The Jetset Travelworld Group
Level 28, Australia Square, 264 George Street, Sydney NSW 2000

ANNOUNCEMENT

15 September 2010

Company Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

2010 Annual Report

Attached for lodgement pursuant to the requirements of Listing Rules 4.5.1 and 4.7 is the 2010 Annual Financial Report for Jetset Travelworld Limited comprising the:

1. Financial Report for the year ended 30 June 2010;
2. Directors' Report for the year ended 30 June 2010; and
3. Independent Auditor's Report on the 2010 Financial Report.

The requirement to lodge these documents with the Australian Securities and Investments Commission pursuant to Section 319 of the Corporations Act is satisfied by this lodgement as provided for in Practice Note 61.

Yours faithfully

Stephen F Heesh
Company Secretary

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The Jetset Travelworld Group

Jetset Travelworld Limited and Controlled Entities

Annual Report

For the Year Ended

30 June 2010

ABN 60 091 214 998
ASX CODE: JET

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Corporate Information

Directors

T Dery *Chairman*

G Evans

L Grant

B Johnson

JMC King

P Spathis

CEO

P Collins

Company Secretary

S Heesh

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Glossary

The following terms have been used throughout this Annual Report:

ACCC	Australian Competition & Consumer Commission
ASX	Australian Securities Exchange
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company	the parent entity Jetset Travelworld Limited
GFC	Global financial crisis
GM	General Manager
Group	the Consolidated Entity comprising Jetset Travelworld Limited and its controlled entities
JTL	Jetset Travelworld Limited the parent entity
JTG	the Jetset Travelworld Group comprising JTL and its subsidiaries
JTW	Jetset Travelworld Limited as the segment and is also referred to as Retail
KMP	Key Management Personnel
NTC	National Ticket Centre Pty Limited (a subsidiary of JTL)
Merger	the proposed merger between STS and JTG
MIA	Merger Implementation Agreement between STS and JTG dated 12 May 2010
Qantas	Qantas Airways Limited
QBT	Qantas Business Travel Pty Limited and is also referred to as Business Travel and/or Corporate
QH	Qantas Holidays Limited and is also referred to as Wholesale
STS	Stella Travel Services Holdings Pty Limited
TMC	Travel management company
TTV	Total transaction value

Chairman's Report

This is my second Annual Report as Chairman and, once again, it has been an eventful year of economic variability and exciting corporate developments.

In general terms, the exit from the global economic crisis has been somewhat inconsistent, with some areas of cautious optimism offset by slower recovery in other sectors. For instance, sales of travel products and services through our franchise retail network are showing signs of growth whereas yields on business travel are still depressed.

Economic activity as a consequence of the financial recovery can also impact the Company in various ways. For instance, increasing interest rates can discourage expensive travel plans but higher interest rates result in increased interest income per dollar on the significant cash balances we invest.

The principal focus of our year has been, of course, the Merger with Stella Travel Services. This represents an enormous opportunity for JTG and is the next step in our growth strategy, positioning the Company to compete more effectively and explore growth opportunities in the Australian, New Zealand and international travel markets. Naturally, this will provide future benefits for JTG which will be to the advantage of all shareholders.

In order to facilitate the integration of the businesses, your Directors have decided to recommend that no final dividend be paid in respect of the year ended 30 June 2010. Whilst I understand that this may be a disappointment to many of you, it will enable the Company to conserve sufficient cash to ensure that the integration is completed expediently, thus encouraging the earliest possible release of cost savings.

As a result of the Merger, JTG will see a change in the senior management team. The current CEO Peter Collins, and the current CFO, Nigel Underwood, will be vacating their positions and I would like to offer my personal thanks for their contribution since they came into their positions at the time of the previous merger with Qantas Holidays and QBT.

In addition, John King and Lesley Grant have decided to step down from the JTG Board from the date of the merger. Both have been valuable members of the JTG Board and I am grateful for their time and assistance during their terms.

Finally, I would like to acknowledge the endeavours of all of our people. In difficult economic conditions and with the added uncertainty of a proposed merger, our team has shown incredible fortitude and flexibility and I do not underestimate their efforts and commitment.

Tom Dery
Chairman
Jetset Travelworld Limited
Sydney, 15 September 2010

Chief Executive Officer's Report

Naturally, for much of this year, a great deal of our attention has been on the merger with STS. However, at an operational level, we have maintained focus on the business and have continued to make strong progress.

JTG's retail division has continued its success in recruiting new, high quality franchise and affiliate members to the network. This success results from a combination of a dedicated business development team and strong relationships with our preferred partners which enable us to reward loyalty and growth. This year, we have also launched the National Cruise Centre which, although still in its infancy, will allow us to tap into the high growth and high margin cruise industry.

In addition, our Business Select group of agents, which specialises in providing travel services and advice to small corporate enterprises, continues to develop. Business Select holds its own bespoke conferences and has obtained increased access to corporate airfares from a wide range of airlines.

In the wholesale segment of our business, we have seen excellent growth in sales of Viva! Holidays products. At this point, we are seeing strong forward bookings which is a positive sign for both wholesale brands.

We have been delighted with the success of our "Trip" initiative. We introduced Trip as an incentive program for industry travel consultants in June 2009 and, already, it has more than 6,500 members.

The QBT management and team have invested an enormous amount of work into the Australian Federal Government "whole of Government" travel management services tender. This effort has been justly rewarded with QBT now included on the panel of appointees for Federal Government travel management work.

In addition, QBT has continued the roll-out of its travel management technology with most customers now being serviced through this system. New highly experienced travel management resources have also been brought in to assist in QBT's development.

