APPENDIX 4E

FLIGHT CENTRE LIMITED (FLT)
ABN 25 003 377 188

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

Contents

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

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

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

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

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

Results for announcement to the market

Results in brief

	June 2011 $'000	June 2010 $'000	Change $'000	Change %
Total transaction value (TTV) [1]	**12,199,508**	10,893,927	1,305,581	12%
Revenue [2]	**1,862,428**	1,795,418	67,010	4%
Gross profit	**1,678,105**	1,552,985	125,120	8%
Net profit before tax	**213,093**	198,532	14,561	7%
Net profit after tax	**139,810**	139,868	(58)	0%

1. 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 an agent for airlines and other service providers, plus revenue from other sources. Flight Centre's revenue is derived from TTV.

2. Revenue from the sale of travel services is recorded at the time of issuing travel documents, consistent with an agency relationship. Part of the United Kingdom (UK) business recognises revenue on an availed basis under a principal relationship, due to the different regulations governing 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's operations as an agent.

Dividends	Amount per Security Cents	100% Franked Amount Cents
30 June 2011		
Interim dividend	**36.0**	**36.0**
Final dividend [3]	**48.0**	**48.0**
30 June 2010		
Interim dividend	26.0	26.0
Final dividend [4]	44.0	44.0

3. The record date for determining entitlements to the final 48 cents per share dividend for the year ended 30 June 2011 is 16 September 2011. The payment date for the final dividend is 7 October 2011.

4. Final dividend of 44.0 cents per share for the year ended 30 June 2010 was declared 24 August 2010.

Net tangible assets	June 2011 $	June 2010 $
Net tangible asset backing per ordinary security	**3.95**	3.07

Compliance statement

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

Signed:

G.F. Turner
Director
23 August 2011

Directors' report

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

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

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

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

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

Dividends - Flight Centre Limited
Dividends paid to members during the financial year were as follows:

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

Review of operations

FLT performed ahead of expectations during 2010/11 and achieved record overall profit and sales results, highlighted by a $245.2M underlying profit before tax (PBT).

The result was 2% above the top-end of FLT's initial guidance of an underlying PBT between $220M and $240M (excluding any major abnormal items that may arise) and in line with the $243M-$247M range announced on 15 July 2011.

After the $4.2M in one-off donations announced during the second half and the $27.9M goodwill adjustment announced on 15 July, FLT achieved a $213.1M actual PBT and a $139.8M net profit after tax.

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

Income margin was 13.8%.

FLT has 2,243 shops and businesses at 30 June, with 49% located outside Australia.

Organic growth in FLT's brands and businesses was supplemented by the acquisitions of gapyear.com, a United Kingdom-based website, and the remaining 74% interest in Garber, a deal that gave FLT 100% ownership of the Boston-based corporate travel business.

FLT built on its financial strength during the year by increasing cash reserves and maintaining moderate debt levels.

General cash totalled $376.8M at 30 June 2011, compared to $322.3M one year earlier.

Review of operations (continued)

At 30 June 2011, FLT's global cash and investment portfolio included a record $1.04billion in company cash and client funds.

Total debt was $167.8M, giving FLT a $209M positive net debt position at year-end.

Within FLT's operations, highlights included:

- Record PBT – FLT's underlying result was 19.6% higher than the underlying 2009/10 result
- Record sales – TTV averaged more than $1billion-a-month for the first time
- Record general cash balance at year-end
- A global cash and investment portfolio of more than $1billion for the first time at 30 June
- EBIT profits in all 10 countries for the first time
- Inaugural full year EBIT profits in the USA, Greater China and Singapore; and
- Record full year results in Australia, Canada and Dubai

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

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

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

Further commentary on FLT's operations has been included in the full year result announcement that was also released on 23 August 2011.

Outlook – 2011/12

FLT expects to improve on its record 2010/11 achievements and starts the new year with good momentum, a strong balance sheet and sales force, a diverse stable of brands and with plans in place to drive future growth.

Economic conditions, however, remain volatile, particularly in the USA and UK.

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

FLT performed in line with expectations in July and has released profit guidance for 2011/12 pointing to a full year PBT between $265M and $275M, excluding abnormal items that may arise.

The midpoint in this range represents 10% growth on FLT's underlying PBT during 2010/11.
The company will also target 10% growth in global shop and business numbers.

Fast-tracking FLT's growth in corporate travel through organic expansion is one of the company's seven strategic priorities for 2011/12.

Other strategic priorities are:

- Enhancing productivity by improving and streamlining FLT's retail processes and by updating the desktop tools available to travel consultants, which will lead to an improved customer experience
- Refocusing on the area – a cluster of shops – as the central business unit to deploy initiatives, improve customer offerings and to reinforce ownership of FLT's business model
- Ensuring the company maintains and increases its relevance to suppliers to ensure supplier margins are maintained and that the company continues to offer choice and value
- More sophisticated enquiry management to ensure enquiry generated in the company's products and marketing campaigns is converted into business
- Enhancing FLT's culture of customer care and developing better products and services; and
- Supporting FLT's emerging businesses by investing in them and providing appropriate senior management focus to guarantee their success

Outlook – 2011/12 (Continued)

The company continues to expand its online offerings and has recently launched its first fully transactional website in Australia, travelthere.com.

travelthere.com's key features include a dynamic packaging engine that allows customers to bundle a full range of international flights with their choice of more than 50,000 hotels, hire cars and activities.

In addition to making it easier for customers to transact with FLT – both in-store and online – the company will continue to develop unique products for travellers.

These products currently include:

- The myTIME program that was launched at various North America resorts in February 2011
- Student Flights' range of black market airfares
- Specially constructed airfares, including round-the-world and other complex itineraries, that are tailor-made by the company's airfare experts; and
- The Travel Butler customer assistance service offered by the Round The World Experts brand in the UK

myTIME is an exclusive program that rewards travellers with special bonuses and services when they book holidays from FLT's retail, wholesale or online brands. During 2011/12, FLT will expand the program to include key leisure travel destinations in South East Asia and the Pacific.

In the USA, profit growth is expected during 2011/12, following the improvements recorded during the past two years, but the current uncertainty in the local economy makes it difficult to predict full year results.

As announced previously, FLT has reduced the goodwill related to the Liberty Travel Group acquisition in the US by $27.9M.

Matters subsequent to the end of the financial year

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

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

No other material matters have arisen since 30 June 2011.

Likely developments and expected results of operations

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

Environmental regulations

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

Information on directors

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

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

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

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

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

Remuneration report

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

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

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

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

A Overview – FLT's reward system

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

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

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

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

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

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

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

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

What is FLT's remuneration philosophy?

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

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

Remuneration report (continued)

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

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

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

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

Additional detail on each of these components is included in the accompanying table.

What percentage of overall remuneration is fixed for FLT executives?

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

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

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

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

This reflects:

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

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

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

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

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

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

Are non-financial key performance indicators used?

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

Remuneration report (continued)

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

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

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

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

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

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

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

What is the SEPRP?

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

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

What are the performance hurdles?

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

How does the FLT remuneration system benefit its employees?

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

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

How does the FLT remuneration system benefit its shareholders?

For shareholders, benefits include:

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

How does FLT align executive remuneration with shareholder wealth creation?

For executives, targeted remuneration packages are generally based on:

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

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

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

Remuneration report (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

How does the remuneration committee make its recommendations?

The committee considers:

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

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

Remuneration report (continued)

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

How are directors paid?

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

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

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

How is the chairman's pay determined?

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

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

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

Components of executive remuneration

Base pay

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

The company does not guarantee annual base pay increases.

Short-term incentives

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

Executives earn short-term incentives if:
- They meet their KPIs
- FLT achieves a predetermined profit target; or
- They achieve a predetermined profit target within their business divisions

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

The remuneration committee approves profit targets annually and uses detailed performance reports to assess whether KPIs are met. Targets are regularly reviewed to ensure they are aligned to company strategic goals and that appropriate compensation is awarded.
FLT does not guarantee its executives will earn the full incentive component of their targeted remuneration package or, therefore, the total package an executive will earn in any given year.

