**(43,626)**	**269,462**	**603,179**
Total comprehensive income for the year		**-**	**26,303**	**38,164**	**64,467**
Transactions with owners in their capacity as owners:					
Capital redemption	28	-	10,095	(10,095)	**-**
Employee share plan	27	259	-	-	**259**
Senior executive share options – share based payment	28	-	59	-	**59**
Dividends provided for or paid	8	-	-	(57,275)	**(57,275)**
Balance at 30 June 2009		**377,602**	**(7,169)**	**240,256**	**610,689**
Balance at 1 July 2009		**377,602**	**(7,169)**	**240,256**	**610,689**
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 plan	27	748	-	-	**748**
Senior executive share options – exercised	27	581	-	-	**581**
Senior executive share options – share based payment	28	-	1,295	-	**1,295**
Dividends provided for or paid	8	-	-	(25,937)	**(25,937)**
Balance at 30 June 2010		**378,931**	**(43,081)**	**374,802**	**710,652**

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

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**1,732,908**	1,767,324
Payments to suppliers and employees (including GST)		**(1,472,261)**	(1,731,591)
Interest received		**26,589**	36,904
Royalties received		**532**	633
Interest paid		**(31,029)**	(24,943)
Income taxes paid		**(13,622)**	(60,823)
Net cash inflow / (outflow) from operating activities	10	**243,117**	(12,496)
Cash flows from investing activities			
Payment for purchase of businesses and for additional issues of shares in subsidiaries (net cash outflow)	30	**(13,414)**	(4,550)
Payments for property, plant and equipment	17	**(17,823)**	(64,281)
Proceeds from sale of property, plant and equipment		**-**	202
Payments for intangibles	18	**(2,634)**	(14,874)
Payments for investments		**-**	(11,606)
Proceeds from sale of investments		**3,971**	172,110
Loans advanced to related parties	35	**(1,907)**	(3,048)
Loans repaid by related parties	35	**1,105**	-
Net cash (outflow) / inflow from investing activities		**(30,702)**	73,953
Cash flows from financing activities			
Proceeds from borrowings		**44,333**	109,991
Repayment of borrowings		**(21,137)**	(143,936)
Issue of shares	27	**1,329**	-
Dividends paid to company's shareholders	8	**(25,937)**	(57,275)
Net cash (outflow) / inflow from financing activities		**(1,412)**	(91,220)
Net increase / (decrease) increase in cash held		**211,003**	(29,763)
Cash and cash equivalents at the beginning of the financial year		**691,973**	727,506
Effects of exchange rate changes on cash and cash equivalents		**(10,078)**	(5,770)
Cash and cash equivalents at end of the year	10	**892,898**	691,973

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the consolidated financial reports 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 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 consolidated financial statements of the Flight Centre Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards
The group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2009:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result of the early adoption of AASB 2009-5, transaction costs associated with the business combinations described in note 30 have been presented as operating rather than financing cash flow. There was no other impact on the current or prior year financial statements.

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 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 in the process of 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.

Financial statement preparation
The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Flight Centre Limited ("company" or "parent entity") at 30 June 2010 and the results of all subsidiaries for the year then ended. Flight Centre Limited 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 purchase 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.

1 Summary of significant accounting policies (continued)

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 Flight Centre Limited's individual financial statements.

(ii) Associates
Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% to 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 amount. Dividends receivable from associates are recognised in the parent entity's profit or loss income statement, while in the consolidated financial statements they reduce the investments' carrying amount.

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

(iii) Joint ventures
Interests in joint venture partnerships 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 profits or loss is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income reserves in the Balance sheet. 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 such time as 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 impairment of an asset transferred. However, a loss on a transaction is recognised immediately if the loss provides evidence of the transferred asset's impairment.

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

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

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

(v) Changes in accounting policy
The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

1 Summary of significant accounting policies (continued)

(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 Flight Centre Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial 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 financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Foreign operations
The results and financial position of all the foreign operations that have different functional currencies different to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Balance Sheet item presented are translated at the closing rate at the date of that Balance Sheet;
- Income and expenses for each Income Statement item are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale.

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, if it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be 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. Revenue is recognised for the major business activities as follows:

(i) Revenue from travel services
Revenue from the sale of travel services is predominately recorded when travel documents are issued consistent with an agency relationship. In the United Kingdom (UK) business some revenue is recognised on an availed basis under a principal relationship because of the different rules and regulations that apply to Flight Centre's UK operations. The 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 still operating as an agent.

(ii) Total Transaction Value
Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations as agent for various airlines and other service providers, plus revenue from other sources. Flight Centre Limited's revenue is, therefore, derived from TTV. TTV is stated net of GST payable.

1 Summary of significant accounting policies (continued)

(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 original effective interest rate of the instrument 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).

Change in accounting policy
The group has changed its accounting policy for dividends paid out of pre-acquisition profits from 1 July 2009 when the revised AASB 127 *Consolidated and Separate Financial Statements* became operative. Previously, dividends paid out of pre-acquisition profits were deducted from the cost of the investment. In accordance with the transitional provisions, the new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

(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 national income tax rate for each jurisdiction. Adjustments are made for changes in deferred tax assets and liabilities attributable to temporary differences between the assets and liabilities tax bases and their carrying amounts in the financial statements and for unused tax losses.

The current income tax charge is calculated on the basis of 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 with respect to situations in which 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 liabilities' 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 it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity can control the timing of the reversal of the temporary differences 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 taxation authority. Current tax assets and tax liabilities are offset where 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 to the extent that 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, respectively.

1 Summary of significant accounting policies (continued)

Tax consolidation legislation

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

The head entity, Flight Centre Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

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

Leases of property, plant and equipment 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 properties' fair value and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Interest relating to the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability 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 the 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 period of the lease.

(g) Business combinations

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

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

1 Summary of significant accounting policies (continued)

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

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

Change in accounting policy
A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of FCm Travel Solutions (India) Private Limited and Air Services International Pte. Ltd as disclosed in note 30.

(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 that 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 assets 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 groups of assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant accounting policies (continued)

(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 original terms of receivables. 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 the 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 amount of the impairment 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 it is probable annual targets will 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 of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) 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 disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale 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 at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables 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.

1 Summary of significant accounting policies (continued)

(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 of the other categories. Most of these financial assets are made up of 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 the financial assets 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 equity are included 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. Dividend 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 between 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 amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value
The fair values of listed investments 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 each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities 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 securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(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 fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

1 Summary of significant accounting policies (continued)

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

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in 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 transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, 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 existing 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 instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(m) Fair value estimation

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

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

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

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

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

Buildings and other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation on other assets 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 end of the reporting period.

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 net fair value of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill 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 disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the group's cash-generating units for the purpose of impairment testing and is identified according to relevant business and country of operation (note 18). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 31).

(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 comprises 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 period of expected future benefits of the project, 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. Other intangible assets are recognised initially at fair value and where they 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 may be impaired. Other assets are amortised over their expected useful life, not exceeding seven years.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of significant accounting policies (continued)

(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 end of the reporting period are recognised in trade and other payables up to the end of the reporting period and are measured at 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 and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period 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 company 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 Flight Centre Limited Employee Option Plan, Senior Executive Option Plan and the Employee Share Plan. Information relating to these plans is set out in note 34.

Share options
The fair value of options granted under the Flight Centre Limited Employee Option Plan and Senior Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. 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 that 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 expected price volatility of the underlying share, 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 end of the reporting period, 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.

Share-based benefits are offered to full time employees through participation in the Flight Centre Limited Employee Share Plan. Shares may be purchased at market value and matched with an additional contribution equivalent to 10% of the overall value invested. The contribution offered to employees is expensed in the income statement with a corresponding increase in equity.

(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 current employee's employment according to a detailed formal plan without the possibility of withdrawal or providing termination benefits as a result of 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.

1 Summary of significant accounting policies (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used to determine 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 with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Contributed equity

Ordinary shares are classified as equity (note 27).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options 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, for example, as the result of a share buy-back, 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

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, the nearest dollar.

(v) Dividends

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

1 Summary of significant accounting policies (continued)

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 end of the reporting period.

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 2010 reporting period. The group has assessed the impact of these new standards and interpretations and no material impacts are expected apart from those set out below.

(i) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions (AASB 2) (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's or the parent entity's financial statements.

(ii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's or the parent entity's financial statements.

(iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact.

However, initial indications are that it may 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. The group has not yet decided when to adopt AASB 9.

(iv) 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. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates.

1 Summary of significant accounting policies (continued)

(v) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

(v) 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 July 2010)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 July 2010. The group is currently finalising its assessment of these changes, but does not expect that any significant adjustments will be necessary as the result of applying the revised rules.

(z) Segment reporting

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

Change in accounting policy
The group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segments has not required a reallocation of goodwill. There has been no other impact on the measurement of the Group’s assets and liabilities. Comparatives for 2009 have been restated.

(aa) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of 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 determined as 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 loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

1 Summary of significant accounting policies (continued)

(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 are stated inclusive of the amount of 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 flow.

(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 impact on the entity financially and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 recoverable amounts have been determined based on value-in-use calculations. 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 cash-generating unit operates. Refer to note 18 for details of these assumptions and the potential impacts of changes to the assumptions.