A very important development for QBT this year has been the establishment of an alliance with Uniglobe. This effectively creates an ability for QBT to fulfil the requirements of international customers all over the world, with other alliance partners providing services in other countries as required.

Other areas of our business have also shown growth and success. readyrooms.com.au is now a fully functional proprietary website offering domestic and international airlines and hotels with ancillary products such as insurance and car hire. An online cruise offering is scheduled to be added in the near future.

In the marketing area, we have performed an in-depth analysis of our retail brands with a view to a major refresh and relaunch.

Our continued focus on expenditure control will enable us to maintain this momentum into next year and we are excited about our future as we head into the merger with STS.

Finally, I would like to thank all those who have assisted me in my position as CEO of Jetset Travelworld, a role which I have been proud to fill.

Peter G Collins
Chief Executive Officer
Jetset Travelworld Limited
Sydney, 15 September 2010

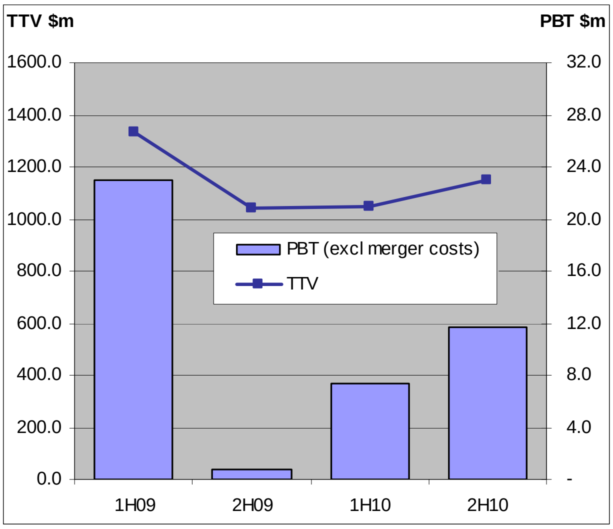
Financial Performance Summary

Review of operations

JTG is an integrated leisure and corporate travel group. While each business segment pursued its individual business plans, the primary focus throughout the year was to pursue a significant and sustainable improvement in the competitive positioning of the Company through the Merger with STS in September 2010.

Revenue and Profitability

JTG earned a profit before income tax (PBT) of $19.0 million (excluding $4.5 million of merger costs) for the year ended 30 June 2010 down 20.2% on 2009. Revenues are improving, but have not returned to the levels seen prior to the global financial crisis. As a result, TTV is down 7.5% on 2009.



When analysed in half year reporting periods, the result shows improved performance since the worst of the global financial crisis in late 2008. Excluding merger costs, PBT in the second half of the 2010 financial year (2H10) improved 59% on 1H10 and improved substantially over the prior corresponding period, being 2H09.

Growth was most evident in the retail sector benefiting from a broad range of airline agreements while the business travel sector remains subdued.

Reported PBT is stated after charging $5.5 million in amortisation of intangible assets arising on consolidation and $4.5 million in advisor fees relating to the merger proposal. PBT also includes $1.3 million of one-off payments received from suppliers and over $5.1 million in negotiated settlements of liabilities relating to previous years. In addition, from the 2008 merger, JTG received service level and incentive payments from Qantas to assist transition. Transition payments reduce progressively over 3 years.

The effective tax rate was 39.8% primarily due to the non-deductible nature of the amortisation of intangible assets and merger advisor fees. Profit after income tax was $8.7 million for the year ended 30 June 2010.

Costs

JTG maintained the cost control programs which commenced in 2009. Costs were reduced a further 5.9% in 2010 (excluding merger costs) mostly in manpower costs.

Shareholder returns

JTG paid an interim dividend of 1.6 cents per share on 31 March 2010. The 2009 final dividend and 2010 interim dividend paid during the year totalled $7.9 million. The Merger Implementation Agreement dated 12 May 2010 between JTG and STS requires that no final dividend be paid in respect of the financial year ended 30 June 2010. Earnings per share was 3.98 cents.

Liquidity and funding

The Group has no debt and holds cash totalling $113.7 million. Operating cash flows are influenced by the amount of passenger money held in advance of departure (refer to the statement of financial position account "Revenue Received in Advance").

Asset Valuation

The Group statement of financial position includes intangible assets arising on acquisition of $167.9 million. The carrying value of these assets was reviewed and found to be supported by anticipated future cash flows. These intangible assets are amortised over periods between 10 and 15 years resulting in an annual amortisation charge of $5.5 million.

Directors' Report

DIRECTORS' REPORT

The Directors of JTL present their Report together with the Financial Statements of the Consolidated Entity, being Jetset Travelworld Limited and its controlled entities, for the year ended 30 June 2010 and the Independent Auditor's Report thereon.

Directors

The Company's directors in office at the date of this report are as follows:

Tom Dery

Independent, non-executive Chairman, Chairman of Nomination Committee, member of the Audit and Remuneration Committees.

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

He began his working career with Qantas Airways Limited in 1967 as a Commercial Trainee in the market research department. After obtaining a degree in Commerce (Economics) from the University of New South Wales and a Master of Business Administration degree at Stanford University in 1975, he co-founded the advertising agency, The Campaign Palace. In 1979, Mr Dery accepted an appointment as Visiting Fellow in Marketing at Monash University prior to joining Ansett Transport Industries.

Mr Dery rose to the role of Assistant General Manager for Ansett Airlines with responsibility for all commercial and strategic activities responding to the challenges of airline deregulation. In the early 1990s, he was named Marketing Man of the Year and further assumed responsibility for Ansett associated businesses, East West Airlines, Ansett New Zealand, Diners Club and Traveland. In 1995, Mr Dery established Whybin Dery & Partners and, following its sale to DDB Needham, he was appointed Managing Director of that firm's Melbourne operation.