BOS interest

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

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

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

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

Remuneration report (continued)

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

Share-based compensation

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

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

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

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

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

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

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

Superannuation

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

C Details of remuneration (audited)

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

Group

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

Parent Entity

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

Remuneration report (continued)

C 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**
2011								
Non-executive directors								
P.R.Morahan	170,000	-	-	15,300	-	-	-	185,300
G.W.Smith	124,000	-	-	11,160	-	-	-	135,160
P.F.Barrow	124,000	-	-	11,160	-	-	-	135,160
Sub-total non-executive directors	**418,000**	**-**	**-**	**37,620**	**-**	**-**	**-**	**455,620**
Executive directors								
G.F.Turner	175,000	422,373	-	25,000	-	112,523	-	734,896
Other key management personnel of the group								
S.O'Brien (resigned 15 March 2011) [5 6 7]	123,640	208,943	134,821	43,467	826,837	-	-	1,337,708
R. Flint [5 6 7]	175,000	504,381	306,924	28,393	-	43,248	129,372	1,187,318
M.Waters-Ryan [5 6 7]	175,000	367,662	427,659	27,216	-	36,387	65,171	1,099,095
A. Flannery [7]	175,000	413,501	-	28,280	-	49,449	65,171	731,401
C. Galanty	241,429	209,028	238,471	38,675	-	-	-	727,603
C. Bowman [7]	175,000	227,007	-	26,102	-	20,995	65,171	514,275
D.W.Smith	196,756	297,387	-	17,158	-	-	-	511,301
M. Murphy [7]	175,000	210,030	-	25,091	-	29,103	65,171	504,395
Total key management personnel compensation	**2,029,825**	**2,860,312**	**1,107,875**	**297,002**	**826,837**	**291,705**	**390,056**	**7,803,612**
Other group executives								
M. Mulholland [5 6]	108,137	355,059	470,045	25,000	-	17,708	-	975,949
N. Lucock [5]	154,119	459,974	278,388	39,204	-	-	-	931,685
R. Miller [6]	175,000	248,753	224,723	26,627	-	9,763	129,372	814,238
Total other group executives compensation	**437,256**	**1,063,786**	**973,156**	**90,831**	**-**	**27,471**	**129,372**	**2,721,872**
2010								
Non-executive directors								
P.R.Morahan	155,963	-	-	14,037	-	-	-	170,000
G.W.Smith	105,505	-	-	9,495	-	-	-	115,000
P.F.Barrow	107,087	-	-	9,638	-	-	-	116,725
Sub-total non-executive directors	**368,555**	**-**	**-**	**33,170**	**-**	**-**	**-**	**401,725**
Executive directors								
G.F.Turner	144,335	936,081	-	58,977	-	196,083	-	1,335,476
Other key management personnel of the group								
M.Waters-Ryan [5 6 7]	154,910	793,916	678,413	26,372	-	111,774	165,211	1,930,596
S.O'Brien [5 6 7]	146,468	782,578	400,932	29,189	-	52,667	165,211	1,577,045
R. Miller [5 6 7]	128,750	407,955	549,290	25,557	-	28,070	-	1,139,622
A.Flannery [5 6 7]	146,468	672,123	-	29,758	-	23,479	165,211	1,037,039
R. Flint [5 6 7]	128,750	502,566	316,136	27,923	-	43,708	-	1,019,083
M.Murphy	146,468	556,064	-	26,089	-	17,921	165,211	911,753
C. Bowman	143,269	540,205	-	49,905	-	12,916	165,211	911,506
C.Galanty	268,361	536,584	-	101,082	-	-	-	906,027
D.W.Smith	214,164	279,775	-	26,302	-	-	-	520,241
Total key management personnel compensation	**1,990,498**	**6,007,847**	**1,944,771**	**434,324**	**-**	**486,618**	**826,055**	**11,690,113**

[1] Interest earned under the BOS is the gross return on the financial investment invited executives have made in the program and does not take into account financial liabilities (interest and principal repayments) that may relate to this investment.

[2] Termination benefits include leave entitlements and redundancy payments owing to employees at the date of termination.

[3] Long service leave includes amounts accrued during the year.

[4] Share-based payments represent amounts expensed in relation to options/rights granted under the SEOP/SEPRP (refer pages 14 to 17).

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

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

[7] Denotes key management personnel of the parent entity, as required to be disclosed under the Corporations Act 2001.

Remuneration report (continued)

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

D Service agreements (audited)

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

E Share-based compensation (audited)

Senior Executive Option Plan (SEOP)

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

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

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

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

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

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

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

The relevant portion of the expense relating to these options has been recognised during the period ended 30 June 2011 (refer to Equity settled options on page 13).

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

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

Remuneration report (continued)

E Share-based compensation (audited) (continued)

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

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

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

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
29 June 2009	Five vesting tranches of up to 200,000 each granted at no consideration. Each tranche vests upon release of the audited financial statements at each year end, from 30 June 2011 to 30 June 2014, provided pre-determined profit targets are met.	30 June 2015	$10.00	$2.17 to $2.32

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

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

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

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

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

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

The model inputs for options granted on 29 June 2009 :

(a) options are granted for no consideration. Each tranche vests upon release of the audited financial statements based on achievement of certain profit targets at each year end, from 30 June 2011 to 30 June 2014.
(b) exercise price: $10.00
(c) grant date: 29 June 2009
(d) expiry date: 30 June 2015
(e) share price at grant date: $8.65
(f) expected price volatility of the company's shares: 40-45%
(g) expected dividend yield: 3.0-4.8%
(h) risk-free interest rate: 4.8-5.5%

Remuneration report (continued)

E Share-based compensation (audited) (continued)

Shares provided on exercise of remuneration options

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

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

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

Exercise date	**Amount paid per share**
8 March 2011	$10.00

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

Senior Executive Performance Rights Plan (SEPRP)

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration report (continued)

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

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

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

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

1. R Miller was considered key management personnel of the group during 2010, but not in 2011.

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

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

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

Employee share plan (ESP)

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

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

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

Remuneration report (continued)

F Additional information (audited)

FLT's performance

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

Details of remuneration: cash bonuses, options and performance rights

For each incentive and grant of options or performance rights included in the tables on pages 13 to 17, the percentage of the available bonus or grant that was paid, or that vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest over five years and the performance rights over four years, provided the vesting conditions are met. No options or performance rights will vest if the conditions are not satisfied, hence the minimum value of the option or performance right yet to vest is nil. The maximum value of the options or performance rights yet to vest has been estimated as the amount of the grant date fair value that could be expensed.

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

Shares under option or performance rights

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

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

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

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

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

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

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

The board has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the 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.

All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor

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

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

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 21.

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

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

G.F. Turner
Director

BRISBANE
23 August 2011

Auditor’s Independence Declaration

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

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

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

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

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
23 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757
123 Eagle Street, Brisbane, QLD 4000
DX 77, Brisbane, QLD 4000
T +61 7 3257 5000, F +61 7 3257 9999, www.pwc.com.au

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

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

Flight Centre Limited
Consolidated Income Statement
For the year ended 30 June 2011

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

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

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

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

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

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

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

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009		**377,602**	**(7,169)**	**240,256**	**610,689**
Profit for the year		**-**	**-**	139,868	**139,868**
Other comprehensive income		**-**	(16,592)	**-**	**(16,592)**
Total comprehensive income for the year		**-**	**(16,592)**	**139,868**	**123,276**
Transactions with owners in their capacity as owners:					
Capital redemption	28	-	(20,615)	20,615	**-**
Employee share based payments	27 / 28	1,329	1,295	-	**2,624**
Dividends provided for or paid	8	-	-	(25,937)	**(25,937)**
Balance at 30 June 2010		**378,931**	**(43,081)**	**374,802**	**710,652**
Balance at 1 July 2010		**378,931**	**(43,081)**	**374,802**	**710,652**
Profit for the year		**-**	-	139,810	**139,810**
Other comprehensive income		**-**	(32,014)	(685)	**(32,699)**
Total comprehensive income for the year		**-**	**(32,014)**	**139,125**	**107,111**
Transactions with owners in their capacity as owners:					
Employee share based payment	27 / 28	2,377	354	-	**2,731**
Dividends provided for or paid	8	-	-	(79,878)	**(79,878)**
Balance at 30 June 2011		**381,308**	**(74,741)**	**434,049**	**740,616**

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

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

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

Notes to the consolidated financial Statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

(b) Principles of consolidation

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

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

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

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

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

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 FLT's individual financial statements.

(ii) Associates
Associates are all entities over which the group has significant influence but not control or joint control. Generally, this encompasses a shareholding 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 amounts. Dividends receivable from associates are recognised in the parent entity's profit or loss income statement. In the consolidated financial statements, they reduce the investments' carrying amounts.

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

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

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

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

Profits or losses on transactions with the joint venture partnership are eliminated to the extent of the group's ownership interest until they are realised by the joint venture partnership entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the 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 FLT.

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

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

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 FLT's functional and presentation currency.

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

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

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

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

- Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- Income and expenses for each Income Statement and Statement of Comprehensive Income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

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

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

(d) Revenue recognition

The group recognises revenue when:

- The amount of revenue can be reliably measured
- It is probable that future economic benefits will flow to the entity; and
- Specific 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 and is recognised for the major business activities as follows:

(i) Revenue from travel services
Revenue from the sale of travel services is recorded at the time of issuing travel documents, consistent with an agency relationship. Part of the United Kingdom (UK) business recognises revenue on an availed basis under a principal relationship, due to the different rules and regulations governing 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's operations as an agent.

1 Summary of significant accounting policies (continued)

(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's revenue is, therefore, derived from TTV. TTV is stated net of GST payable.