(ii) Make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to their previous condition. The calculation of this provision requires assumptions with regards to costs to bring premises back to their original condition. This estimation may result in actual expenditure differing from the amounts currently provided.

(ii) Provision for impairment of receivables

An estimate for doubtful debts is made when collection of the full amount receivable is no longer possible.

(iii) 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 end of the reporting period. 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. In the 2009 financial statements, the group made a significant judgement about the impairment of a number of its available-for-sale financial assets. Please refer to Note 12 for further details.

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000

3 Revenue

Total Transaction Value (TTV)	**11,018,723**	11,241,846
Revenue from the sale of travel services		
Commission and fees from the provision of travel	**1,087,352**	1,097,352
Revenue from the provision of travel	**345,660**	320,436
Other revenue from travel services	**56,073**	39,550
	1,489,085	1,457,338
Revenue from the sale of travel as principal	**274,097**	225,883
Other revenue		
Rents and sub-lease rentals	**4,739**	4,499
Interest	**26,951**	37,009
Royalties	**546**	633
	32,236	42,141

Total Transaction Value (TTV)
Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations, as agent for various airlines and other service providers, plus revenue from other sources. Flight Centre's revenue is derived from TTV.

4 Other income

Net foreign exchange gains / (losses)	**4,433**	(795)

5 Expenses

Profit before income tax includes the following specific expenses:

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Depreciation		
Buildings	**1,351**	1,148
Plant and equipment	**39,334**	46,733
Total depreciation	**40,685**	47,881
Amortisation		
Brand names	**4,005**	4,097
Other intangibles	**7,372**	7,271
Borrowing costs	**1,725**	522
Total amortisation	**13,102**	11,890
Other charges against assets		
Impairment charge of buildings (note 17)	**643**	7,321
Impairment charge of goodwill / investment in subsidiary	**-**	3,807
Impairment charge of software	**-**	14,509
Loss of control / impairment of associates (note 19)	**-**	3,513
	643	29,150
Finance costs		
Interest and finance charges paid / payable	**31,666**	23,026
Unwind of make good provision discount	**301**	164
Total finance costs	**31,967**	23,190
Defined contribution superannuation expense	**38,179**	37,614
Net loss on disposal of property, plant and equipment and intangible assets	**755**	2,586
Fair value losses on financial assets at fair value through profit or loss (note 13)	**-**	2,736
Rental expense relating to operating leases *		
Lease payments	**100,446**	105,649
Net loss on foreign currency		
Derivatives not qualifying as hedges (note 16)	**-**	5,024
Net loss on sale of available-for-sale financial assets (note 12)	**-**	23,859
Impairment losses - financial assets		
Available-for-sale financial assets	**-**	3,268
Trade receivables	**2,983**	6,948

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

6 Remuneration of auditors

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

	Consolidated 30 June 2010 $	30 June 2009 $
(a) Audit services		
PricewaterhouseCoopers Australian firm	**749,000**	764,900
Related practices of PricewaterhouseCoopers Australian firm	**1,038,349**	1,136,329
Total remuneration for audit services	**1,787,349**	1,901,229
(b) Non-audit services		
Audit-related services		
PricewaterhouseCoopers Australian firm		
Other services	**76,359**	9,419
Related practices of PricewaterhouseCoopers Australian firm		
Audit of regulatory returns	**1,605**	32,446
Due diligence services	**8,840**	-
Other services	**47,062**	-
Total remuneration for audit-related services	**133,866**	41,865
Taxation services		
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	**-**	111,307
Total remuneration for taxation services	**-**	111,307
Total remuneration for non-audit services	**133,866**	153,172
(c) Non-PricewaterhouseCoopers audit firms		
Audit and other assurance services		
Audit and review of financial reports	**35,794**	-
Total remuneration for audit services	**35,794**	-
Total remuneration for audit and non-audit services	**1,957,009**	2,054,401

The group's policy is to employ PricewaterhouseCoopers on assignments additional 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.

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000

7 Income tax expense

(a) Income tax expense

Current tax	**73,901**	15,791
Deferred tax	**(12,803)**	(14,324)
Adjustments for current tax of prior periods	**(2,434)**	766
Income tax expense	**58,664**	2,233
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 21)	**3,525**	(26,942)
(Decrease) / increase in deferred tax liabilities (note 26)	**(16,328)**	12,618
	(12,803)	(14,324)

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

Profit before income tax expense	**198,532**	40,397
Tax at the Australian tax rate of 30% (2009 - 30%)	**59,560**	12,119
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non deductible / (assessable) amounts	**3,154**	1,694
Intercompany loan forgiveness	**5**	30
Tax losses booked	**-**	(14,500)
Investment write-down	**-**	2,312
Other amounts	**(940)**	318
	61,779	1,973
Tax losses not recognised	**534**	1,046
Effect of different tax rates on overseas income	**(892)**	(936)
Under / (over) provision of prior years income tax	**(2,757)**	150
	(3,115)	260
Income tax expense	**58,664**	2,233

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Current tax - (credited) directly to equity (note 28)	**-**	-
Net deferred tax - (credited) / debited directly to equity (note 28)	**(469)**	(660)

7 Income tax expense (continued)

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

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Available for sale financial assets	**3,028**	(660)

(e) Tax losses

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Unused tax losses for which no deferred tax asset has been recognised	**9,213**	8,630
Potential tax benefit @ 30% (30% - 2009)	**2,764**	2,589

All unused tax losses in 2010 were incurred by entities in Singapore, China and Hong Kong that are not part of the Australian 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, Flight Centre Limited.

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. This advice is issued as soon as practicable after the end of each financial year. 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

(a) Ordinary shares

	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Final ordinary dividend for the year ended 30 June 2009 of $nil (2008: 48.5 cents) per fully paid share	**-**	48,310
Interim ordinary dividend for the year ended 30 June 2010 of 26.0 cents (2009: 9.0 cents) per fully paid share, paid on 1 April 2010, fully franked	**25,937**	8,965
	25,937	57,275

(b) Dividends not recognised at the end of the year

	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Since year-end the directors have recommended that a final dividend of 44.0 cents per fully paid share (2009: $nil) will be paid. The aggregate amount of the dividend to be paid on 7 October 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year-end was $43.9M.	**43,903**	-

(c) Franked dividends

	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%.	**134,616**	85,652

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 payment of the current tax liability
(ii) Franking debits that will arise from the dividend payments recognised as a liability at the end of the reporting period, and
(iii) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the reporting period.

The consolidated amounts include franking credits that will be available to the parent entity if subsidiaries' distributable profits are paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $18,815,776 (2009: $nil).

9 Earnings per share

	Consolidated 30 June 2010	30 June 2009
(a) Basic earnings per share	**Cents**	Cents
Profit attributable to the ordinary equity holders of the company	**140.3**	38.3
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	**138.8**	38.3
(c) Reconciliations of earnings used in calculating earnings per share	**$'000**	$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**139,868**	38,164
(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	**99,712,556**	99,608,904
Adjustments for calculation of diluted earnings per share:		
Options	**1,030,000**	75,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**100,742,556**	99,683,904

(e) Information concerning the classification of securities

(i) Options
Options granted to employees under the Flight Centre Limited Employee option plans are considered to be 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. Details relating to the options are set out in note 34.

10 Current assets - Cash and cash equivalents

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Cash at bank and on hand	**322,332**	160,921
Client account	**580,997**	531,804
	903,329	692,725

(a) Reconciliation to Statement of Cash Flows

	30 June 2010 $'000	30 June 2009 $'000
Cash and cash equivalents	**903,329**	692,725
Bank overdrafts (note 23)	**(10,431)**	(752)
Balance per Statement of Cash Flows	**892,898**	691,973

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

	30 June 2010 $'000	30 June 2009 $'000
Profit for the year	**139,868**	38,164
Depreciation and amortisation	**53,787**	59,771
Impairment charges against assets	**643**	29,150
Net loss on disposal of non-current assets	**755**	2,586
Loss on impairment of investments	**-**	29,863
Share of (profits) / losses of associate and joint venture partnership not received as dividends or distributions	**2,595**	837
Non-cash financing costs	**485**	728
Net exchange differences	**4,579**	(2,884)
(Increase) / decrease in trade debtors	**(52,193)**	64,484
(Increase) / decrease in deferred tax assets	**4,727**	(27,955)
(Increase) / decrease in inventories	**(933)**	1,454
Increase / (decrease) in trade creditors and other payables	**35,898**	(181,088)
Increase / (decrease) in provision for income taxes payable	**56,703**	(41,804)
Increase / (decrease) in provision for deferred income tax	**(16,328)**	11,401
Increase / (decrease) in other provisions	**12,531**	2,538
Increase / (decrease) in equity	**-**	259
Net cash inflow / (outflow) from operating activities	**243,117**	(12,496)

(c) Risk exposure

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

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

11 Current assets – Trade and other receivables

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Trade receivables	**305,119**	209,972
Less: Provision for impairment of receivables	**(6,267)**	(5,843)
	298,852	204,129
GST receivable	**2,161**	3,043
Prepayments	**23,127**	22,115
Other receivables	**7,770**	4,742
	331,910	234,029

(a) Impaired trade receivables

As at 30 June 2010 current group trade receivables with a nominal value of $6.3M (2009: $5.8M) were impaired. The impaired receivables mainly relate to discrepancies under discussion with large corporates.