Mr Dery was appointed Chairman Asia Pacific for M&C Saatchi and was responsible for the establishment of offices throughout the region. He was appointed Chairman of M&C Saatchi Worldwide on 1 January 2009. He is also Chairman of the Australian Cancer Research Foundation.

Gareth Evans

Non-executive director, Chairman of Audit Committee.

Gareth Evans was appointed to the Board on 25 July 2008.

Mr Evans is currently Chief Financial Officer of the Qantas Group and is a director of the Qantas Foundation.

His previous roles with Qantas covered a number of operational areas including the responsibility for the financial operations of the airline, commercial and business analytics and the implementation of major business change initiatives, scheduling of the international and domestic network, ticket pricing, revenue management and airline operations as well as readiness activities for the arrival of the A380.

Prior to joining Qantas Airways in 1999, he held a number of corporate finance roles with Caltex Australia and KPMG in Australia and the UK.

Mr Evans is a member of the Institute of Chartered Accountants in England and Wales.

Lesley Grant

Non-executive director, Chairman of Remuneration Committee.

Ms Grant was appointed to the Board on 25 July 2008.

She has been with Qantas Airways since May 2002 and holds the position of Group Executive Customer and Marketing.

Ms Grant has extensive experience in senior customer and operations roles in the airline industry, including the management of different jurisdictions and large, remote and multi-cultural workforces. She has also led large-scale transformational change programmes.

In her current role at Qantas, she is responsible for customer advocacy and the development and execution of the marketing and brand strategy as well as strategic, industrial and operating plans for a division consisting of 7,000 employees.

Ms Grant has been a director of UNICEF Australia since June 2006, a director of the Qantas Foundation since March 2009 and is a member of the Chief Executive Women organisation.

Brett Johnson

Non-executive director, member of the Nomination Committee.

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

He joined Qantas Airways at the time of its privatisation in July 1995 as General Counsel.

Mr Johnson is responsible for legal risk management in the Qantas Group and manages the Qantas legal department.

Mr Johnson is a member of the Qantas Executive Committee involved in the day-to-day management of the Qantas Group with particular responsibility for providing commercial legal support to the Qantas CEO and Board.

He is an independent non-executive director and Chairman of the Audit Committee of Scott Corporation. He is also a member of the ASX Appeals Tribunal.

Mr Johnson was admitted as a solicitor of the Supreme Court of New South Wales in 1982 and has more than 28 years legal experience in Australia and overseas.

John MC King

Independent, non-executive director, member of the Audit Committee.

John MC King was appointed to the Board on 16 October 2006 and was Chairman from 24 November 2006 to 27 February 2009.

A graduate lawyer and transport specialist with extensive experience in the aviation sector in the Asia Pacific region, Mr King has undertaken a range of assignments with the World Bank and national and regional aviation groups to devise appropriate strategies, cost recovery policies and institutional development solutions. His prime expertise is in aviation strategies.

In Australia and New Zealand, he has provided advice in the aviation, tourism and travel industries for a range of public and private sector organisations, including trade associations, airports and governments, as well as major participants in the travel agency industry.

Mr King is a fellow of the Royal Geographic Society, a member of the Board of Advice of the Institute of Transport and Logistic Studies at the University of Sydney as well as an academic reviewer for two refereed journals in aviation and safety.

He was Chairman of the Travel Compensation Fund and a director of Air Vanuatu Limited, Polynesian Airlines (Operations) Limited and Thomas Cook (India) Limited and held a number of executive positions with the former Ansett Airlines group.

Mr King holds a Bachelor of Laws degree from the Australian National University and a Master of Transport Management degree from the University of Sydney.

Peter Spathis

Non-executive director, member of the Remuneration Committee.

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

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

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

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

Directors who have resigned from office during the financial year are:

Name	Position	Appointed	Resigned
Darren Peisley	Non-executive director	5 May 2009	22 January 2010

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Board meetings		
	Eligible to attend	Attended
T Dery	15	15
G Evans	15	15
L Grant	15	14
B Johnson	15	15
JMC King	15	15
D Peisley	7	7
P Spathis	15	15

Committee membership

As at the date of this report, the Company had an Audit Committee, Remuneration Committee and Nomination Committee of the Board. A number of Committees were also established to undertake various specific tasks related to the merger of the Company's business with that of Stella Travel Services.

Members acting on the committees of the Board during the year were:

Audit	Remuneration	Nomination	Merger with STS
G Evans (C)	L Grant (C)	T Dery (C)	T Dery (C)*
T Dery	T Dery	B Johnson	B Johnson (C)**
JMC King	P Spathis		JMC King
			P Spathis

Note: (C) Designates the Chairman of the Committee.

***** Chairman of Independent Directors Committee.

****** Chairman of Due Diligence Committee.

Meetings of committees			
	Audit	Remuneration	Merger with STS
Number of meetings eligible to attend shown in brackets			
T Dery	4 (4)	1 (1)	20 (20)
G Evans	4 (4)		
L Grant		1 (1)	
B Johnson			15 (15)
JMC King	4 (4)		5 (5)
P Spathis	2 ***	1 (1)	17 (17)

*******Attended these meetings in an ex-officio capacity.

The Nomination Committee did not meet during the year.

Company Secretary

Stephen Heesh

Stephen Heesh was appointed Company Secretary of JTL on 15 August 2003. Prior to holding this position, he held the role of Assistant Company Secretary of Qantas Airways Limited for 22 years.

He is a Fellow of both the Institute of Chartered Secretaries of Australia and CPA Australia and holds a Master of Business Administration degree from the University of Sydney.