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

(iv) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the 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)).

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

(e) Income tax

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

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

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

(f) Leases

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

Leases where the lessor retains a significant portion of 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 lease period.

(g) Business combinations

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

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

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

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

(h) Impairment of assets

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

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 receivables' original terms. The debtor's significant financial difficulties, probability that the debtor will enter bankruptcy or financial reorganisation and payment default or delinquency are considered indicators that trade debtors are impaired. The impaired amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

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

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

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

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

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

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

(k) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

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 other category. These assets are predominantly client monies that are effectively repayable on demand and, therefore, classified as current assets.

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

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

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

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

Changes in the fair values of monetary securities denominated in foreign currencies and classified as available-for-sale are analysed 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 amounts are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

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

(l) Derivatives

The group uses derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value. The forward exchange contracts' fair values are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Recognition of 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 any interest rate swaps, designated as fair value hedges, hedging fixed rate borrowings would be recognised in the income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. Gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

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

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

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

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

(m) Fair value estimation

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

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

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

For trade receivables and payables, the carrying value less impairment provision is assumed to approximate their fair values, due to their short-term nature. Financial liabilities' fair values for disclosure purposes 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 directly attributable to the item's acquisition.

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

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

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

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

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

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

(o) Intangible assets

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

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates.

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

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

(p) Trade and other payables

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

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 reporting period's end, are recognised in trade and other payables up to the reporting period's end and represent the amounts expected to be paid when the liabilities are settled. Sick leave is recognised as an expense when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as trade and other payables.

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

(iii) Retirement benefit obligations
The group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

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

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

(r) Earnings per share

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

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

(s) Provisions

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

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

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

(t) Contributed equity

Ordinary shares are classified as equity (note 27).

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

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

(u) Rounding of amounts

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 financial statements. Amounts in the financial statements 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 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.

1 Summary of significant accounting policies (continued)

(x) Borrowings and borrowing costs

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

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

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

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

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The group has assessed the impact of these new standards and interpretations and no material impacts are expected apart from those set out below.

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

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

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

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

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

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

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

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

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any impact on the group's financial statements. The group will apply the amendment from 1 July 2012.

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

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

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12 Consolidation – special purpose entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation; however the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

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

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

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

IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the group will not affect any of the amounts recognised in the financial statements.

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

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

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

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

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

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

In June 2011, the IASB made an amendment to IAS 1 Presentation of Financial Statements. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

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

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(xiii) AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation* and AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements

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

1 Summary of significant accounting policies (continued)

(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 the operating segments' performance, has been identified as the board of directors and executive team.

(aa) Inventories

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

(ab) Financial guarantee contracts

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

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

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

(ac) Goods and Services Tax (GST)

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

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

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

(ad) Parent entity financial information

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

2 Critical accounting estimates and judgements

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

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

(i) Estimated impairment of goodwill

The group tests goodwill annually for impairment, in accordance with the accounting policy stated in note 1(o). The cash-generating units recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations use cash flow projections based on financial budgets approved by management and cover a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the 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 present value provision has been made for anticipated costs for future restoration of leased premises. The provision includes future cost estimates and assumptions associated with returning the premises to their previous condition. Actual expenditure may differ from the amounts currently provided.

(iii) Provision for impairment of receivables

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

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

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

	2011 $'000	2010 $'000

3 Revenue

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

Total Transaction Value (TTV)
FLT's revenue is derived from its TTV, as outlined in note 1d.

4 Other income & expenses

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

5 Expenses

Profit before income tax includes the following specific expenses:

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

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

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:

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

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

	2011 $'000	2010 $'000

7 Income tax expense

(a) Income tax expense

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

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

	2011 $'000	2010 $'000
Profit before income tax expense	**213,093**	198,532
Tax at the Australian tax rate of 30% (2010 - 30%)	**63,928**	59,560
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non deductible / (assessable) amounts	**2,360**	3,154
Intercompany loan forgiveness	**6**	5
Goodwill impairment	**11,315**	-
Other amounts	**554**	(940)
	78,163	61,779
Tax losses not recognised	**2**	534
Effect of different tax rates on overseas income	**(3,680)**	(892)
Tax losses booked	**(2,068)**	-
Under / (over) provision of prior years income tax	**866**	(2,757)
	(4,880)	(3,115)
Income tax expense	**73,283**	58,664

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity

	2011 $'000	2010 $'000
Current tax - (credited) / debited directly to equity (note 28)	**-**	-
Net deferred tax - (credited) / debited directly to equity (note 28)	**(212)**	**(469)**

7 Income tax expense (continued)

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

	2011 $'000	2010 $'000
Available-for-sale financial assets	**668**	3,028

(e) Tax losses

	2011 $'000	2010 $'000
Unused tax losses for which no deferred tax asset has been recognised	**9**	9,213
Potential tax benefit at 30% (30% - 2010)	**3**	2,764

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

(f) Tax consolidation legislation

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

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

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

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

8 Dividends

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

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

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

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

	2011	2010

9 Earnings per share

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

(e) Information concerning the classification of securities

(i) Options

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

	2011 $'000	2010 $'000

10 Current assets - Cash and cash equivalents

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

(a) Reconciliation to Statement of Cash Flows

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

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

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

(c) Risk exposure

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

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

11 Current assets - Trade and other receivables

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

(a) Impaired trade receivables

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

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

	2011	2010
At 1 July	**6,267**	5,843
Bad debts expense	**3,408**	2,983
Balance acquired / (reduced) through acquisition / deconsolidation	**-**	2,618
Changes due to foreign exchange translation	**(378)**	(140)
Receivables written off during the year as uncollectible	**(3,664)**	(5,037)
	5,633	6,267

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

(b) Past due but not impaired

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

	2011	2010
Up to 9 months	**40,876**	35,976
Over 9 months	**608**	3,869
	41,484	39,845

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

(c) Other receivables

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

(d) Foreign exchange and interest rate risk

All receivables are non-interest bearing.

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

(e) Fair value and credit risk

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

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

	2011 $'000	2010 $'000

12 Current assets - Available-for-sale financial assets

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

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

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

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

(a) Unlisted securities

Unlisted securities are traded in the secondary market.

(b) Assets pledged as security

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

(c) Impairment and risk exposure

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

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

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

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

14 Current assets - Current tax receivables

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

15 Other assets

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

16 Derivative financial instruments

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

(a) Instruments used by the group

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

(i) Interest rate swap contracts - cash flow hedges

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

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

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

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

(ii) Forward exchange contracts

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

(b) Risk exposures

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

17 Non-current assets - Property, plant and equipment

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

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

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
Disposals	-	(49,392)	(49,392)
Impairment (a)	(643)	-	(643)
Exchange differences	(159)	(5,801)	(5,960)
Closing cost	**41,039**	**237,430**	**278,469**
Opening accumulated depreciation	(1,460)	(134,960)	(136,420)
Depreciation expense	(1,351)	(39,334)	(40,685)
Depreciation on disposals	-	44,233	44,233
Exchange differences	(66)	2,884	2,818
Closing accumulated depreciation	**(2,877)**	**(127,177)**	**(130,054)**
At 30 June 2010			
Cost	41,039	237,430	278,469
Accumulated depreciation	(2,877)	(127,177)	(130,054)
Net book amount at 30 June 2010	**38,162**	**110,253**	**148,415**

(a) Impairment charge

There are no impairment charges in 2011.

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

18 Non-current assets - Intangible assets

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

18 Non-current assets - Intangible assets (continued)

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

Other intangible assets predominantly relate to software.

18 Non-current assets - Intangible assets (continued)

(a) Impairment tests

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

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

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

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

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

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

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

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

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

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

(c) Impairment charge

The impairment charge of $27.92m to goodwill this year relates to the Liberty CGU within the United States segment. Liberty represents the retail and wholesale business in the United States and Flight Centre Limited wrote off a portion of goodwill associated with this CGU due to lower then expected trading results since acquisition and for the forecast period.
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(d) Impact of possible changes in key assumptions

With regard to the assessment of the recoverable amounts of the Australia, UK, United States and other country segments, management 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.