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

	2010	2009
At 1 July	**5,843**	9,923
Bad debts expense	**2,983**	6,948
Balance acquired / (reduced) through acquisition / deconsolidation	**2,618**	(3,672)
Receivables written off during the year as uncollectible	**(5,177)**	(7,356)
	6,267	5,843

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

(b) Past due but not impaired

As at 30 June 2010, group trade receivables of $39.8M (2009: $6.3M) 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:

	2010	2009
Up to 9 months	**35,976**	5,659
Over 9 months	**3,869**	685
	39,845	6,344

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, it is expected that these amounts will 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 in relation to receivables is provided in note 32.

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000

11 Current assets – Trade and other receivables (continued)

(e) Fair value and credit risk

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

The maximum exposure to credit risk at the end of the reporting period is each class of receivables' carrying amount as set out on page 31. Refer to note 32 for more information on the group's risk management policy and the credit quality of the entity's trade receivables.

12 Current assets - Available-for-sale financial assets

	30 June 2010 $'000	30 June 2009 $'000
Listed debt securities	**10,079**	8,233
Unlisted debt securities	**70,569**	69,647
	80,648	77,880

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% (2009: 0% and 10.75%).

The weighted average interest rate for the year was 5.61% (2009: 4.44%).

(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 end of the reporting period is the fair value of all securities classified as available-for-sale.

An impairment charge of $nil was written off to the income statement during the period (2009: $3.3M), calculated with reference to market prices in line with Flight Centre Limited's group policy. The impairment charge for the period ended 30 June 2009 was triggered by financial difficulties of the issuer of a fixed rate note held by the parent entity. Flight Centre's US subsidiary incurred a $23.9M loss in the 12 months to 30 June 2009 on the sale of actively traded equity securities.

13 Current assets - Other financial assets

	30 June 2010 $'000	30 June 2009 $'000
Debt securities (at fair value through profit and loss)	**15,474**	15,474

14 Current assets - Current tax receivables

	30 June 2010 $'000	30 June 2009 $'000
Income tax receivable	**10,884**	11,321

15 Other assets

	30 June 2010 $'000	30 June 2009 $'000
(a) Current - Loans to related parties (refer to note 35 for terms of the loans)	**1,264**	3,917
(b) Non-current - Loans to related parties (refer to note 35 for terms of the loans)	**2,928**	-

16 Derivative financial instruments

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Current assets		
Options ((a)(iii))	**-**	279
Forward foreign exchange contracts - held for trading ((a)(ii))	**1,019**	-
Total current derivative financial instrument assets	**1,019**	279
Current liabilities		
Forward foreign exchange contracts - held for trading ((a)(ii))	**-**	7,366
Interest rate swaps - cash flow hedges ((a)(i))	**935**	-
Total current derivative financial instrument liabilities	**935**	7,366
Non-current liabilities		
Interest rate swaps - cash flow hedges ((a)(i))	**-**	1,731
Total non-current derivative financial instrument liabilities	**-**	1,731

(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

Bank loans of the group currently bear an average variable interest rate of 5.27% (2009: 3.37%). The group's policy is to protect part of the loans from exposure to fluctuation in interest rates. Accordingly, the group has entered 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 65% (2009: 65%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 3.15% (2009: 3.15%) and the variable rates were between 0.24% and 1.07% (2009: 1.07% and 3.52%).

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt up to January 2011. 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 2010, no ineffectiveness was recognised.

(ii) Forward exchange contracts

The group has entered into forward foreign exchange contracts which 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.

(iii) Business Acquisition Option

In 2009, the group entered into an option contract to acquire the business of Air Services International Pte. Ltd, a travel agency business based in Singapore. The option was exercised on completion of its 31 December 2009 year-end accounts. Refer to note 30 for more details.

(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 2010	Freehold land & 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
Impairment (a)	(643)	-	(643)
Disposals	-	(49,392)	(49,392)
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**

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

Year ended 30 June 2009	Freehold land & buildings $'000	Plant and equipment $'000	Total $'000
Opening balance at 1 July 2008			
Cost	37,025	266,067	303,092
Accumulated depreciation	(470)	(137,855)	(138,325)
Net book amount at 1 July 2008	**36,555**	**128,212**	**164,767**
Year ended 30 June 2009			
Opening cost	37,025	266,067	303,092
Additions	11,928	52,353	64,281
Disposals	(318)	(54,795)	(55,113)
Impairment (a)	(7,321)	-	(7,321)
Exchange differences	164	8,742	8,906
Closing cost	**41,478**	**272,367**	**313,845**
Opening accumulated depreciation	(470)	(137,855)	(138,325)
Depreciation expense	(1,148)	(46,733)	(47,881)
Depreciation on disposals	84	47,897	47,981
Exchange differences	74	1,731	1,805
Closing accumulated depreciation	**(1,460)**	**(134,960)**	**(136,420)**
At 30 June 2009			
Cost	41,478	272,367	313,845
Accumulated depreciation	(1,460)	(134,960)	(136,420)
Net book amount at 30 June 2009	**40,018**	**137,407**	**177,425**

(a) Impairment charge

The impairment charge to land and buildings in 2010 has arisen due to the decline in building values in South Africa ($0.6M). This followed an external market valuation obtained.

The impairment charge to land and buildings in 2009 arose due to the decline in building values in Melbourne ($6.5M) and South Africa ($0.8M). This followed external market valuations obtained as part of the group's impairment testing.

18 Non-current assets - Intangible assets

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.

18 Non-current assets - Intangible assets (continued)

Year ended 30 June 2009	**Goodwill $'000**	**Brand names and customer relationships $'000**	**Other intangible assets $'000**	**Total $'000**
Opening balance at 1 July 2008				
Cost	323,161	58,714	70,357	452,232
Accumulated amortisation	-	(1,441)	(40,383)	(41,824)
Net book amount at 1 July 2008	**323,161**	**57,273**	**29,974**	**410,408**
Year ended 30 June 2009				
Opening cost	323,161	58,714	70,357	452,232
Additions	11,036	-	16,272	27,308
Acquisitions	590	-	-	590
Impairment (c)	(3,807)	-	(14,509)	(18,316)
Disposals / deconsolidation	(28,480)	-	(3,759)	(32,239)
Exchange differences	28,303	10,826	1,554	40,683
Closing cost	**330,803**	**69,540**	**69,915**	**470,258**
Opening accumulated amortisation	-	(1,441)	(40,383)	(41,824)
Amortisation expense	-	(4,097)	(7,271)	(11,368)
Amortisation on disposals	-	-	3,300	3,300
Exchange differences	-	(267)	(813)	(1,080)
Closing accumulated amortisation	**-**	**(5,805)**	**(45,167)**	**(50,972)**
At 30 June 2009				
Cost	330,803	69,540	69,915	470,258
Accumulated amortisation	-	(5,805)	(45,167)	(50,972)
Net book amount at 30 June 2009	**330,803**	**63,735**	**24,748**	**419,286**

Other intangible assets predominantly relate to software.

(a) Impairment tests

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

Goodwill	**Australia** $'000	**UK** $'000	**United States** $'000	**Other countries*** $'000	**Total** $'000
2010	**49,836**	**69,058**	**174,548**	**32,240**	**325,682**
2009	51,859	81,234	182,509	15,201	330,803

* Other countries consist of a number of individually insignificant CGU's.

A CGU's recoverable amount is determined based on value-in-use calculations. These 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 CGUs terminal values.

18 Non-current assets - Intangible assets (continued)

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

CGU	Growth rate *		Discount rate **	
	30 June 2010 %	30 June 2009 %	**30 June 2010 %**	30 June 2009 %
Goodwill				
Australia	**-**	-	**15.9**	14.1
United States	**-**	-	**14.9**	14.1
UK	**-**	-	**15.9**	14.1
Other countries	**-**	-	**15.9**	14.1

* Weighted average growth rate used to extrapolate cash flows beyond the budget period.
** 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.

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

(c) Impairment charge

The impairment charge to goodwill in 2009 relates to Hong Kong ($0.6M) and China ($3.2M). Flight Centre Limited decided to write-off all goodwill associated with these CGUs, which have incurred small losses in prior years.

The impairment charge to software in 2009 arose due to the write-off of an internal project.

(d) Impact of possible changes in key assumptions

Australia, UK and other countries
With regard to the assessment of the value in use of the Australia, UK and other country segments, Management believe 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.

United States
For the United States segment, there are reasonably possible changes in key assumptions (discussed below) that could cause the carrying value of the segment to exceed its recoverable amount. The calculated fair value of the United States segment exceeds its carrying amount by $2.6M (2009: $9.6M).

Discount rate assumptions - Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the discount rate would have to increase by 1% for the recoverable amount of the United States segment to fall below its carrying amount. However, this excludes the impact of growth rates that could potentially be applied.

Budgeted EBITDA assumptions - Management recognises that actual results (EBITDA) may vary to what they have estimated. Management notes that budgeted EBITDA for the five year period used in the value in use calculations would have to decrease by 10% for the recoverable amount of the United States segment to fall below its carrying amount.