Directors' interests and benefits

As at the date of this report, the relevant interests of the directors in the issued shares of JTL were:

	Ordinary shares *(number)*
T Dery	-
G Evans	-
L Grant	-
B Johnson	-
JMC King	50,600
P Spathis	500,000

Interests in shares of related bodies corporate

As at the date of this report, the relevant interests of the directors and KMP in the issued shares of Qantas Airways Limited (whether held directly, or on behalf of), a related body corporate, were:

	Ordinary shares *(number)*	Deferred ordinary shares held in trust *(number)*	Rights to ordinary shares (number)
Directors			
T Dery	-	-	-
G Evans	14,482	228,382	270,651
L Grant	-	233,489	225,920
B Johnson	457	635,200	327,555
JMC King	8,801	-	-
P Spathis	-	-	-
KMP			
P Collins	-	41,235	19,675
N Underwood	14,364	32,881	15,000
A Slark	10,500	21,591	10,381
C Rankin	4,435	14,012	-
D Hughes	10,786	13,993	10,635
W Blacker	1,065	-	-

Dividends

The total dividend for the year was 1.6 cents per share.

	Cents per share	$'000
Dividends proposed to be paid subsequent to year end		
Final dividend recommended on ordinary shares	-	-
Dividends paid in year		
Interim for the year on ordinary shares	1.6	3,513

As part of the Merger Implementation Agreement with Stella Travel Services Holdings Pty Limited, the JTG directors agreed not to declare a final dividend for 2010.

Earnings per share

	Cents per share
Basic earnings per share	3.98
Diluted earnings per share	3.98

Principal activities

The principal activity during the year of entities in the Group was the selling of international and domestic travel products and services and the operation of a franchised network of travel agents.

Review of financial condition

Capital structure

JTL has 219,552,976 shares on issue of which QH Tours Limited (a subsidiary of Qantas Airways Limited) holds 58% and Sintack Pty Limited owns 25%.

Cash from operations

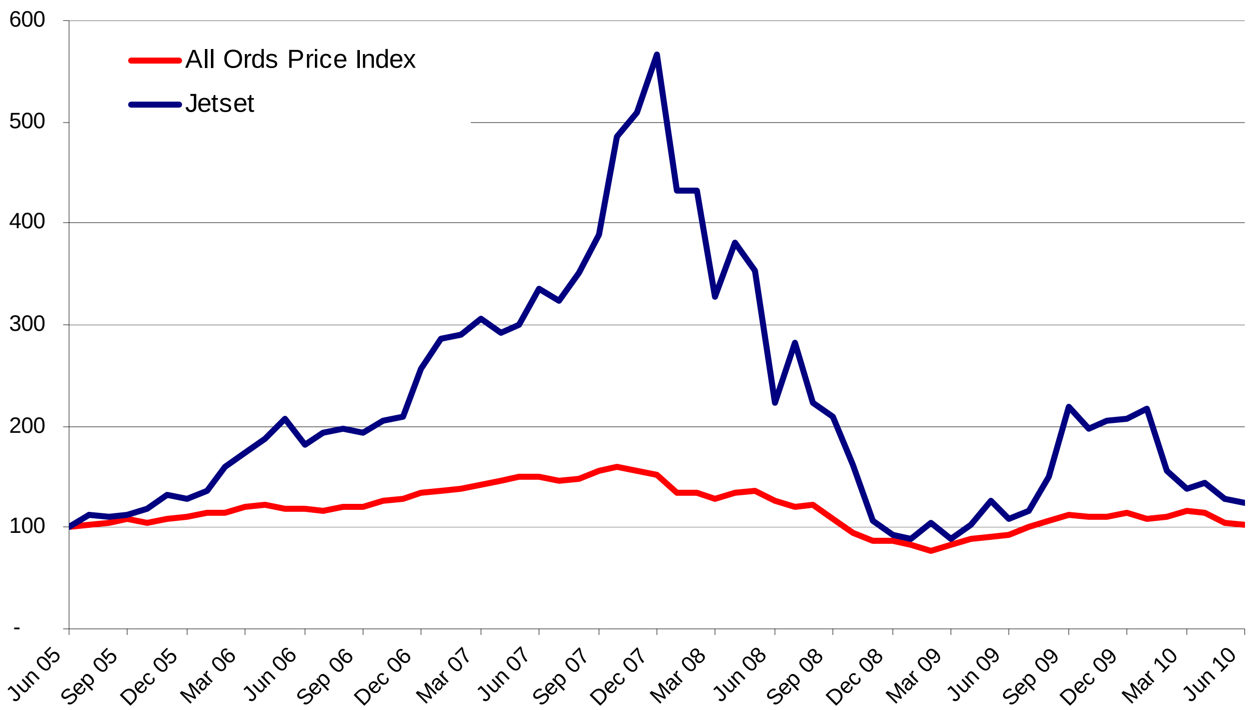
The net cash position as at 30 June 2010 remained unchanged at $113.7 million when compared to 30 June 2009. Net cash from operating activities was $8.7 million (2009: ($53.2 million))

Liquidity and funding

The Group maintains a positive working capital position and has no debt.

Share price

A summary of the movement in share price since 30 June 2005 is set out below:



Note: JTL's share price and the All Ordinaries Index have been indexed to 100 from 30 June 2005 to allow comparison over five years.