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

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

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**		**Consolidated**	
		2011 %	2010 %	**2011 $'000**	2010 $'000
Unlisted					
Garber's Travel Service Inc	Travel Services	**100**	26	**-**	8,382

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

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

	2011	2010
	$'000	$'000

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

(a) Investments in associates (continued)

(iii) Share of associates' profits or losses

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

(iv) Summarised financial information of associates

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

	2011	2010
	$'000	$'000

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

Lease commitments	**-**	1,311

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

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

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

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

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

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

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

20 Subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding 2011 %**	**Equity holding 2010 %**
Australian AssetCo Pty Ltd	Australia	Ordinary	**100**	100
Australian OpCo Pty Ltd [1]	Australia	Ordinary	**100**	100
Escape Travel Franchising Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre (China) Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Foundation Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Foundation Trust [6]	Australia	Ordinary	**100**	-
Flight Centre Property Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Technology Pty Ltd [1]	Australia	Ordinary	**100**	100
Flight Centre Office Trust	Australia	Ordinary	**100**	100
Moneywise Global Pty Ltd	Australia	Ordinary	**100**	100
P4 Finance Pty Ltd [6]	Australia	Ordinary	**100**	-
Shanghai Journey Pty Ltd	Australia	Ordinary	**100**	100
Travel Money Currency Exchange Pty Ltd	Australia	Ordinary	**100**	100
Travel Money Holdings Pty Ltd	Australia	Ordinary	**100**	100
Travel Services Corporation Pty Ltd	Australia	Ordinary	**100**	100
Garber Travel (Canada) Inc [6]	Canada	Ordinary	**100**	-
The Flight Shops Inc	Canada	Ordinary	**100**	100
The Flight Shops Inc	Canada	Preference	**100**	100
A.I.T International Ticketing (Beijing) Limited [3]	China	Ordinary	**100**	100
Flight Centre - Comfort Business Travel Services Co Ltd [3]	China	Ordinary	**95**	95
Shanghai CiEvent Business Consulting Co Ltd	China	Ordinary	**100**	100
FC Investment Consulting Co. Ltd	China	Ordinary	**100**	100
American International Travel Limited [3]	Hong Kong	Ordinary	**100**	100
CH Services Limited	Hong Kong	Ordinary	**100**	100
GCH Services Limited	Hong Kong	Ordinary	**100**	100
FCm Travel Solutions (India) Private Limited [3]	Republic of India	Ordinary	**100**	100
Flight Centre (Mauritius) Limited	Mauritius	Ordinary	**100**	100
FFA Limited	New Zealand	Ordinary	**100**	100
Flight Centre (NZ) Limited	New Zealand	Ordinary	**100**	100
Travel Money (NZ) Limited	New Zealand	Ordinary	**100**	100
Flight Centre Property (South Africa) (Proprietary) Limited	Republic of Sth Africa	Ordinary	**100**	100
Flight Centre (South Africa) Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
Pendoring Contracting Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
Air Services International Pte Ltd	Singapore	Ordinary	**100**	100
FCm Singapore Pte Ltd [5]	Singapore	Ordinary	**100**	100
Britannic Travel Limited	United Kingdom	Ordinary	**100**	100
Britannic Travel Wholesale Limited	United Kingdom	Ordinary	**100**	100
Flight Centre Moneywise Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Wholesale Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Corporate Limited [4]	United Kingdom	Ordinary	**-**	100
Flight Centre (UK) Corporate Limited [4]	United Kingdom	Preference	**-**	100
Flight Centre (UK) Finance Limited [4]	United Kingdom	Ordinary	**-**	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Operations Limited [4]	United Kingdom	Ordinary	**-**	100
Garber's Travel Services Limited [6]	United Kingdom	Ordinary	**100**	-
FCm Bannockburn LLC [4]	USA	Ordinary	**-**	100
Flight Centre USA Holding Corp	USA	Ordinary	**100**	100
Garber's Travel Service Inc [6]	USA	Ordinary	**100**	-
Gogo Tours Inc [4]	USA	Ordinary	**-**	100
Holiday Vacations Inc [4]	USA	Ordinary	**-**	100
FC USA Inc	USA	Ordinary	**100**	100
Lib/Go Travel Inc [4]	USA	Ordinary	**-**	100
Flight Centre (ME) Limited	United Arab Emirates	Ordinary	**100**	100
FCm Travel Solutions (L.L.C) [2]	United Arab Emirates	Ordinary	**49**	49

20 Subsidiaries (continued)

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

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

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

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

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

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

21 Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

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

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

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

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

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

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

22 Trade and other payables

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

Risk exposure

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

Contingent consideration

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

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

23 Borrowings

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

Unsecured notes

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

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

Bank overdrafts

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

Risk exposures

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

(i) Financing arrangements

Bank loan facilities		
Unused at balance date	**706**	20,981
Used at balance date	**97,011**	110,348
Total facilities	**97,717**	131,329

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

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

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

Bank guarantees / Letter of credit facilities

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

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

23 Borrowings (continued)

(ii) Fair value

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

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

(iii) Assets pledged as security for secured liabilities

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

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

	2011	2010
	$'000	$'000

24 Provisions

(a) Current

Employee benefits - Long service leave	**11,980**	10,111

(b) Non-current

Employee benefits - Long service leave	**13,364**	12,204
Make good provision	**4,549**	5,689
	17,913	17,893

Movements in provisions

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

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

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

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

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

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

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

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

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

Leave obligations expected to be settled after 12 months	**1,930**	1,770

	2011 $'000	2010 $'000

25 Current liabilities - Current tax liabilities

Provision for taxation	**57,479**	55,457

26 Non-current liabilities - Deferred tax liabilities

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

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)
At 30 June 2010	**4,057**	**9,929**	**536**	**2,877**	**17,399**
At 1 July 2010	**4,057**	**9,929**	**536**	**2,877**	**17,399**
Charged/ (credited)to profit or loss	1,986	(4,711)	(39)	(294)	(3,058)
At 30 June 2011	**6,043**	**5,218**	**497**	**2,583**	**14,341**

27 Contributed equity

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

(b) Movements in ordinary share capital:

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

(c) Ordinary shares

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

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

(d) Employee Share Plan

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

(e) 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 remuneration report and in note 34.

27 Contributed equity (continued)

(e) Senior Executive Performance Rights

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

(f) Capital management

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

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

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

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

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

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

28 Reserves and retained profits

(a) Retained profits

	2011	2010
Balance 1 July	**374,802**	240,256
Profit for the year	**139,810**	139,868
Dividends	**(79,878)**	(25,937)
Movement in Available-for-sale reserve	**(685)**	-
Capital redemption reserve	**-**	20,615
Balance at 30 June	**434,049**	374,802

(b) Reserves

	2011	2010
Available-for-sale investments revaluation reserve	**(3,343)**	(5,697)
Share-based payments reserve	**2,679**	2,325
Foreign currency translation reserve	**(74,004)**	(38,773)
Hedging reserve - cash flow hedges	**(73)**	(936)
Capital redemption reserve	**-**	-
	(74,741)	(43,081)

Movement in reserves:

	2011	2010
Available-for-sale investments revaluation reserve		
Balance 1 July	**(5,697)**	(8,871)
Revaluation gross	**2,386**	6,202
Movement in value to retained earnings	**685**	
Deferred tax (note 21)	**(717)**	(3,028)
Balance 30 June	**(3,343)**	(5,697)

28 Reserves and retained profits(continued)

(b) Reserves (continued)

	2011 $'000	2010 $'000
Share-based payments reserve		
Balance 1 July	**2,325**	1,030
Share-based payment expense	**142**	826
Deferred tax (note 21)	**212**	469
Balance 30 June	**2,679**	2,325
Foreign currency translation reserve		
Balance 1 July	**(38,773)**	(17,626)
Net exchange differences on translation of foreign operations	**(35,231)**	(21,147)
Balance 30 June	**(74,004)**	(38,773)
Hedging reserve – cash flow hedges		
Balance 1 July	**(936)**	(2,317)
Fair value adjustments	**814**	1,381
Deferred tax (note 21)	**49**	-
Balance 30 June	**(73)**	(936)
Capital redemption reserve		
Balance 1 July	**-**	20,615
Share buy-back	**-**	-
Restructure	**-**	(20,615)
Balance 30 June	**-**	-

Nature and purpose of reserves

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

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

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

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

(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

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**94,636**	94,382
Later than one year but not later than five years	**244,596**	233,441
Later than five years	**37,811**	47,704
	377,043	375,527

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

30 Business combinations

Current year acquisition – The Gapyear Company Limited

(i) Summary of acquisition

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

The acquisition will allow cost effective generation of travel-related enquiry in the "gap year" niche market and generate advertising revenue. Flight Centre (UK) Limited is a 100% subsidiary of Flight Centre Limited.

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

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

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

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

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

The goodwill is attributable to the increased access to the global gap year travel market which will contribute to overall revenue and profitability of the group.

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary	
Cash consideration	1,292
Less: Cash acquired	(44)
Outflow of cash	**1,248**

(iii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	44	44
Accounts receivable	100	100
Property, plant and equipment	27	27
Trade creditors	(17)	(17)
Provision for tax	(43)	(43)
Non current trade creditors	(67)	(67)
Net identifiable assets acquired	**44**	**44**

(iv) Acquisition related costs

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

30 Business combinations (continued)

Current year acquisition – Garber's Travel Service Inc

(i) Summary of acquisition

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

From the date of acquisition to year end, Garber's Travel Service Inc. group (Garber) has contributed a net profit of $1,117k to Flight Centre Limited and revenue of $11,705k. Had the acquisition occurred on 1 July 2010, the net profit for the year ended 30 June 2011 attributable to Garber would have been $1,176k and revenue of $21,908k.