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

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Investments accounted for using the equity method – carrying value		
Shares in associates (a)	**8,382**	18,898
Interest in joint ventures (b)	**6,922**	7,750
Total	**15,304**	26,648
Share of (loss) / profit of investments accounted for using the equity method		
Shares in associates (a)	**(1,961)**	(315)
Interest in joint ventures (b)	**(634)**	(522)
Total	**(2,595)**	(837)

Shares in associates and interest in joint ventures

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

(a) Investments in associates

(i) Carrying amounts

Name of company	Principal activity	Ownership interest 30 June 2010 %	Ownership interest 30 June 2009 %	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Unlisted					
Garber's Travel Service, Inc	Travel Services	**26**	26	**8,382**	8,894
FCm Travel Solutions (India) Private Limited	Travel Services	**-**	56	**-**	10,004
				8,382	18,898

Garber's Travel Service, Inc is incorporated in the United States of America.

FCm Travel Solutions (India) Private Limited is incorporated in India. On 26 April 2010 Flight Centre Limited purchased the remaining 44% of FCm Travel Solutions (India) Private Limited and accordingly accounted for the investment as a subsidiary at 30 June 2010. At 30 June 2009, a loss of $3.5M had been recorded (refer note 5) upon loss of control and impairment in FCm Travel Solutions India (Private) Limited.

(ii) Movements in carrying amounts

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Carrying amount at the beginning of the financial year	**18,898**	7,831
Increases / (decreases) due to changes in ownership interest	**(8,169)**	9,828
Share of profits / (losses) after income tax	**(1,961)**	(315)
Gain / (loss) on foreign exchange translation	**(386)**	1,554
Carrying amount at the end of the financial year	**8,382**	18,898

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

(a) Investments in associates (continued)

(iii) Share of associates' profits or losses

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Profit / (loss) before income tax	**(1,975)**	(225)
Income tax expense	**14**	(90)
Profit / (loss) after income tax	**(1,961)**	(315)

(iv) Summarised financial information of associates

	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
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)
2009				
Garber's Travel Service, Inc	2,502	473	8,341	(491)
FCm Travel Solutions (India) Private Limited	26,050	23,534	3,490	176
	28,552	24,007	11,831	(315)

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

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Lease commitments	**1,311**	968

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

(b) Interests in joint ventures

The group is involved in four joint ventures as follows:

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

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

On 31 August 2008 Flight Centre Limited 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 Flight Centre Limited acquired 100% of the equity of Back Roads Touring Co. Ltd, a London based bus 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. This purchase and option over shares in Back Roads by the third party meant that from 2 February 2009 Flight Centre had joint control over Back Roads and would account for the entity as a joint venture.

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 Consolidated	
Name	**2010**	2009	**2010 $'000**	2009 $'000
Employment Office Australia Pty Ltd	**50%**	50%	**2,617**	2,507
Intrepid Retail Group Pty Ltd	**50%**	50%	**2,348**	2,194
Pedal Group Pty Ltd	**50%**	50%	**1,818**	1,939
Back Roads Touring Co. Ltd	**75%**	75%	**139**	1,110
			6,922	7,750

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Share of joint venture revenue, expenses and results		
Revenues	**18,584**	5,612
Expenses	**(19,218)**	(6,134)
Profit / (loss) after income tax	**(634)**	(522)
Share of joint venture assets and liabilities		
Current assets	**10,095**	3,991
Non-current assets	**1,634**	5,738
Total assets	**11,729**	9,729
Current liabilities	**3,571**	5,370
Non-current liabilities	**3,736**	15
Total liabilities	**7,307**	5,385
Net assets	**4,422**	4,344
Share of joint venture commitments		
Lease commitments	**3,813**	558

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 2010 %	2009 %
Australian AssetCo Pty Ltd	Australia	Ordinary	**100**	100
Australian OpCo Pty Ltd *	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 Property Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Technology Pty Ltd *	Australia	Ordinary	**100**	100
Flight Centre Office Trust	Australia	Ordinary	**100**	100
Moneywise Global Pty Ltd	Australia	Ordinary	**100**	-
Travel Money (AUS) Pty Ltd	Australia	Ordinary	**100**	100
Travel Money Holdings Pty Ltd	Australia	Ordinary	**100**	100
Travel Services Corporation Pty Ltd	Australia	Ordinary	**100**	100
The Flight Shops Inc	Canada	Ordinary	**100**	100
The Flight Shops Inc	Canada	Preference	**100**	100
A.I.T International Ticketing (Beijing) Limited #	China	Ordinary	**100**	100
Flight Centre - Comfort Business Travel Services Co Ltd #	China	Ordinary	**95**	95
Shanghai Journey Pty Ltd	China	Ordinary	**100**	100
Shanghai CiEvent Business Consulting Co Ltd	China	Ordinary	**100**	100
American International Travel Limited #	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 #	Republic of India	Ordinary	**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
Flight Centre Travel Solutions Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
Air Services International Pte Ltd	Singapore	Ordinary	**100**	-
FCm Travel Solutions Singapore Pte Ltd	Singapore	Ordinary	**100**	100
Britannic Travel Limited	United Kingdom	Ordinary	**100**	100
Britannic Travel Wholesale Limited (UK)	United Kingdom	Ordinary	**100**	100
Flight Centre Moneywise Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Wholesale Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Corporate Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Corporate Limited	United Kingdom	Preference	**100**	100
Flight Centre (UK) Finance Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Operations Limited	United Kingdom	Ordinary	**100**	100
FCm Bannockburn LLC	USA	Ordinary	**100**	100

20 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2010 %	Equity holding 2009 %
Flight Centre (USA) Inc	USA	Ordinary	**100**	100
Gogo Tours Inc	USA	Ordinary	**100**	100
Holiday Vacations Inc	USA	Ordinary	**100**	100
Liberty Travel Inc	USA	Ordinary	**100**	100
Lib/Go Travel Inc	USA	Ordinary	**100**	100
Flight Centre (ME) Limited	United Arab Emirates	Ordinary	**100**	100
FCm Travel Solutions (L.L.C) **	United Arab Emirates	Ordinary	**49**	49

* These controlled entities are not required 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.

** FCm Travel Solutions (L.L.C), incorporated in Dubai, is considered a subsidiary of Flight Centre Limited. The 51% equity holding is a local statutory requirement, as only local residents are permitted to own or hold licences permitting the activity of operating a travel management business in Dubai, United Arab Emirates. Further, in accordance with Accounting Standards, Flight Centre Limited 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%).

\# 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.

21 Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Doubtful debts	**1,734**	1,571
Employee benefits	**12,959**	11,035
Provision for asset write-down	**4,720**	4,333
Property, plant and equipment	**7,000**	8,265
Accruals	**5,222**	7,923
Investment write-down	**7,002**	9,125
Unearned income	**1,219**	625
Losses	**12,914**	15,919
Leasing	**5,507**	7,244
Provisions	**7,636**	5,778
Other	**2,797**	1,619
	68,710	73,437
Set-off of deferred tax liabilities pursuant to set-off provisions (note 26)	**(6,559)**	(5,346)
Net deferred tax assets	**62,151**	68,091
Deferred tax assets to be recovered within 12 months	**26,619**	27,459
Deferred tax assets to be recovered after more than 12 months	**42,091**	45,978
	68,710	73,437

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	**7,002**	**12,959**	**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**

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

Movements	**Financial assets $'000**	**Employee benefits $'000**	**Doubtful debts $'000**	**Depreciation $'000**
At 1 July 2008	**6,587**	**11,897**	**2,820**	**3,289**
Credited / (charged) to the income statement	1,878	(862)	(1,249)	4,976
Credited / (charged) directly to equity	-	-	-	-
Credited / (charged) to comprehensive income	660	-	-	-
At 30 June 2009	**9,125**	**11,035**	**1,571**	**8,265**

Movements	**Accruals $'000**	**Leasing $'000**	**Other $'000**	**Total $'000**
At 1 July 2008	**7,995**	**3,705**	**9,538**	**45,831**
Credited / (charged) to the income statement	(72)	3,539	18,736	**26,946**
Credited / (charged) directly to equity	-	-	-	**-**
Credited / (charged) to comprehensive income	-	-	-	**660**
At 30 June 2009	**7,923**	**7,244**	**28,274**	**73,437**

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000

22 Trade and other payables

(a) Current

Trade payables	**212,942**	183,096
Client creditors	**735,690**	695,634
Accrued unsecured note interest	**4,346**	3,488
Annual leave	**23,039**	22,648
Accrual for vouchers	**1,805**	3,079
Contingent consideration	**224**	556
	978,046	908,501

(b) Non-current

Lease incentive liability	**3,381**	9,406
Contingent consideration	**981**	3,115
Straight-line lease liability	**11,948**	10,147
	16,310	22,668

Risk exposure

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

	Consolidated 30 June 2010 $'000
Contingent consideration	
Current	
As at 1 July 2009	**556**
Payments	(500)
Unwinding and discount rate adjustments	20
Reclassification from non-current	148
As at 30 June 2010	**224**
Non-current	
As at 1 July 2009	**3,115**
Unwinding and discount rate adjustments	(47)
Change in growth assumptions	(1,939)
Reclassification to current	(148)
As at 30 June 2010	**981**
Total contingent consideration	**1,205**

Contingent consideration is payable to previous owners of businesses that Flight Centre Limited 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

(a) Current

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Secured		
Bank overdrafts	**10,431**	752
Bank loan	**22,737**	9,376
Unsecured		
Unsecured notes principal	**59,899**	41,462
Total current borrowings	**93,067**	51,590

(b) Non-current

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Secured		
Bank loan	**15,299**	6,489
Unsecured		
Bank loan	**69,699**	69,479
Total non-current borrowings	**84,998**	75,968

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.