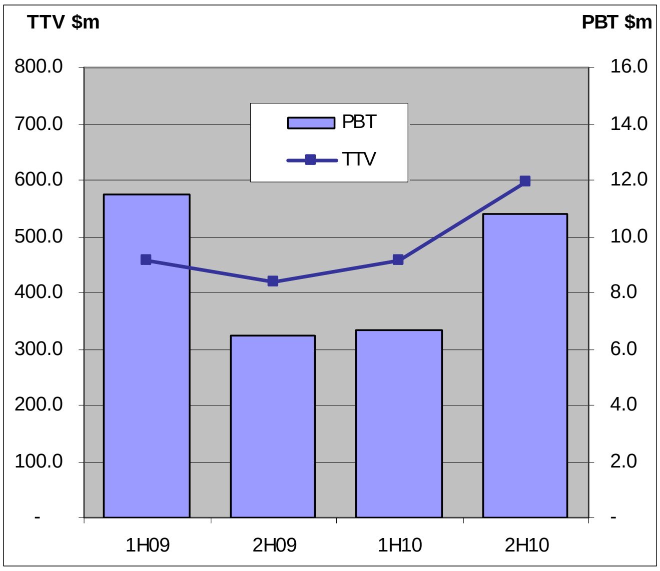
Operating and financial review

JTG principally operates across three segments which are retail, wholesale and business travel, while a fourth segment, online, is being developed.

Retail travel network

JTG operates as the franchisor of a retail travel agency network using two brands: Jetset and Travelworld. The network has grown by 26 stores to 670 member outlets.

JTG has a ticketing facility, National Ticket Centre (NTC). This ticketing unit is for the members of the JTG Network and operates in all Australian mainland states.



TTV is up 20% on the prior year, however when analysed in half year reporting periods, TTV is up 30% on the previous half. The retail network has benefitted from a number of factors including:

- positive retail trading conditions;
- collective purchasing agreement with Travellers Choice;
- increasing agent numbers; and
- positive impact of agent churn.

TTV growth contributed to increased commissions from suppliers with PBT improving 5.4% on the prior year after adjusting for $1.3 million in corporate costs borne by retail in FY09.

FY10 PBT also includes positive contributions from entering a preferred GDS arrangement, a number of one-off recoveries from suppliers and the re-allocation of administrative costs to the Corporate segment.

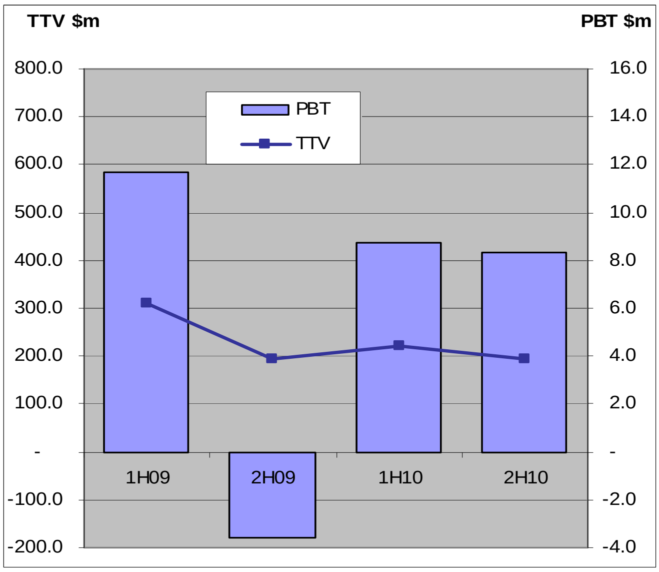
A significant achievement in the year was winning, for the first time ever, the National Travel Industry Award for the Best Travel Agency Group. JTW also established a cruise selling speciality branded National Cruise Centre, with a subset, Cruise Select, which has access to state of the art systems and advantageous rates and product. This product will assist JTG agents to compete more vigorously in the growing cruise market.

Business Select, the corporate travel specialist, saw a small increase in the net number of agents, while TTV contribution increased by 18%. Business Select is maturing and will now host its own conference to support to ongoing growth in this sector.

Wholesale

JTG operates three wholesale brands: Qantas Holidays, Viva! Holidays and Orient Pacific Holidays. Qantas Holidays is one of Australia's leading travel wholesalers and has been providing holiday packages for more than 36 years where the flight component is provided predominantly by Qantas.

Viva! Holidays sells packages where the flight component is provided by major airlines servicing the Australian market excluding Qantas and has grown 17% as Qantas withdraws from a number of leisure routes. Viva! has also introduced a domestic package range and now accounts for 42% of all air revenue. Orient Pacific Holidays has established a presence in the Pacific niche markets exclusively for members of the JTG Network.



TTV is down 17.3% on the prior year although it has stabilised post GFC. PBT has increased 22.2% over the prior year after a $5.1 million write-on of negotiated settlements of liabilities relating to previous financial years. Service Level and Incentive payments reduced $2.7 million from 2009 and will reduce further in 2011.

Margins are improving but remain volatile with significant variation in foreign exchange rates and competitive pressures from online suppliers, online aggregators and other wholesalers.

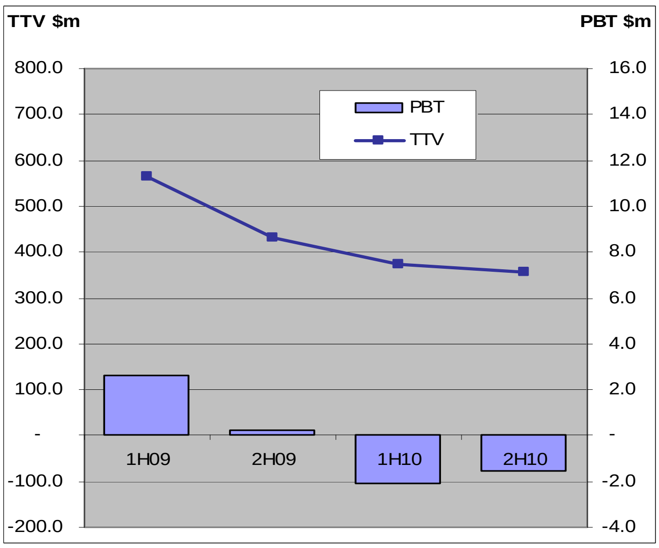
Qantas Holidays' costs reduced 15.6% on prior year and, although some was one-off, the improved cost structure will benefit future profitability.