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

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

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

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

The goodwill is attributable to the increased access to the United States corporate travel market which will contribute to overall revenue and profitability of the group.

(ii) Purchase consideration – cash outflow

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

(iii) Assets and liabilities acquired

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

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

(iv) Acquisition related costs

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

30 Business combinations (continued)

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

(i) Summary of acquisition

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

From the date of acquisition to June 2010 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 finalised the purchase price allocation for FCm Travel Solutions (India) Private Limited. Final fair values are listed 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	5,685
Goodwill (note 18)	**17,189**

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary:	
Cash consideration	13,000
Less: Cash acquired	(4,785)
Outflow of cash	**8,215**

There was no contingent consideration in this acquisition.

(iii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:	Acquirees carrying amount at acquisition $'000	Fair value $'000
Cash and cash equivalents	(178)	4,785
Accounts receivable	32,103	33,172
Other assets	11,316	5,779
Property, plant and equipment	2,727	2,949
Intangible assets	35	168
Deferred tax asset	1,301	1,612
Trade and other payables	(23,048)	(19,896)
Borrowings	(16,789)	(21,727)
Provisions	(1,297)	(1,157)
Net identifiable assets acquired	**6,170**	**5,685**

No acquisition provisions were created.

The goodwill is attributable to the potential product and global corporate synergies and increased access to the Indian travel market which will contribute to overall revenue and profitability of the group.

30 Business combinations (continued)

Prior year acquisitions - Air Services International Pte. Ltd

(i) Summary of acquisition

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

From the date of acquisition to year end, Air Services International Pte. Ltd has contributed a net loss of $0.4M to FLT. Had the acquisition occurred on 1 July 2009, consolidated revenue and profit for the year ended 30 June 2010 would have been $21.6M and $0.3M respectively.

These amounts have been calculated using the group's accounting policies.

FLT has recognised the fair values of the identifiable assets and liabilities of Air Services International Pte. Ltd. Final 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 – cash outflow

Outflow of cash to acquire subsidiary:	
Cash consideration	236
Less: Cash acquired	-
Outflow of cash	**236**

There was no contingent consideration in this acquisition.

(iii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:	Acquiree's carrying amount $'000	Fair value $'000
Property and equipment	**3**	**3**

No acquisition provisions were created.

The goodwill is attributable to increased product access and Asia region corporate synergies which will contribute to the group's overall revenue and profitability.

31 Segment information

(a) Identification and description of segments

FLT has identified its operating segments based on the internal reports that are reviewed and used by the board of directors and executive team (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The executive team currently consists of the following members:

- Managing Director;
- Chief Financial Officer;
- Executive General Manager – Air, Land and IT;
- Executive General Manager – 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 monthly to the board of directors and executive team, 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.

(b) Types of products and services

FLT and its controlled entities, operate predominately in the sale of travel and travel-related services industry. As indicated above, the group is organised and managed globally into geographic areas.

(c) Major customers

FLT 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 2011 and 30 June 2010 is as follows:

30 June 2011

	Australia $'000	United States $'000	United Kingdom $'000	All other segments $'000	Total $'000
TTV	**7,171,693**	**1,492,087**	**1,074,197**	**2,461,531**	**12,199,508**
Total segment revenue	1,030,876	187,578	152,962	431,835	1,803,251
Inter-segment revenue	(106,234)	1,602	(7,067)	(13,304)	(125,003)
Revenue from external customers	**924,642**	**189,180**	**145,895**	**418,531**	**1,678,248**
Adjusted EBIT	**191,312**	**1,487**	**15,812**	**16,055**	**224,666**
Depreciation and amortisation	25,080	8,542	4,254	12,115	49,991
Share of profit/(loss) from associates and joint ventures	(611)	11	-	-	(600)
Other material items:					
- Impairment of assets	-	27,917	-	-	27,917
- Gain on revaluation of investment in subsidiary	-	744	-	-	744
- Net loss on sale of available-for-sale financial assets	2,315	-	-	-	2,315
Total segment assets	**1,150,600**	**254,878**	**169,459**	**365,634**	**1,940,571**
Total segment assets include:					
Investment in associates and joint ventures	5,897	-	-	-	5,897
Additions to non-current assets (PPE and Intangibles)	28,066	1,124	7,730	10,814	47,734
Total segment liabilities	**645,139**	**181,203**	**123,729**	**150,173**	**1,100,244**

31 Segment information (continued)

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

30 June 2010

	Australia $'000	United States $'000	United Kingdom $'000	All other segments $'000	Total $'000
TTV	**6,406,723**	**1,537,272**	**990,572**	**1,959,360**	**10,893,927**
Total segment revenue	940,312	210,525	145,942	358,515	1,655,294
Inter-segment revenue	(77,797)	(2,187)	(4,127)	(7,994)	(92,105)
Revenue from external customers	**862,515**	**208,338**	**141,815**	**350,521**	**1,563,189**
Adjusted EBIT	**173,808**	**(8,302)**	**19,794**	**2,137**	**187,437**
Depreciation and amortisation	27,081	12,184	4,073	10,449	53,787
Share of profit/(loss) from associates and joint ventures	395	(127)	(947)	(1,916)	(2,595)
Other material items:					
- Impairment of assets	-	-	-	643	643
- Net 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**

	2011 $'000	2010 $'000

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:

	2011 $'000	2010 $'000
Adjusted EBIT	**224,666**	187,437
Interest expense	**(7,338)**	(7,078)
Interest revenue	**28,177**	20,506
Net interest income / expense	**20,839**	13,428
Deferred consideration	**123**	(352)
Net foreign exchange (losses) / gains on intercompany loans	**(3,823)**	(2,050)
Impairment charges	**(27,917)**	(643)
Profit on revaluation of investment	**744**	-
Other non-material items	**(1,539)**	712
Profit before income tax	**213,093**	198,532

(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 directors and executive team is measured in a manner consistent with that in the income statement.

Revenues from external customers are derived from the sale of travel and travel-related services. The revenues from this group of similar services are provided in the tables above. As indicated above, the group is organised and managed globally into geographic areas.

Revenue presented for 'all other segments' is calculated on a consistent basis with other segment revenues.

Segment revenue reconciles to total revenue as follows:

	2011 $'000	2010 $'000
Segment revenue	**1,803,251**	1,655,294
Inter-segment sales elimination	**(125,003)**	(92,105)
Total segment revenue to external customers	**1,678,248**	1,563,189
Revenue from the sale of travel as principal	**211,258**	274,097
Gross profit from sale of travel as principal	**(26,935)**	(31,664)
Share of associates' losses disclosed separately	**600**	2,595
Profit on sale of investments disclosed separately	**(744)**	-
Other non-material revenue items	**1**	(12,799)
Total revenue	**1,862,428**	1,795,418

31 Segment information (continued)

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

The amounts provided to the 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 segment's operations and the asset's physical location.

Reconciliation of segment assets to total assets is as follows:

	2011 $'000	2010 $'000
Segment assets	**1,940,571**	1,896,180
Unallocated assets:		
Loans to external parties	7,193	4,192
Deferred tax asset	52,403	62,151
Current tax receivable	10,130	10,884
Other non-material assets	3	4,902
Total assets as per the Balance Sheet	**2,010,300**	1,978,309

The analysis of the location of non-current assets, other than financial instruments, deferred tax assets and loans to related parties (there are no employment benefit assets and rights arising under insurance contracts) located in Australia and other material foreign countries are shown below.

	2011 $'000	2010 $'000
Australia	175,463	156,223
UK	12,135	9,549
USA	144,098	216,486
Other foreign countries	158,498	185,409
Total non-current assets	**490,194**	567,667

(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 segment's operations.

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:

	2011 $'000	2010 $'000
Segment liabilities	**1,100,244**	1,078,818
Unallocated liabilities:		
Deferred tax liabilities	6,499	10,840
Current tax liabilities	57,479	55,457
Bank overdraft and external bank loans	100,496	118,166
Derivative financial instruments	4,966	935
Other non-material liabilities	-	3,441
Total liabilities as per the Balance Sheet	**1,269,684**	1,267,657

32 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The group uses different methods to measure different types of risk to which it is exposed.

A central treasury department oversees financial risk under board-approved policies that cover specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Treasury identifies, evaluates and hedges financial risks in 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 holds the following financial assets and liabilities:

	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	**974,925**	903,329
Available-for-sale financial assets	**60,119**	80,648
Other financial assets	**4,790**	15,474
Trade and other receivables	**409,486**	331,910
Derivative financial instruments	**-**	1,019
	1,449,320	1,332,380
Financial liabilities		
Trade and other payables	**960,482**	954,783
Contingent consideration	**1,299**	1,205
Borrowings	**167,775**	178,065
Derivative financial instruments	**4,966**	935
	1,134,522	1,134,988

32 Financial risk management (continued)

(a) Market risk

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

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and, where appropriate, uses forward exchange contracts to reduce foreign currency risk. All contracts expire within 12 months.