The weighted average interest rate for the group during the year was 40.42% (2009: 27.06%) calculated on the face value of the unsecured notes principal.

Bank overdrafts

Total secured overdraft facilities available to the group are $12.55M (2009: $1.27M). These bear interest in the range of 5% - 12.5% (2009: 5.25%).

Risk exposures

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

(i) Financing arrangements

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Bank loan facilities		
Unused at balance date	**20,981**	101,261
Used at balance date	**110,348**	89,746
Total facilities	**131,329**	191,007

Bank loan facilities have terms ranging from 1 to 9 years at floating interest rates.

The current interest rates on bank loan facilities range from 1.69% - 12.5% (2009: 3.37% - 9.9%)

A purchase card facility of $33M is available to the company (2009: $30M).

Bank of guarantees / Letter of credit facilities

Letters of credit facilities of $187M are available to the company (2009: $200M). The total letters of credit issued under these facilities was $86M (2009: $101M).

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

23 Borrowings (continued)

(ii) Fair value

The carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

	Carrying amount 30 June 2010 $'000	**Fair value 30 June 2010 $'000**	Carrying amount 30 June 2009 $'000	Fair value 30 June 2009 $'000
On-balance sheet				
Non-traded financial liabilities				
Bank overdrafts	**10,431**	**10,431**	752	752
Bank loans	**107,735**	**107,735**	85,344	85,344
Unsecured notes principal	**59,899**	**59,899**	41,462	41,462
	178,065	**178,065**	127,558	127,558

(iii) Assets pledged as security for secured liabilities

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

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Non-current		
Buildings	**22,232**	22,985
Total assets pledged as security	**22,232**	22,985

24 Provisions

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
(a) Current		
Employee benefits - Long service leave	**10,111**	6,922
(b) Non-current		
Employee benefits - Long service leave	**12,204**	7,984
Make good provision	**5,689**	3,678
	17,893	11,662

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

	Make good provision $'000
Consolidated - 2010	
Carrying amount at start of year	**3,678**
Additional provisions recognised	**2,158**
Decrease in provision	**(335)**
Increase in discounted amount arising from passage of time and discount rate adjustments	**301**
Decrease due to changes in foreign currency exchange rates	**(113)**
Carrying amount at end of year	**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 the leasehold improvements and are amortised over the shorter of the lease term or the asset's useful life.

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000

25 Current liabilities - Current tax liabilities

Provision for taxation	**55,457**	1,702

26 Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:		
Trade and other receivables	**4,057**	3,146
Property, plant and equipment	**9,929**	27,643
Unrealised foreign exchange	**536**	456
Prepayments	**41**	39
Leasing	**1,763**	1,563
Other	**1,073**	880
	17,399	33,727
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 21)	**(6,559)**	(5,346)
Net deferred tax liabilities	**10,840**	28,381
Deferred tax liabilities to be settled within 12 months	**4,099**	3,186
Deferred tax liabilities to be settled after more than 12 months	**13,300**	30,541
	17,399	33,727

Movements in deferred tax liabilities:	**Receivables $'000**	**Depreciation $'000**	**Foreign exchange movements $'000**	**Other $'000**	**Total $'000**
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)
- to other comprehensive income	-	-	-	-	-
At 30 June 2010	**4,057**	**9,929**	**536**	**2,877**	**17,399**
At 1 July 2008	**2,836**	**16,708**	**-**	**1,565**	**21,109**
Charged/ (credited)					
- to profit or loss	310	10,935	456	917	12,618
- to other comprehensive income	-	-	-	-	-
At 30 June 2009	**3,146**	**27,643**	**456**	**2,482**	**33,727**

27 Contributed equity

		30 June 2010 Shares	30 June 2009 Shares	30 June 2010 $'000	30 June 2009 $'000
(a) Share capital					
Fully paid ordinary shares	(b)(c)	**99,780,631**	99,644,038	**378,931**	377,602

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 July 2008	**Opening balance**	**99,608,807**		**377,343**
30 June 2009	Employee share plan	35,231	$7.35	259
30 June 2009	**Closing balance**	**99,644,038**		**377,602**
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 Scheme	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**

(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 Option Plan

Information relating to the Flight Centre Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 34.

(e) Employee Share Plan

Information relating to the Flight Centre Limited Employee Share Plan is set out in the directors' report.

(f) Senior Executive Option Plan

Information relating to the Flight Centre Limited Senior Executive Option Plan, including details of options issued during the financial year, is set out in the directors' report.

27 Contributed equity (continued)

(g) Capital management

Flight Centre Limited maintains a conservative funding structure that allows the company to meet its operational and regulatory requirements, while providing sufficient flexibility to fund 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 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Total borrowings	**178,065**	127,558
Total equity	**710,652**	610,689
Gearing ratio	**25%**	21%

28 Reserves and retained profits

(a) Retained profits

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Balance 1 July	**240,256**	269,462
Profit for the year	**139,868**	38,164
Dividends	**(25,937)**	(57,275)
Capital redemption reserve	**20,615**	(10,095)
Balance 30 June	**374,802**	240,256

(b) Reserves

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Available-for-sale investments revaluation reserve	**(5,697)**	(8,871)
Share-based payments reserve	**2,325**	1,030
Foreign currency translation reserve	**(38,773)**	(17,626)
Hedging reserve - cash flow hedges	**(936)**	(2,317)
Capital redemption reserve	**-**	20,615
	(43,081)	(7,169)

Movement in reserves:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Available-for-sale investments revaluation reserve		
Balance 1 July	**(8,871)**	(10,589)
Revaluation gross	**6,202**	(24,674)
Deferred tax (note 21)	**(3,028)**	7,402
Unrealised loss on sale taken to income statement	**-**	23,859
Deferred tax (note 21)	**-**	(7,157)
Impairment on disposal of equity interest	**-**	3,268
Deferred tax (note 21)	**-**	(980)
Balance 30 June	**(5,697)**	(8,871)

28 Reserves and retained profits (continued)

(b) Reserves (continued)

Movement in reserves (continued):

	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Share-based payments reserve		
Balance 1 July	**1,030**	971
Option expense	**826**	59
Deferred tax (note 21)	**469**	-
Balance 30 June	**2,325**	1,030
Foreign currency translation reserve		
Balance 1 July	**(17,626)**	(45,044)
Net exchange differences on translation of foreign operations	**(21,147)**	27,418
Balance 30 June	**(38,773)**	(17,626)
Hedging reserve – cash flow hedges		
Balance 1 July	**(2,317)**	516
Fair value adjustments	**1,381**	(2,833)
Balance 30 June	**(936)**	(2,317)
Capital redemption reserve		
Balance 1 July	**20,615**	10,520
Share buy-back	**-**	10,095
Restructure	**(20,615)**	-
Balance 30 June	**-**	20,615

Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve
Changes in the fair value of investments, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(k). Amounts are recognised 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 taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in 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 directly in equity, as described in note 1(l). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(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

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**94,382**	96,628
Later than one year but not later than five years	**233,441**	246,032
Later than five years	**47,704**	74,155
	375,527	416,815

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 which represent rental escalation based on CPI or fixed % increases, as stated in the lease agreement.

30 Business combinations

Current year acquisitions

(a) 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, Flight Centre Limited held a 56% interest in the Company.

From the date of acquisition to year end, FCm Travel Solutions (India) Private Limited has contributed a net profit of $0.9M to Flight Centre Limited. If the acquisition had 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.

Flight Centre Limited has provisionally recognised the fair values of the identifiable assets and liabilities of FCm Travel Solutions (India) Private Limited based upon the best information available as of the reporting date. Provisional business combination accounting is detailed below.

	2010 $'000
Purchase consideration	
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	6,170
Goodwill (note 18)	16,704

(ii) Purchase consideration

Outflow of cash to acquire subsidiary:	
Cash consideration	13,000
(Less cash) / Add bank overdraft acquired	178
Outflow of cash	**13,178**

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
Cash and cash equivalents	(178)	(178)
Accounts receivable	32,103	32,103
Other assets	11,316	11,316
Property, plant and equipment	2,727	2,727
Intangible assets	35	35
Deferred tax asset	1,301	1,301
Trade and other payables	(23,048)	(23,048)
Borrowings	(16,789)	(16,789)
Provisions	(1,297)	(1,297)
Net identifiable assets acquired	**6,170**	**6,170**

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 overall revenue and profitability of the group.

30 Business combinations (continued)

(b) Air Services International Pte. Ltd

(i) Summary of acquisition

On 30 April 2010 Flight Centre Limited acquired 100% of the assets of Air Services International Pte. Ltd, a travel agency business based in Singapore.

From the date of acquisition to year end, Air Services International Pte. Ltd has contributed a net loss of $0.4M to Flight Centre Limited. If the acquisition had 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.

Flight Centre Limited has provisionally recognised the fair values of the identifiable assets and liabilities of Air Services International Pte. Ltd based upon the best information available as of the reporting date. Provisional business combination accounting is detailed below.