Qantas Holidays is also a reseller of land product to other wholesalers and airlines. Approximately 9% of TTV is derived though these channels, up from 7% in the prior year.

Qantas Holidays had a number of significant achievements during the year, notably the success of the trip agent incentive program which celebrated a 1st year anniversary in June having improved agent loyalty and repeat business as well as securing over 6,500 registered members. Qantas Holidays achieved improved ratings in it's annual trade customer satisfaction survey, conducted independently by ANOP and received tremendous recognition from the industry by winning Best Wholesaler - International Product for the first time in 9 years at the 2010 National Travel Industry Awards.

Business Travel

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



TTV is down 26.9% on the prior year as large corporations and governments continue to constrain travel, enforce policies directing travel to lower, less flexible airfares as well as the impact of lower ticket prices across all travel classes.

Costs have reduced 11.2% primarily in manpower. Sustainable cost savings will continue to be pursued to improve profitability.

With all customers now on a single booking system, QBT is in a position to focus on growing customer utilisation of self-service options, growth in ancillary revenue streams and improving customer profitability.

A significant achievement in the year was the appointment to the panel of approved travel management providers for the Australian Government. This process involved substantial commitment of resources over a nine month period.

In addition, QBT became a global partner of UniGlobe, an international TMC franchise with global partners in 750 locations across 50 countries. QBT will be the mid to large market Australian and New Zealand member of this group. This enables QBT to participate in global tenders for Australian companies who require a global TMC partner. It also provides QBT with business leads in respect of international TMCs who require a partner in Australia.

Online

JTG operates three trading websites: readyrooms.com.au, jetset.com.au and travelworld.com.au. In addition, JTG provides land content to the qantas.com and jetstar.com sites and QBT facilitates online corporate travel bookings on qbttravel.com.au.

A significant achievement in the online space in the year was the launch of readyrooms.com.au. This site is a comprehensive online booking site including international and domestic airline, accommodation, car hire and insurance products. It will complete the range with the ability to book cruise product in late 2010. The expansive product range includes access to hotel rooms 365 days in advance down to day of departure.

The site technology and the product range are in place, however it will require time and marketing to build the necessary brand awareness to pursue its growth objectives.

Operating results

JTG revenue from operating activities for the financial year was $135.1 million compared with $145.1 million for 2009.

Trading conditions are improving across each business segment albeit the recovery has been slow and often patchy. Consumer confidence is improving but consumers remain cautious and are focused on value added offers. Efforts to build product and service quality as well as cost reduction will benefit future profitability.

JTG reported a profit before income tax (PBT) of $19.0 million (excluding $4.5 million of merger costs) for the year ended 30 June 2010 which was down 20.2% on 2009. The net profit after income tax is $8.7 million representing a decrease of 44.5% on 2009 noting that most of the merger costs were not deductible for income tax purposes.

Reported PBT is stated after charging $5.5 million in amortisation of intangible assets arising on consolidation and $4.5 million in advisor fees relating to the merger proposal. PBT also includes $1.3 million of one-off payments received from suppliers and over $5.1 million negotiated settlement of liabilities incurred in previous years. In addition, from the 2008 merger, JTG received payments from Qantas to assist transition. Transition payments reduce progressively over 3 years.

Risk management

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

JTG has a Risk Governance Committee (RGC) with the responsibility to identify, assess, monitor and manage risks. The performance of the RGC is monitored by the Audit Committee.

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

Internal audit

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

Significant changes in the state of affairs

On 12 May 2010, the Company announced a proposed merger of equals with STS. The merger represents a unique opportunity to integrate two complementary travel businesses, adding scale to the combined company in the highly competitive Australasian travel services market. Information on the merger was made available in the Explanatory Memorandum dated 28 July 2010.

Significant events after the balance date

On 6 September 2010, shareholders voted in favour of the proposal to merge JTL with STS after receiving advice from the ACCC that they will not oppose the merger on 1 September 2010. The Merger is expected to complete on 30 September 2010.

Other than events associated with the Merger discussed earlier, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of JTL, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

JTG provided information on the Group post merger in the Explanatory Memorandum dated 28 July 2010.

Environmental regulation

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

Indemnification and insurance of directors and officers

Indemnification

The Company has agreed to indemnify the directors and executive officers of the Company against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Remuneration Report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purpose of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) and includes the five executives in the Group receiving the highest remuneration.

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

Remuneration Committee

The Remuneration Committee of the Board is responsible for determining and reviewing remuneration arrangements for the directors and executives.

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

Remuneration philosophy

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

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

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

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director remuneration is separate and distinct.

Non-executive director remuneration

Objective

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

Structure

The Company Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Extraordinary General Meeting held on 17 July 2008 when shareholders approved an aggregate remuneration of $800,000 per year.

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

Each non-executive director receives a fee for being a director of the Company and, with the exception of the Chairman, an additional fee is also paid for each Board Committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more committees. Fees paid in respect of directors appointed by Qantas are paid to Qantas rather than to the individual director.

Non-executive directors do not receive any performance related remuneration.