To manage the foreign exchange risks arising from the future principal and interest payments required on foreign currency denominated borrowings, the group has a multi-currency debt facility which allows principal and interest payments to be denominated into the relevant entity's functional currency for the underlying borrowings' full terms.

The group's exposure to foreign currency risk at the end of the reporting period is set out below:

	2011 $'000	2010 $'000
Trade receivables		
US Dollar	**9,410**	8,466
Great Britain Pound	**475**	21
Canadian Dollar	**414**	419
Euro	**259**	477
Chinese Renminbi	**49**	2,525
Royal Brunei Dollar	**2,414**	835
Other	**327**	1
Trade payables		
US Dollar	**19,550**	6,633
Great Britain Pound	**2,274**	1,847
Canadian Dollar	**1,406**	1,127
Fijian Dollar	**5,770**	4,116
Thai Baht	**5,578**	4,699
Euro	**5,035**	3,993
Hong Kong Dollar	**1,652**	1,292
New Zealand Dollar	**3,116**	2,664
Malaysian Ringgit	**1,346**	1,627
French Pacific Franc	**710**	595
Singapore Dollar	**1,388**	1,143
Other	**1,135**	165

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

Financial assets' credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Equivalent S&P Rating				Internally Rated		
	AA and above	**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 2011							
Cash and cash equivalents	689,778	245,032	36,848	3,267	-	-	**974,925**
Available-for-sale financial assets	20,629	10,457	24,474	4,559	-	-	**60,119**
Other financial assets	-	2,243	-	2,547	-	-	**4,790**
Trade and other receivables	-	-	-	-	6,241	403,245	**409,486**
At 30 June 2010							
Cash and cash equivalents	622,916	277,575	-	2,838	-	-	903,329
Available-for-sale financial assets	32,207	19,737	21,432	7,272	-	-	80,648
Other financial assets	-	6,340	-	9,134	-	-	15,474
Trade and other receivables	-	-	-	-	10,136	321,774	331,910
Derivative financial instruments	892	-	-	127	-	-	1,019

[1] Closely monitored customers have either had a provision raised against them or have payments outstanding greater than nine months but no specific provision has been raised. These customers are monitored regularly.

[2] No default customers 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 year, FLT held deposits at call of $252M (2010: $330M) that are readily available for managing liquidity risk. Because of the underlying business's dynamic nature, committed credit lines are available to maintain flexibility relating to funding.

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities) and cash and cash equivalents (refer note 10) on the basis of expected cash flows. This is generally carried out at local level in the group's operating companies in accordance with established practice and limits. These limits vary by location to take into account local market liquidity. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The group's access to undrawn borrowing facilities and the financial liabilities' maturities at the reporting period's end are disclosed in note 23.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings. Groupings are based on the remaining period to the contractual maturity date at the reporting period's end. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months	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 - 2011						
Non-derivatives						
Non-interest bearing – Trade and other payables	960,607	229	945	-	961,781	961,781
Variable rate - Borrowings	84,719	15,068	81,265	3,245	184,297	167,775
Total non-derivatives	**1,045,326**	**15,297**	**82,210**	**3,245**	**1,146,078**	**1,129,556**
Derivatives						
Gross settled						
- (inflow)	(148,788)	(540)	(228)	-	(149,556)	4,966
- outflow	153,903	492	126	-	154,521	-
Total derivatives	**5,115**	**(48)**	**(102)**	**-**	**4,965**	**4,966**
Group - 2010						
Non-derivatives						
Non-interest bearing – Trade and other payables	955,007	189	709	83	955,988	955,988
Variable rate - Borrowings	95,806	72,545	13,207	4,846	186,404	178,065
Total non-derivatives	**1,050,813**	**72,734**	**13,916**	**4,929**	**1,142,392**	**1,134,053**
Derivatives						
Gross settled						
- (inflow)	(67,523)	-	-	-	(67,523)	(84)
- outflow	67,439	-	-	-	67,439	-
Total derivatives	**(84)**	**-**	**-**	**-**	**(84)**	**(84)**

32 Financial risk management

(d) Cash flow and fair value interest rate risk

The group holds a number of interest bearing assets which are issued at variable interest rates. FLT's income and operating cash flows are, therefore, exposed to changes in market interest rates.

Borrowings issued at variable rates expose the group to cash flow interest rate risk.

The variable rate borrowings and interest rate swap contracts outstanding at reporting date are disclosed in notes 23 and 16 respectively.

The group constantly analyses its interest rate exposure, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The group calculates the impact a defined interest rate shift will have on profit and loss. For each analysis, the same interest rate shift is used for all currencies.

The group's fixed rate borrowings and receivables are carried at amortised cost. They are, therefore, not subject to interest rate risk as defined in AASB 7.

The group uses floating-to-fixed interest rate swaps to manage its cash flow interest rate risk. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

32 Financial risk management

(e) Fair value measurement

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level 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.

	Level 1	Level 2	Level 3	Total
	$'000	**$'000**	**$'000**	**$'000**
30 June 2011				
Assets				
Available-for-sale financial assets	6,680	53,439	-	60,119
Other financial assets	-	4,790	-	4,790
Total assets	6,680	58,229	-	64,909
Liabilities				
Contingent Consideration	-	-	1,299	1,299
Derivative financial instruments	-	4,966	-	4,966
Total liabilities	-	4,966	1,299	6,265
30 June 2010				
Assets				
Available-for-sale financial assets	10,079	70,569	-	80,648
Other financial assets	-	15,474	-	15,474
Derivative financial instruments	-	1,019	-	1,019
Total assets	10,079	87,062	-	97,141
Liabilities				
Contingent Consideration	-	-	1,205	1,205
Derivative financial instruments	-	935	-	935
Total liabilities	-	935	1,205	2,140

Details on fair value calculations for financial instruments traded in active and in inactive markets are included in Note 1k, along with financial liabilities' fair value calculations.

	Contingent Consideration $'000
Opening balance 1 July 2009	**3,671**
Other decreases	(2,466)
Closing balance 30 June 2010	**1,205**
Other increases	206
Gains/(losses) recognised in other comprehensive income	(112)
Closing balance 30 June 2011	**1,299**

32 Financial risk management

Summarised sensitivity analysis

Sensitivity figures are pre-tax. The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk. The movement in equity excludes movements in retained earnings.

Consolidated		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
		-1%	**-1%**	**+1%**	**+1%**	**-10%**	**-10%**	**+10%**	**+10%**	**-1%**	**-1%**	**+1%**	**+1%**
2011	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets													
Cash and cash equivalents	974,925	(9,749)	-	9,749	-	3,518	-	(2,879)	-	-	-	-	-
Available-for-sale financial assets	60,119	(526)	-	526	-	-	-	-	-	-	140	-	(137)
Other financial assets	4,790	(48)	-	48	-	-	-	-	-	-	-	-	-
Trade and other receivables	409,486	-	-	-	-	1,483	-	(1,213)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Trade and other payables	961,781	-	-	-	-	(9,935)	-	8,129	-	-	-	-	-
Borrowings - current	99,174	319	-	(319)	-	-	-	-	-	-	-	-	-
Borrowings - non-current	68,601	686	-	(686)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	4,966	(137)	-	558	-	13,456	-	(11,010)	-	-	(837)	-	1,108
Total increase / (decrease)		(9,455)	-	9,876	-	8,522	-	(6,973)	-	-	(697)	-	971

Consolidated		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
		-1%	**-1%**	**+1%**	**+1%**	**-10%**	**-10%**	**+10%**	**+10%**	**-1%**	**-1%**	**+1%**	**+1%**
2010	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets													
Cash and cash equivalents	903,329	(9,033)	-	9,033	-	1,508	-	(1,223)	-	-	-	-	-
Available-for-sale financial assets	80,648	(674)	-	674	-	-	-	-	-	-	207	-	(201)
Other financial assets	15,474	(155)	-	155	-	-	-	-	-	-	-	-	-
Trade and other receivables	331,910	-	-	-	-	1,416	-	(1,158)	-	-	-	-	-
Derivative financial instruments	1,019	-	-	-	-	7,125	-	(5,691)	-	-	-	-	-
Financial liabilities													
Trade and other payables	955,988	-	-	-	-	(3,401)	-	2,783	-	-	-	-	-
Borrowings - current	93,067	332	-	(332)	-	-	-	-	-	-	-	-	-
Borrowings - non-current	84,998	850	-	(850)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	935	(152)	-	470	-	-	-	-	-	-	(156)	-	242
Total increase / (decrease)		(8,832)	-	9,150	-	6,648	-	(5,289)	-	-	51	-	41

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

33 Key management personnel disclosures

(a) Key management personnel compensation

	2011 $	2010 $
Short-term employee benefits	**5,998,012**	9,943,116
Post-employment benefits	**1,123,839**	434,324
Share-based payments	**390,056**	826,055
Long-term benefits	**291,705**	486,618
	7,803,612	11,690,113

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

(b) Equity instrument disclosures relating to key management personnel

(i) Options and Performance Rights provided as remuneration and shares issued on exercise of such
Details of options and performance rights provided as remuneration and shares issued on the exercise of such, together with terms and conditions, can be found in section E of the remuneration report on pages 14 to 17.