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

	2010 $'000
Purchase consideration	
Cash paid	236
Total purchase consideration	**236**
Fair value of net identifiable assets acquired	3
Goodwill (note 18)	**233**

(ii) Purchase consideration

Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	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 overall revenue and profitability of the group.

30 Business combinations (continued)

Prior year acquisitions

Back Roads Touring Co. Ltd

(i) Summary of acquisition

On 31 October 2008 Flight Centre Limited acquired 100% of the equity of Back Roads Touring Co. Ltd, a London-based bus touring company. 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. This purchase and option over shares in Back Roads by the third party meant that from 2 February 2009 Flight Centre had joint control over Back Roads and would account for the entity as a joint venture.

The acquired business contributed a net loss of $0.2M to the group for the period from 1 November to 1 February 2009. Had the acquisition occurred on 1 July 2008, the revenue and profit contribution for the seven months to 1 February would have been $1.6M and $0.07M respectively. Details of the trading as a joint venture can be found in note 19.

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:

	2009 $'000
Purchase consideration	
Cash paid	2,691
Contingent consideration	186
Direct costs relating to the acquisition	77
Total purchase consideration	**2,954**
Fair value of net identifiable assets acquired	2,364
Goodwill (note 18)	**590**

(ii) Purchase consideration

Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	2,768
Less: Cash acquired	(2,092)
Outflow of cash	**676**

Contingent consideration is payable to the previous owner of Back Roads Touring Co. Ltd, who has taken up a consultancy position with the Flight Centre group. The amount is payable irrespective of whether the previous owner continues his consulting contract with the group.

(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	2,092	2,092
Accounts receivable	76	76
Motor vehicles	322	322
Deposits	10	10
Trade creditors	(44)	(44)
Provision for tax	(70)	(70)
Deferred income	(22)	(22)
Net identifiable assets acquired	**2,364**	**2,364**

No acquisition provisions were created.

31 Segment information

(a) Identification and description of segments

Flight Centre Limited has identified its operating segments based on the internal reports that are reviewed and used by the board of directors 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, Product and IT;
- Executive General Manager – Corporate;
- Executive General Manager – Retail;
- Executive General Manager – Marketing;
- Executive General Manager – Peopleworks; and
- Executive General Manager – Asia.

The board of directors 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 to the board of directors and executive team on a monthly basis, via the preparation of a group Financial Report.

Three reportable segments have been identified based on the information included in the group 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.

For the period ended 31 December 2009, two operating segments, being United States and Canada were aggregated into one reportable segment, North America. The aggregation was on the basis of similarity of service provided, economic returns and regulatory environment. For the period ended 30 June 2010, it has been decided that these two segments will no longer be aggregated. Both these segments are organised and managed by separate management teams, in separate geographic locations.

(b) Types of products and services

Flight Centre Limited 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

Flight Centre Limited has a number of customers to which it provides services and to which revenue is derived. There is no single customer to which the group derives revenue from, more than 10% of total consolidated revenue.

(d) Accounting policies and inter-segment transactions

The accounting policies used by the group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

It is the group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

31 Segment information (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 2010 and 30 June 2009 is as follows:

30 June 2010

	Australia $'000	United States $'000	United Kingdom $'000	All other segments $'000	Total $'000
TTV	**6,406,723**	**1,662,068**	**990,572**	**1,959,360**	**11,018,723**
Total segment revenue	940,312	278,507	159,338	395,957	1,774,114
Inter-segment revenue	(77,797)	(70,169)	(17,523)	(45,436)	(210,925)
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 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**

31 Segment information (continued)

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

30 June 2009

	Australia $'000	United States $'000	United Kingdom $'000	All other segments $'000	Total $'000
TTV	**5,758,449**	**2,247,783**	**1,081,674**	**2,153,940**	**11,241,846**
Total segment revenue	831,707	319,646	200,959	347,088	1,699,400
Inter-segment revenue	(59,410)	(52,915)	(20,340)	(46,447)	(179,112)
Revenue from external customers	**772,297**	**266,731**	**180,619**	**300,641**	**1,520,288**
Adjusted EBIT	**96,072**	**(62,050)**	**14,857**	**(36,806)**	**12,073**
Depreciation and amortisation	26,540	17,438	5,149	10,644	59,771
Share of profit/(loss) from associates and joint ventures	(522)	(491)	-	176	(837)
Other material items:					
- Impairment of assets	23,315	-	-	9,104	32,419
- Net loss on sale of available-for-sale financial assets	-	23,859	-	-	23,859
Total segment assets	**772,401**	**423,878**	**236,743**	**217,778**	**1,650,800**
Total segment assets include:					
Investment in associates and joint ventures	7,750	8,894	-	10,004	26,648
Additions to non-current assets (PPE and Intangibles)	43,099	7,716	5,368	36,321	92,504
Total segment liabilities	**508,085**	**266,699**	**109,636**	**120,332**	**1,004,752**

31 Segment information (continued)

(f) Segment information presented to the board of directors and executive team – Adjusted EBIT

The board of directors and executive team assess the performance of the operating segments based on a measure of adjusted EBIT. This measurement basis 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 2010 $'000	Consolidated 2009 $'000
Adjusted EBIT	**187,437**	12,073
Interest expense	**(7,078)**	(9,051)
Interest revenue	**20,506**	30,265
Net interest income / expense	**13,428**	21,214
Deferred consideration	**(352)**	1,710
Net foreign exchange (losses) / gains on intercompany loans	**(2,050)**	3,526
Other non-material items	**69**	1,874
Profit before income tax	**198,532**	40,397

(g) Segment information presented to the board of directors 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 Board of 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.

Segment revenue reconciles to total revenue as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Segment revenue	**1,774,114**	1,699,400
Inter-segment sales elimination	**(210,925)**	(179,112)
Total segment revenue to external customers	**1,563,189**	1,520,288
Revenue from the sale of travel as principal	**274,097**	225,883
Gross profit from sale of travel as principal	**(31,664)**	(27,268)
Share of associates loss disclosed separately	**2,595**	837
Other non-material revenue items	**(12,799)**	5,622
Total revenue	**1,795,418**	1,725,362

	Consolidated 2010 $'000	Consolidated 2009 $'000

31 Segment information (continued)

(h) Segment information presented to the board of directors and executive team – Assets

The amounts provided to the board of directors and executive team with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reconciliation of segment assets to total assets is as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Segment assets	**1,896,180**	1,650,800
Unallocated assets:		
Loans to external parties	4,192	3,917
Deferred tax asset	62,151	68,091
Current tax receivable	10,884	11,321
Other non-material assets	4,902	(6,949)
Total assets as per the Balance Sheet	**1,978,309**	1,727,180

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.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Australia	156,223	171,987
UK	9,549	95,721
USA	216,486	278,294
Other foreign countries	185,409	77,357
Total non-current assets	567,667	623,359

(i) Segment information presented to the board of directors and executive team – Liabilities

The amounts provided to the board of directors 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 operations of the segment.

The group's borrowings are not considered part of segment liabilities, but rather managed by the treasury function.

Reconciliation of segment liabilities to total liabilities is as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Segment liabilities	**1,078,818**	1,004,752
Unallocated liabilities:		
Deferred tax liabilities	10,840	28,381
Current tax liabilities	55,457	1,702
Bank overdraft and external bank loans	118,166	81,515
Other non-material liabilities	4,376	141
Total liabilities as per the Balance Sheet	**1,267,657**	1,116,491

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 close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The group hold the following financial assets and liabilities:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Financial assets		
Cash and cash equivalents	**903,329**	692,725
Available-for-sale financial assets	**80,648**	77,880
Other financial assets	**15,474**	15,474
Trade and other receivables	**331,910**	234,029
Derivative financial instruments	**1,019**	279
	1,332,380	1,020,387
Financial liabilities		
Trade and other payables	**955,988**	888,968
Borrowings	**178,065**	127,558
Derivative financial instruments	**935**	9,097
	1,134,988	1,025,623

32 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk
The group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies.

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and where appropriate uses forward exchange contracts to reduce foreign currency risk. All contracts expire within twelve 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	
	30 June 2010 $'000	30 June 2009 $'000
Trade receivables		
US Dollars	**8,466**	4,870
Great Britain Pounds	**21**	-
Canadian Dollars	**419**	-
Euro	**477**	-
Chinese Renminbi	**2,525**	18
Royal Brunei Dollars	**835**	1,442
Other	**1**	34
Trade payables		
US Dollars	**1,897**	7,799
Great Britain Pounds	**232**	926
Fijian Dollars	**342**	2,629
Thai Baht	**894**	4,603
Euro	**1,143**	2,716
Other	**306**	5,285

(ii) Price risk
The group is exposed to securities price risk. This arises from group investments classified on the balance sheet as available-for-sale or fair value through the profit and loss (FVTPL).

To manage price risk arising from investments in securities, the investment portfolio is diversified in accordance with the limits established within the group's treasury policy.

32 Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a group basis. 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.

The credit quality of financial assets 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	**AA- to A-**	**BBB+ to BBB**	**Non investment grade / unrated**	**Closely monitored customers[1]**	**No default customers[2]**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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**
At 30 June 2009							
Cash and cash equivalents	380,855	276,408	17,354	18,108			**692,725**
Available-for-sale financial assets	32,314	27,117	15,005	3,444			**77,880**
Other financial assets	7,697	2,243	746	4,788			**15,474**
Trade and other receivables					6,528	227,501	**234,029**
Derivative financial instruments				279			**279**

[1] Closely monitored customers are customers with whom the Group has traded and whom have had a provision raised against them or whom have payments outstanding greater than nine months but no specific provision has been raised. These customers are monitored on a regular basis.