The remuneration of non-executive directors for the year ended 30 June 2010 and 30 June 2009 is detailed on pages 20 and 21 in this report.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. The guiding principles applied by the Remuneration Committee in managing remuneration for executives are that:

(i) appropriate market benchmarks are reviewed in setting all elements of reward;

(ii) 'at risk' pay decisions are based on a formal performance management system; and

(iii) longer-term rewards align the interests of executives with those of shareholders.

Overall, the mix of the remuneration program reflects market practice but is tailored to the specific circumstances of JTG.

Many of the Group's executives are employed by Qantas and seconded to JTG. The criteria used to determine executive performance remuneration for the 2010 financial year are specific to JTG as determined by the JTG Remuneration Committee.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee considered advice from external consultants and reviewed the market levels of remuneration for comparable executive roles. Executive remuneration has been frozen for the past two years.

All executives are employed under a standard contract, details of which are set out below. Remuneration consists of fixed annual remuneration (base salary, superannuation and non-monetary benefits) and performance based remuneration components consisting of a short term incentive cash plan and a longer term incentive deferred plan.

Seconded Qantas executives

KMP of JTG includes seconded Qantas executives. These executives are disclosed on page 20 of this Report. Executives seconded from Qantas have, in previous years, participated in the Qantas remuneration program. The Qantas remuneration scheme for executives comprises three elements:

(i) a cash incentive for achievement of profit targets;

(ii) deferred shares based on the achievement of a scorecard of metrics; and

(iii) deferred rights for which vesting is based on the performance of Qantas against a range of share price indices.

The performance targets under the Qantas remuneration scheme relate to Qantas only and do not include any targets in relation to JTG performance. During 2010 no additional benefits accrued to executives under the Qantas scheme.

The outstanding number of shares and rights awarded to seconded Qantas executives for service to Qantas Group have been disclosed in the Director' Report on page 10. The Qantas Group has fully incurred the cost of this remuneration and this remuneration does not relate to provision of executives' service to JTG. Rights historically awarded to seconded Qantas executives may vest to the executive in future periods.

No short-term incentives have been paid to seconded Qantas executives by the Qantas Group in the year ended 30 June 2009 or 30 June 2010.

As the secondment arrangements were not enacted until the merger date of 25 July 2008, performance criteria relating to Qantas equity plans could not be changed without prejudice to the executives involved. For the year ended 30 June 2009, the Qantas Group achieved a number of its longer-term incentive targets and Qantas seconded executives received an award of shares under the scheme. The awards were made in the form of Qantas shares, all of which are held in trust unless forfeited through resignation, 50% vest on 1 July 2010 with the remaining 50% vesting on 1 July 2011. No award was made by the Qantas Group to JTG executives in respect of the financial year ended 30 June 2010.

For the financial year ended 30 June 2010, executives seconded from Qantas participated in a scheme linking performance remuneration directly (and only) to JTG key performance metrics.

The Merger with STS requires all seconded Qantas executives to resign prior to accepting roles in the new merged group or to return to employment with Qantas.

Fixed annual remuneration

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

The fixed remuneration component of executives' remuneration is detailed on pages 20 to 22 in this report. Cash remuneration, as disclosed in the remuneration tables, is the remuneration remaining after the deduction of salary sacrifice components such as motor vehicles and superannuation.

Performance remuneration

Performance remuneration is split into two components:

- short-term incentive (STI or Cash plan); and
- longer-term incentive (Deferred plan).

Performance plan remuneration requires achievement of performance targets. The STI requires achievement of annual profit targets, while the deferred plan requires achievement of a "scorecard" of performance targets designed to encourage achievement of non-financial metrics essential for the longer-term success of the Group. Both the STI and the deferred plans provide for an overdrive of up to double the target reward on overachievement of performance targets and are assessed against both Group and individual performance.

The proportion of remuneration attributable to each component of the performance plan is dependent on the level of responsibility of the executive.

The STI required achievement of the profit before tax budgeted by the Board. STI targets were achieved in the financial year ended 30 June 2010 and an allowance made for payment of $357,929 to KMP (2009: Nil)

For the financial year ended 30 June 2010, performance against the scorecard was not achieved and no award made. In accordance with policy, all awards were settled in cash.

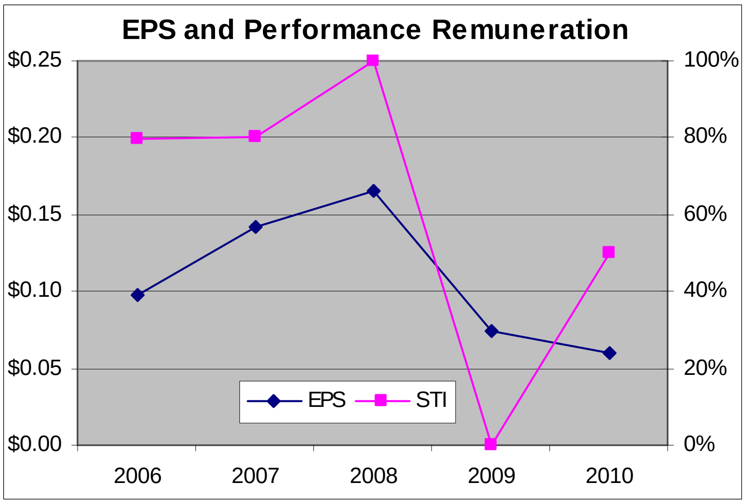
The total reward mix is as follows:

	FAR	Cash plan	Deferred plan
CEO and CFO	65%	23%	12%
Other KMP	71-83%	11-19%	6-10%

Annual profit targets are used as the basis of the cash plan as this aligns executive and shareholder interests by encouraging executives to grow the short-term returns of the Group.