(ii) Option and Performance Rights holdings
The number of options and performance rights over ordinary FLT shares held during the financial year by each director of Flight Centre Limited and other group key management personnel, including their personally related parties, is set out below.

	Balance at start of the year	**Granted as compen-sation**	**Exercised**	**Expired or forfeited**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
2011							
Executive and Non-Executive Directors of Flight Centre Limited							
P.R. Morahan	-	-	-	-	-	-	-
G.W. Smith	-	-	-	-	-	-	-
P.F. Barrow	-	-	-	-	-	-	-
G.F. Turner	-	-	-	-	-	-	-
Other key management personnel of the group							
S.C.O'Brien *(resigned 15 Mar 11)*	200,000	-	(40,000)	(160,000)	-	-	-
R. Flint[1]	-	22,000	-	-	22,000	-	22,000
M.C. Waters-Ryan	200,000	-	-	-	200,000	40,000	160,000
A. J. Flannery	200,000	-	(40,000)	-	160,000	-	160,000
C. Galanty	-	-	-	-	-	-	-
C.R. Bowman	200,000	-	(40,000)	-	160,000	-	160,000
D.W. Smith	-	-	-	-	-	-	-
M.J. Murphy	200,000	-	-	-	200,000	40,000	160,000

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

2010							
Executive and Non-Executive Directors of Flight Centre Limited							
P.R. Morahan	-	-	-	-	-	-	-
G.W. Smith	-	-	-	-	-	-	-
P.F. Barrow	-	-	-	-	-	-	-
G.F. Turner	-	-	-	-	-	-	-
Other key management personnel of the group							
D.W. Smith	-	-	-	-	-	-	-
C. Galanty	-	-	-	-	-	-	-
R. Miller	-	-	-	-	-	-	-
S. C. O'Brien	275,000	-	(75,000)	-	200,000	-	200,000
A. J. Flannery	200,000	-	-	-	200,000	-	200,000
C.R. Bowman	200,000	-	-	-	200,000	-	200,000
M.C. Waters-Ryan	200,000	-	-	-	200,000	-	200,000
M.J. Murphy	200,000	-	-	-	200,000	-	200,000
R. Flint	-	-	-	-	-	-	-

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.

2011	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	17,742	-	-	17,742
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	35,000	-	(5,000)	30,000
G.F. Turner	15,844,535	-	(33,334)	15,811,201
Other key management personnel of the group				
Ordinary shares				
S.C. O'Brien *(resigned 15 March 2011)*	100,000	40,000	(15,000)	125,000
R. Flint	28,300	-	(28,300)	-
M.C. Waters-Ryan	4,159	-	-	4,159
A.J. Flannery	256	40,000	(40,000)	256
C. Galanty	2,002	-	-	2,002
C.R. Bowman	181	40,000	45	40,226
D.W. Smith	-	-	-	-
M.J. Murphy	3,000	-	81	3,081

2010				
Directors of Flight Centre Limited				
Ordinary shares				
P.R. Morahan	14,712	-	3,030	17,742
G.W. Smith	15,000	-	-	15,000
P.F. Barrow	35,000	-	-	35,000
G.F. Turner	15,828,235	-	16,300	15,844,535
Other key management personnel of the group				
Ordinary shares				
D.W. Smith	-	-	-	-
C. Galanty	2,002	-	-	2,002
R. Miller	100	-	-	100
S.C. O'Brien	45,000	75,000	(20,000)	100,000
A.J. Flannery	200	-	56	256
C.R. Bowman	125	-	56	181
M.C. Waters-Ryan	4,159	-	-	4,159
M.J. Murphy	5,000	-	(2,000)	3,000
R. Flint	14,000	-	14,300	28,300

(c) Other transactions with key management personnel

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

34 Share-based payments

(a) Senior Executive Option Plan

Options can be granted to executives at the Board's discretion under the FLT Senior Executive Option Plan which was established in March 2006.

Four Executive Team members are eligible to participate in the Senior Executive Option Plan. Directors have elected not to participate in the plans.

The plan rules provide that the total number of options which can be on issue at any time is limited such that the number of shares resulting from exercising of all unexercised options does not exceed 5% of the company's then issued capital.

Additional details are provided in the Remuneration Report and in the summary below:

Grant Date	Expiry date	Exercise price	Balance at start of the year 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
2011									
29/06/09 [1]	30/06/15	$10.00	1,000,000	-	(160,000)	-	(120,000)	720,000	80,000
Total			1,000,000	-	(160,000)	-	(120,000)	720,000	80,000
Weighted average exercise price			$10.00	-	$10.00	-	$10.00	$10.00	$10.00
2010									
23/01/09 [1]	23/01/14	$7.75	75,000	-	-	-	(75,000)		-
29/06/09 [1]	30/06/15	$10.00	1,000,000	-	-	-	-	1,000,000	-
Total			1,075,000	-	-	-	(75,000)	1,000,000	-
Weighted average exercise price			$9.84	-	-	-	$7.75	$10.00	-

[1] *Senior Executive Option Plan*

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was $21.89 (2010: $19.04).

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.0 years (2010: 5.0 years).

Fair value of options granted

Current year
No options were granted during the year ended 30 June 2011.

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

34 Share-based payments (continued)

(b) Senior Executive Performance Rights Plan (SEPRP)

Performance rights can be granted to executives at the Board's discretion under the FLT Senior Executive Performance Rights Plan which was established in April 2010.

Two Senior Executives are eligible to participate in the SEPRP. Directors have elected not to participate in the plans.

The plan rules provide that the total number of performance rights which can be on issue at any time is limited such that the number of shares resulting from exercising of all unexercised rights does not exceed 5% of the company's then issued capital.

Additional details are provided in the Remuneration Report and in the summary below:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2011									
12/08/11 [1]	30/06/15	$0.00	-	44,000	-	-	-	44,000	-
Total			-	44,000	-	-	-	44,000	-
Weighted average exercise price			-	$0.00	-	-	-	$0.00	-

[1] *Senior Executive Performance Rights Plan*

No performance rights vested or were exercised during the year.

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 4.0 years.

Fair value of options granted

Current year

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

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

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

Prior year

No performance rights were granted during the year ended 30 June 2010.

34 Share-based payments (continued)

(c) Employee Share Plan

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

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

On 30 September 2010, the Board approved a new plan (the global Employee Share Plan "ESP"), where eligible employees are granted a conditional right to one matched share for every four acquired shares purchased (for cash consideration), subject to vesting conditions. Where a participant satisfies the vesting conditions, they will become entitled to the matched shares on the last day of the vesting period. The plan is open to full and part-time permanent employees (excluding directors) of FLT companies in participating countries. Employees must have commenced employment with their FLT employer in a participating country at least three months prior to the first acquisition date of acquired shares under the plan. Employees may elect not to participate in the plan.

Acquired shares that are purchased by or on behalf of the participants may be shares that are newly issued by FLT, or shares purchased on-market. For participants in Australia, New Zealand and the United Kingdom acquired shares are held in trust by the Plan Trustee. For participants in the United States and Canada, acquired shares are held in the participants name on the FLT Share Registry. South Africa operates a cash-settled share based payment plan under the same vesting conditions and rights.

The market value of shares issued under the plan, measured as the weighted average price at which FLT's shares are traded on the ASX during the 5 days following the date on which the contributions are paid, is recognised in the balance sheet as an issue of shares in the period the shares are granted. The market value of matched shares allocated (but not issued) under the plan, measured as the weighted average price of shares traded on the ASX in the five trading days prior to those shares being allocated, is recognised in the balance sheet as part of reserves over the period that the matched share vests. A corresponding expense is recognised in employee benefit costs.

Offers under the plan may only be made to eligible employees, if approved by the Board.

Acquired shares issued under the plan may be sold at any time, subject to the FLT Share Trading Policy and any restrictions as set out in the offer. If acquired shares are sold before the end of the vesting period, conditional rights to the matched shares are forfeited.

The number of shares issued to participants in the plan is the employee contribution amount divided by the weighted average price at which FLT's shares are traded on the ASX during the 5 days following the date on which the contributions are paid.

Where shares are issued to employees of subsidiaries within the group, the subsidiaries compensate the FLT parent entity for the fair value of these shares.

(d) Expenses arising from share-based payment transactions

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

	2011 **$'000**	2010 $'000
Options issued under the Senior Executive Option Plan	**261**	826
Performance rights issued under the Senior Executive Performance Rights Plan	**259**	-
Matched shares allocated under Employee Share Plan	**61**	-
	581	826

35 Related party transactions

(a) Parent entities

The parent entity within the group is Flight Centre Limited.