[2] No default customers are customers with whom the Group has traded and have no late payments or other breaches of trading terms which would require a provision to be raised.

32 Financial risk management (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 reporting period the company held deposits at call of $330,202,327 (2009 - $294,591,843) 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 below) 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 operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. 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 maturities of financial liabilities at the end of the reporting period 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 end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
Group - At 30 June 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)
Group - At 30 June 2009						
Non-derivatives						
Non-interest bearing – Trade and other payables	885,853	406	2,709	-	888,968	888,968
Variable rate - Borrowings	69,940	2,984	71,594	9,059	153,577	127,558
Total non-derivatives	955,793	3,390	74,303	9,059	1,042,545	1,016,526
Derivatives						
Gross settled						
- (inflow)	(46,117)	-	-	-	(46,117)	-
- outflow	55,214	-	-	-	55,214	9,097
Total derivatives	9,097	-	-	-	9,097	9,097

32 Financial risk management (continued)

(d) Cash flow and fair value interest rate risk

The group holds a number of interest bearing assets which are issued at variable interest rates. The group'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 note 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 manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The group raises long-term borrowings at floating rates and where appropriate, swaps them into fixed rates. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

32 Financial risk management (continued)

(e) Fair value measurement

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

As of 1 July 2009, Flight Centre Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value 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 at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1	Level 2	Level 3	Total
	30 June 2010 $'000	30 June 2010 $'000	30 June 2010 $'000	30 June 2010 $'000
Assets				
Available-for-sale financial assets	-	80,648	-	80,648
Other financial assets	-	15,474	-	15,474
Derivative financial instruments	-	1,019	-	1,019
Total assets	-	97,141	-	97,141
Liabilities				
Derivative financial instruments	-	935	-	935
Total liabilities	-	935	-	935

For financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities), fair value is based on quoted market prices at the end of the reporting period. The quoted market price used for the group’s financial assets are the current bid or mid price (where no bid sourced). For financial instruments traded in inactive markets, fair value is based on market indicators, including mid prices.

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

32 Financial risk management (continued)

Summarised sensitivity analysis

Sensitivity figures are pre-tax. The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk. The movement in equity is excluding 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%**
30 June 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	-	-	-	-	1,274	-	(1,274)	-	-	-	-	-
Derivative financial instruments	1,019	-	-	-	-	7,125	-	(5,691)	-	-	-	-	-
Financial liabilities													
Trade and other payables	955,988	-	-	-	-	(451)	-	451	-	-	-	-	-
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	-	9,456	-	(7,737)	-	-	51	-	41

Consolidated		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
		-1%	**-1%**	**+1%**	**+1%**	**-10%**	**-10%**	**+10%**	**+10%**	**-1%**	**-1%**	**+1%**	**+1%**
30 June 2009	**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	692,725	(6,927)	-	6,927	-	1,129	-	(1,119)	-	-	-	-	-
Available-for-sale financial assets	77,880	(638)	-	638	-	-	-	-	-	-	341	-	(328)
Other financial assets	15,474	(155)	-	155	-	-	-	-	-	-	-	-	-
Trade and other receivables	234,029	-	-	-	-	636	-	(636)	-	-	-	-	-
Derivative financial instruments	279	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Trade and other payables	888,968	-	-	-	-	(2,395)	-	2,395	-	-	-	-	-
Borrowings - current	51,590	101	-	(101)	-	-	-	-	-	-	-	-	-
Borrowings - non-current	75,968	754	-	(754)	-	-	-	-	-	-	-	-	-
Derivative financial instruments - FVTPL	7,366	-	-	-	-	5,642	-	(4,747)	-	-	-	-	-
Derivative financial instruments - interest rate swap	1,731	(26)	-	26	-	-	-	-	-	-	(680)	-	748
Total increase / (decrease)		(6,891)	-	6,891	-	5,012	-	(4,107)	-	-	(339)	-	420

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

33 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	30 June 2010 $	30 June 2009 $
Short-term employee benefits	**9,943,116**	3,321,389
Post-employment benefits	**434,324**	778,906
Share-based payments	**826,055**	58,942
Long-term benefits	**486,618**	154,666
	11,690,113	4,313,903

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 8 to 14.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 14 to 16.

(ii) Option holdings
The number of options 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.

2010	Balance at start of the year	Granted as compen-sation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
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	-	-	-	-	-	-	-

2009	Balance at start of the year	Granted as compen-sation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
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	-	-	-	-	-	-	-
A. Grigson	30,000	-	-	(30,000)	-	-	-
S.C. O'Brien	-	275,000	-	-	275,000	75,000	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

33 Key management personnel disclosures (continued)

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

(iii) Share holdings
The numbers of shares held during the financial year by each director of Flight Centre Limited and other key group management personnel, including their personally related parties, are set out below.

2010	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
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	-	(4,000)	15,824,235
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

2009				
Directors of Flight Centre Limited				
Ordinary shares				
P.R. Morahan	3,212	-	11,500	14,712
G.W. Smith	5,000	-	10,000	15,000
P.F. Barrow	25,000	-	10,000	35,000
G.F. Turner	15,729,235	-	99,000	15,828,235
Other key management personnel of the group				
Ordinary shares				
D.W. Smith	-	-	-	-
C. Galanty	2,002	-	-	2,002
S.C. O'Brien	27,212	-	17,788	45,000
A.J. Flannery	200	-	-	200
C.R. Bowman	-	-	125	125
M.C. Waters-Ryan	4,159	-	-	4,159
M.J. Murphy	2,000	-	3,000	5,000

(c) Other transactions with key management personnel

Directors and specified executives and their related companies receive travel services from Flight Centre Limited and its related companies on normal terms and conditions to that of employees and customers generally.

34 Share-based payments

(a) Employee Option Plan and Senior Executive Option Plan

Options are granted under the Flight Centre Limited Employee Option Plan which was established in October 1997 (amended 31 October 2002) and the Senior Executive Option Plan (established March 2006). The group's employees and directors (excluding Mr Turner) are eligible to participate in the Employee Option Plan, and five X-Team members are eligible to participate in the Senior Executive Option Plan. Options may be granted to employees at the Board's discretion. Directors have elected not to participate in the plans.

Options are granted under the plans for no consideration and are exercisable over fully paid issued ordinary shares of the company. When exercisable, each option is convertible into one ordinary share. The exercise prices of the options are fixed at the time of grant.

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

Challenging performance hurdles are set annually on grant date and options vest upon achieving those hurdles. The performance hurdles are generally built around a total group profit target to be met.

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.

Set out below are summaries of options granted under the plans:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated - 2010									
23/01/09 *	23/01/14	$7.75	75,000	-	-	-	(75,000)	-	-
29/06/09 *	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	-
Consolidated - 2009									
14/07/03	14/07/08	$22.46	7,200	-	-	(7,200)	-	-	-
30/03/06 *	30/03/11	$10.66	30,000	-	(30,000)	-	-	-	-
23/01/09 *	23/01/14	$7.75	-	75,000	-	-	-	75,000	75,000
29/06/09 *	30/06/15	$10.00	-	1,000,000	-	-	-	1,000,000	-
Total			37,200	1,075,000	(30,000)	(7,200)	-	1,075,000	75,000
Weighted average exercise price			$12.94	$9.84	$10.66	$22.46	-	$9.84	$7.75

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2010 was $19.04 (2009 – not applicable).

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.0 years (2009 5.90 years).

* Senior Executive Option Plan

34 Share-based payments (continued)

(a) Employee Option Plan and Senior Executive Option Plan (continued)

Fair value of options granted

Current year
No options were granted during the year ended 30 June 2010.

Prior year
Options were granted to senior executives on 23 January 2009 and 29 June 2009. The assessed fair value at grant date of options granted was $0.79 for those granted on 23 January 2009 and $2.17 to $2.32 for those granted on 29 June 2009. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted on 23 January 2009 included:
(a) options were granted for no consideration and immediately vested.
(b) exercise price: $7.75
(c) grant date: 23 January 2009
(d) expiry date: 23 January 2014
(e) share price at grant date: $6.45
(f) expected price volatility of the company's shares: 33%
(g) expected dividend yield: 3.6%
(h) risk-free interest rate: 2.8%

The model inputs for options granted on 29 June 2009 included:
(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%

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Share-based payment expense	**826**	59

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.

Flight Centre Limited 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

	Consolidated	
	30 June 2010 $	30 June 2009 $
Income from related parties	**-**	-
Expenses to related parties		
Conference Expense	**5,763**	-
Travel Expo Expense	**609,231**	-

(e) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current payables	**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

	Consolidated	
	30 June 2010 $000	30 June 2009 $000
Start of year	**3,917**	-
Loans advanced	**1,907**	3,048
Loans repaid	**(1,105)**	-
Write back of India loan on consolidation	**(764)**	-
Interest charged	**270**	869
FX movement	**(33)**	-
End of year	**4,192**	3,917

No provisions for doubtful debts have been raised in relation to any outstanding balances.

The current amounts owed from related parties (refer note 15) are repayable on demand in accordance with individual loan agreements. Loans incur interest at rates varying between 2.75% and 7.74% (2009: varying amounts between 2.44% and 10.55%).

(g) Terms and conditions

All other transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

36 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

Two separate Deeds of Cross Guarantee are in effect. The subsidiaries subject to the Deeds are:

1) Flight Centre Limited and Australian OpCo Pty Ltd

2) Flight Centre Limited and Flight Centre Technology Pty Ltd

The Class Order requires the company and each of the subsidiaries to enter into a Deed of Cross Guarantee. The effect of the Deed 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 Flight Centre Limited, 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 year ended 30 June 2010 for the company and the subsidiaries listed above.

	Flight Centre Limited & Australian OpCo Pty Ltd		**Flight Centre Limited & Flight Centre Technology Pty Ltd**	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Income statement				
Revenue from the sale of travel services	**952,539**	802,051	**824,994**	697,116
Other revenue	**50,801**	38,063	**54,039**	38,063
Other income	**-**	-	**-**	-
Selling expenses	**(634,186)**	(572,869)	**(529,819)**	(509,632)
Administration / support expenses	**(110,057)**	(188,142)	**(138,705)**	(187,123)
Finance costs	**(24,110)**	(12,009)	**(21,055)**	(9,741)
Foreign exchange losses (net)	**4,002**	2,683	**4,065**	2,511
Share of profit from joint venture	**395**	(522)	**395**	(522)
Profit before income tax expense	**239,384**	69,255	**193,914**	30,672
Income tax expense	**(59,091)**	(24,060)	**(45,584)**	(12,151)
Profit for the year	**180,293**	45,195	**148,330**	18,521
Statement of comprehensive income				
Changes in the fair value of available-for-sale assets	**5,959**	(4,784)	**6,607**	(4,784)
Income tax expense on items of other comprehensive income	**(2,033)**	1,436	**(2,033)**	1,436
Total comprehensive income for the year	**184,219**	41,847	**152,904**	15,173
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	**214,560**	226,640	**185,674**	224,428
Profit from ordinary activities after income tax expense	**180,293**	45,195	**148,330**	18,521
Dividends provided for or paid	**(25,937)**	(57,275)	**(25,937)**	(57,275)
Retained profits at the end of the financial year	**368,916**	214,560	**308,067**	185,674

36 Deed of cross guarantee (continued)

Set out below is the consolidated balance sheet as at 30 June 2010 of the company and the subsidiaries listed above.

	Flight Centre Limited & Australian OpCo Pty Ltd		**Flight Centre Limited & Flight Centre Technology Pty Ltd**	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Current assets				
Cash and cash equivalents	**578,314**	399,183	**529,548**	344,594
Available-for-sale financial assets	**73,357**	70,270	**73,357**	70,270
Other financial assets	**15,474**	15,474	**15,474**	15,474
Trade and other receivables	**164,096**	88,312	**31,504**	45,406
Current tax receivables	**1,443**	7,068	**1,443**	7,068
Inventories	**-**	-	**-**	-
Derivative financial instruments	**1,032**	-	**1,032**	-
Other assets	**3,177**	-	**3,177**	-
Total current assets	**836,893**	580,307	**655,535**	482,812
Non-current assets				
Property, plant and equipment	**43,534**	55,719	**51,700**	67,587
Intangible assets	**69,354**	27,394	**65,842**	26,574
Investments accounted for using the equity method	**8,185**	1,754	**8,185**	1,754
Deferred tax assets	**33,670**	29,877	**37,078**	33,127
Other financial assets	**397,670**	384,375	**425,995**	412,700
Other non-current assets	**-**	4,301	**-**	4,301
Total non-current assets	**552,413**	503,420	**588,800**	546,043
Total assets	**1,389,306**	1,083,727	**1,244,335**	1,028,855
Current liabilities				
Trade and other payables	**498,477**	416,573	**463,355**	387,522
Borrowings	**54,320**	38,797	**54,320**	38,797
Provisions	**10,019**	6,864	**10,019**	6,864
Current tax liabilities	**52,501**	-	**238**	-
Derivative financial instruments	**-**	7,308	**-**	7,308
Total current liabilities	**615,317**	469,542	**527,932**	440,491
Non-current liabilities				
Trade and other payables	**10,437**	15,695	**10,437**	15,547
Borrowings	**(2,577)**	-	**(2,577)**	-
Provisions	**15,548**	10,332	**15,548**	10,332
Deferred tax liabilities	**6,557**	5,346	**6,913**	6,278
Total non-current liabilities	**29,965**	31,373	**30,321**	32,157
Total liabilities	**645,282**	500,915	**558,253**	472,648
Net assets	**744,024**	582,812	**686,082**	556,207
Equity				
Contributed equity	**378,931**	377,602	**378,931**	377,602
Reserves	**(3,823)**	(9,350)	**(916)**	(7,069)
Retained profits	**368,916**	214,560	**308,067**	185,674
Total equity	**744,024**	582,812	**686,082**	556,207

37 Parent entity financial information

(a) Summary financial information

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

	Parent	
	30 June 2010 $000	30 June 2009 $000
Current assets	**697,285**	542,269
Total assets	**1,272,270**	1,062,496
Current liabilities	**566,784**	455,239
Total liabilities	**596,749**	519,060
Shareholders equity		
Contributed equity	**378,931**	377,602
Reserves		
Available-for-sale investments revaluation reserve	**(5,352)**	(10,198)
Share-based payments reserve	**2,325**	1,030
Retained profits	**299,617**	175,002
Total shareholders equity	**675,521**	543,436
Profit for the year	**150,552**	29,114
Total comprehensive income	**155,096**	25,766

(b) Guarantees entered into by the parent entity

The following guarantees have been given by Flight Centre Limited:

Unsecured		
North America	**2,806**	3,393
United Kingdom	**12,334**	16,426
Australia	**5,852**	7,874
Hong Kong	**9,004**	6,224
India	**22,206**	22,609
China	**7,391**	6,792
New Zealand	**5,869**	5,797
Other	**2,107**	230
	67,569	69,345

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 in relation to these guarantees, as the fair value of the guarantees is immaterial.

(c) Contingent liabilities of the parent entity

No contingent liabilities of the parent entity existed as at 30 June 2010.

(d) Contractual commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**55,263**	52,566
Later than one year but not later than five years	**140,591**	133,161
Later than five years	**19,005**	27,401
	214,859	213,128

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. Note 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 24 August 2010, the Directors of Flight Centre Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $43,903,478 which represents a fully franked dividend of 44.0 cents per share.

No other matters have arisen since 30 June 2010.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 3 to 97 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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
24 August 2010

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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 2010, 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 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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.*

Liability limited by a scheme approved under Professional Standards Legislation

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Flight Centre Limited (continued)

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 2010 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 16 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Flight Centre Limited (the company) for the year ended 30 June 2010 included on Flight Centre Limited web site. The company's directors are responsible for the integrity of the Flight Centre Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

Robert Baker

Partner

BRISBANE
24 August 2010

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Shareholder Information

The shareholder information set out below was applicable at 28 July 2010.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Number of Shareholders
1 - 1000	7,758
1,001 - 5,000	2,135
5,001 - 10,000	224
10,001 - 100,000	134
100,001 and over	28
	10,279

There were 785 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Ordinary shares**	
	Number held	**Percentage of issued shares**
Gehar Pty Ltd	16,135,819	16.2
Gainsdale Pty Ltd	15,658,289	15.7
James Management Services Pty Ltd	13,039,750	13.1
Lazard Asset Management Pacific Co	5,190,414	5.2
Friday Investments Pty Ltd	4,478,394	4.5
Perpetual Investments	3,382,789	3.4
BT Investment Management	2,127,656	2.1
BlackRock Investment Management (Australia)	1,959,472	2.0
Vanguard Investments Australia	1,901,178	1.9
Bennelong Australian Equity Partners	1,747,726	1.8
AMP Capital Investors	1,341,688	1.3
Ausbil Dexia	1,258,714	1.3
Tribeca Investment Partners	1,075,898	1.1
State Street Global Advisors	1,051,828	1.1
Dimensional Fund Advisors	990,567	1.0
Macquarie Funds Group	884,299	0.9
Northcape Capital	871,202	0.9
JPMorgan Asset Management	824,034	0.8
Concise Asset Management	778,271	0.8
Trinity Holdings	750,000	0.8
	75,447,988	75.9

C. Substantial holders

Substantial holders (including associate holdings) in the company are set out below:

Ordinary shares	**Number held**	**Percentage**
Gehar Pty Ltd	16,135,819	16.2
Gainsdale Pty Ltd	15,658,289	15.7
James Management Services Pty Ltd	13,039,750	13.1
Lazard Asset Management Pacific Co	5,190,414	5.2

Trinity Holdings Pty Ltd is potentially a substantial shareholder as it is party to a pre-emptive agreement dated 5 October 1995 between Gainsdale Pty Ltd, Gehar Pty Ltd, James Management Services Pty Limited and Friday Investments Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Trinity Holdings Pty Ltd held 750,000 shares (0.75%) at 28 July 2010.

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 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
Share and debenture register	Computershare Investor Services Pty Ltd Level 19 307 Queen Street Brisbane QLD 4000
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