(b) Subsidiaries and joint ventures

Interests in subsidiaries are set out in note 20 and interests in joint ventures are set out in note 19.

FLT is a joint venture partner in Pedal Group Pty Ltd, the other joint venture partners are related parties, namely Graham Turner's family company Gainsdale Pty Ltd (25%) and Matthew Turner (25%).

(c) Key management and personnel compensation

Disclosures relating to key management personnel are set out in the directors' report and note 33.

(d) Transactions with related parties

	2011	2010
	$	$
Income from related parties	**-**	-
Expenses to related parties		
Conference Expense	**284,220**	5,763
Travel Expo Expense	**750,844**	609,231

(e) Outstanding balances

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

	$	$
Current payables	**7,149**	2,880

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expenses have been recognised in respect of bad or doubtful debts due from related parties.

(f) Loans to / from related parties

	2011	2010
	$'000	$'000
Loans to other related parties		
Beginning of the year	**4,192**	3,917
Loans advanced	**4,297**	1,907
Loans repaid	**(1,492)**	(1,105)
Write back of India loan on consolidation	**-**	(764)
Interest charged	**349**	270
FX movement	**(153)**	(33)
End of year	**7,193**	4,192

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

All loans to related parties were made on normal commercial terms and conditions and at market rates except that the repayment terms range from no fixed term to 10 years. The interest rate on loans during the year ranged from 2.92% and 8.17% (2010: 2.75% and 7.74%).

(g) Terms and conditions

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

Outstanding balances are unsecured and are repayable in cash.

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 FLT, they also represent the Extended Closed Group.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the company and the subsidiaries listed above.

	Flight Centre Limited & Australian OpCo Pty Ltd		**Flight Centre Limited & Flight Centre Technology Pty Ltd**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Income statement				
Revenue from the sale of travel services	**984,740**	952,539	**828,702**	824,994
Other revenue	**56,465**	50,801	**60,269**	54,039
Selling expenses	**(645,931)**	(634,186)	**(575,201)**	(529,819)
Administration / support expenses	**(153,987)**	(110,057)	**(136,663)**	(138,705)
Finance costs	**(22,080)**	(24,110)	**(17,180)**	(21,055)
Foreign exchange losses (net)	**(6,730)**	4,002	**(6,477)**	4,065
Share of profit from joint venture	**(611)**	(909)	**(611)**	(909)
Profit before income tax expense	**211,866**	239,080	**152,839**	192,610
Income tax expense	**(64,947)**	(59,091)	**(46,535)**	(45,584)
Profit for the year	**146,919**	178,989	**106,304**	147,026
Statement of comprehensive income				
Changes in the fair value of available-for-sale assets	**2,428**	5,959	**2,428**	6,607
Income tax expense on items of other comprehensive income	**(728)**	(2,033)	**(728)**	(2,033)
Total comprehensive income for the year	**148,619**	182,915	**108,004**	151,600
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	**367,612**	214,560	**306,763**	185,674
Profit from ordinary activities after income tax expense	**146,919**	178,989	**106,304**	147,026
Dividends provided for or paid	**(79,878)**	(25,937)	**(79,878)**	(25,937)
Retained profits at the end of the financial year	**434,653**	367,612	**333,189**	306,763

36 Deed of cross guarantee (continued)

Set out below is the consolidated balance sheet of the company and the subsidiaries listed above.

	Flight Centre Limited & Australian OpCo Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Current assets				
Cash and cash equivalents	**751,206**	578,314	**691,813**	529,548
Available-for-sale financial assets	**56,057**	73,357	**56,057**	73,357
Other financial assets	**4,790**	15,474	**4,790**	15,474
Trade and other receivables	**237,659**	164,096	**161,398**	31,504
Current tax receivables	**1,276**	1,443	**1,276**	1,443
Inventories	**28**	-	**28**	-
Derivative financial instruments	**-**	1,032	**-**	1,032
Other assets	**1,139**	249	**1,139**	249
Total current assets	**1,052,155**	833,965	**916,501**	652,607
Non-current assets				
Property, plant and equipment	**46,517**	43,534	**55,107**	51,701
Intangible assets	**66,940**	69,354	**65,144**	65,842
Investments accounted for using the equity method	**447,161**	404,551	**475,486**	432,875
Deferred tax assets	**35,002**	33,670	**33,823**	37,078
Other non-current assets	**5,228**	2,928	**5,228**	2,928
Total non-current assets	**600,848**	554,037	**634,788**	590,424
Total assets	**1,653,003**	1,388,002	**1,551,289**	1,243,031
Current liabilities				
Trade and other payables	**666,517**	498,477	**738,893**	463,355
Borrowings	**59,639**	54,320	**59,639**	54,320
Provisions	**11,892**	10,019	**11,892**	10,019
Current tax liabilities	**61,668**	52,501	**(13,322)**	238
Derivative financial instruments	**4,869**	-	**4,869**	-
Total current liabilities	**804,585**	615,317	**801,971**	527,932
Non-current liabilities				
Trade and other payables	**11,490**	10,437	**11,490**	10,437
Borrowings	**(1,616)**	(2,577)	**(1,616)**	(2,577)
Provisions	**15,989**	15,548	**15,989**	15,548
Deferred tax liabilities	**7,842**	6,557	**7,926**	6,913
Total non-current liabilities	**33,705**	29,965	**33,789**	30,321
Total liabilities	**838,290**	645,282	**835,760**	558,253
Net assets	**814,713**	742,720	**715,529**	684,778
Equity				
Contributed equity	**381,308**	378,931	**381,308**	378,931
Reserves	**(1,248)**	(3,823)	**1,032**	(916)
Retained profits	**434,653**	367,612	**333,189**	306,763
Total equity	**814,713**	742,720	**715,529**	684,778

37 Parent entity financial information

(a) Summary financial information

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

	Parent	
	2011	2010
	$'000	$'000
Current assets	**918,174**	697,285
Total assets	**1,294,581**	1,270,966
Current liabilities	**554,124**	566,784
Total liabilities	**586,992**	596,749
Shareholders' equity		
Contributed equity	**381,308**	378,931
Reserves		
Available-for-sale investments revaluation reserve	**(3,927)**	(5,352)
Share-based payments reserve	**2,679**	2,325
Retained profits	**327,529**	298,313
Total shareholders' equity	**707,589**	674,217
Profit after tax for the year	**109,094**	149,248
Total comprehensive income	**110,794**	153,792

(b) Guarantees entered into by the parent entity

FLT has given the following guarantees:

Unsecured		
North America	**4,950**	2,806
United Kingdom	**12,848**	12,334
Australia	**5,628**	5,852
Hong Kong	**5,977**	9,004
India	**20,796**	22,206
China	**7,021**	7,391
New Zealand	**5,986**	5,869
Other	**4,051**	2,107
	67,257	67,569

These guarantees have been provided directly by the parent entity or are letters of credit issued under the Syndicated Facility Agreement. No liability was recognised by the parent entity or the consolidated entity, as the guarantees' fair value is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity had no contingent liabilities at 30 June 2011.

(d) Contractual commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	58,041	55,263
Later than one year but not later than five years	156,221	140,591
Later than five years	14,038	19,005
	228,300	214,859

The operating leases above relate primarily to occupancy leases of varying terms, generally between five and seven years and have escalation clauses and renewal rights. Not included in the above are contingent rental payments which generally represent rental escalation based on CPI.

38 Contingencies

Contingent liabilities

Since the last annual reporting date, there has been no material change in any contingent assets or liabilities. No material losses are anticipated in respect of any contingent liabilities.

39 Events occurring after the end of the reporting period

On 23 August 2011, FLT's directors declared a fully franked 48.0 cents per fully paid ordinary share final ordinary dividend for the year ended 30 June 2011 (2010: 44.0 cents), as outlined in note 8. The interim and final combined dividend payments represent an $84M return to shareholders, 50% of FLT's NPAT before the $27.9M goodwill adjustment.

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

No other matters have arisen since 30 June 2011.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 99 are in accordance with the *Corporations Act 2001,* including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

G.F. Turner
Director

BRISBANE
23 August 2011

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

Report on the financial report

We have audited the accompanying financial report of Flight Centre Limited (the company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Flight Centre Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

PricewaterhouseCoopers, ABN 52 780 433 757
123 Eagle Street, Brisbane, QLD 4000
DX 77, Brisbane, QLD 4000
T +61 7 3257 5000, F +61 7 3257 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Flight Centre Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 18 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Flight Centre Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
23 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757
123 Eagle Street, Brisbane, QLD 4000
DX 77, Brisbane, QLD 4000
T +61 7 3257 5000, F +61 7 3257 9999, www.pwc.com.au

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 117 Victoria Street West End QLD 4101
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