The deferred plan uses a "scorecard" of targets involving costs, growth, customers and employees. This approach aligns executive and shareholder interests by ensuring a longer-term investment in the fundamentals of a strong and growing business.

The relativity between performance remuneration and shareholder wealth is graphed below comparing EPS and the percentage of potential STI payable to KMPs:



The percent shown as performance remuneration in the chart is calculated as the proportion of total performance remuneration that was achieved. For KMPs to receive payment of 100% of their performance remuneration requires all performance targets to be achieved. In 2010, performance targets were not fully achieved resulting in KMPs receiving a reduced payment of 50% of the performance remuneration available.

The EPS for 2010 used in the above table was calculated excluding transaction costs associated with the Merger.

Non-monetary benefits

Non-monetary benefits, as disclosed in the remuneration tables, include salary sacrifice components such as motor vehicles, memberships of appropriate professional associations and travel entitlements.

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

Concessionary travel entitlements

Travel concessions are provided to a large portion of JTG employees, consistent with practice in the travel and airline industry. Travel at concessionary prices is on a "sub-load" basis i.e. subject to considerable restrictions and limits on availability. It includes specified direct family members or other nominated parties.

Employment contracts

All executives, including the CEO, have rolling contracts either with JTG or, for those executives seconded from Qantas, with Qantas. The Group may terminate the executive's employment agreement by providing appropriate written notice or by providing payment in lieu of notice (based on the fixed component of the executive's remuneration).

The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Employment contracts provide for up to 12 months salary on termination depending on years of service.

Remuneration options or rights granted and vested during the year

No options or rights have been granted as equity compensation during the financial year. No previously granted options or rights vested during the financial year and there were no outstanding options or rights at the balance sheet date.

Shares issued on exercise of remuneration options during the year

No shares were issued to any KMP as a result of the exercise of previously granted options or rights during the financial year.

Remuneration of KMP and the five highest paid executives of the Group

Table1: Remuneration for the year ended 30 June 2010

	Short term			Long term		Post employment benefits			
	Salary and fees	STI cash bonus	Non-monetary	Long service leave [2]	Deferred plan	Termination payments	Super annuation benefits	Total	Proportion of remuneration performance related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
T Dery *Chairman*	101,200	-	-	-	-	-	45,000	146,200	-
G Evans [#]	80,000	-	-	-	-	-	-	80,000	-
L Grant [#]	80,000	-	-	-	-	-	-	80,000	-
B Johnson [#]	80,000	-	-	-	-	-	-	80,000	-
JMC King	30,000	-	10,206	-	-	-	50,000	90,206	-
D Peisley [#1]	39,507	-	-	-	-	-	-	39,507	-
P Spathis	43,395	-	3,277	-	-	-	36,605	83,277	-
Sub-total non-executive directors	**454,102**	**-**	**13,483**	**-**	**-**	**-**	**131,605**	**599,190**	-
Other KMP									
P Collins *CEO**	237,138	100,375	31,602	12,635	-	-	104,730	486,480	20.6
N Underwood *CFO**	242,730	82,500	34,097	10,385	-	-	23,541	393,253	21.0
A Slark *GM Corporate Development and People**	257,286	53,000	-	-	-	-	17,906	328,192	16.1
C Rankin *GM Wholesale**	194,033	52,000	48,308	-	-	-	21,468	315,809	16.5
D Hughes *GM Corporate**	194,101	48,000	33,195	(5,538)	-	-	31,023	300,781	16.0
W Blacker *GM Retail*	215,562	22,054	18,648	-	-	-	14,461	270,725	8.1
Sub-total executive KMP	**1,340,850**	**357,929**	**165,850**	**17,482**	**-**	**-**	**213,129**	**2,095,240**	
Total	**1,794,952**	**357,929**	**179,333**	**17,482**	**-**	**-**	**344,734**	**2,694,430**	

In addition to the above remuneration, the CEO, CFO and GM Corporate Development and People are entitled to a potential retention payment equal to 50% of their fixed annual remuneration. This payment is conditional on a number of milestones including working with Qantas Group and JTG teams to facilitate the successful completion of the transaction with STS, providing ongoing leadership to JTG employees during the period, the transaction completing, remaining employed by Qantas/JTG one month after successful completion and the JTG Board confirming that appropriate behaviours have been evidenced. The CFO also is entitled to a payment of $100,000 if he remains in employment with JTG for at least 6 months from the date of Merger completion.

Subject to the Merger completing, John King will retire on 30 September 2010 and will receive a retirement benefit of $80,000.

1 Resigned 22 January 2010.
2 Long service leave represents the movement in the long service leave liability.
Fees paid to Qantas Airways Limited rather than to individual directors.
* These executives have been seconded by Qantas to JTG.

Remuneration of KMP and the five highest paid executives of the Group

Table 2: Remuneration for the year ended 30 June 2009

	Short term			Long term		Post employment benefits			
	Salary and fees	STI cash bonus	Non-monetary	Long service leave	Deferred plan	Termination payments	Super annuation benefits	Total	Proportion of remuneration performance related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
T Dery *Chairman*	78,942	-	-	-	-	-	7,105	86,047	-
G Evans [1] #	73,288	-	-	-	-	-	-	73,288	-
L Grant [2] #	73,288	-	-	-	-	-	-	73,288	-
B Johnson [3] #	27,178	-	-	-	-	-	-	27,178	-
JMC King [4]	122,057	-	6,718	-	-	-	10,085	138,860	-
D Peisley [5] #	10,932	-	-	-	-	-	-	10,932	-
P Spathis	89,157	-	9,122	-	-	-	6,224	104,503	-
J Borghetti [6] #	50,630	-	-	-	-	-	-	50,630	-
G Dixon [7] #	10,164	-	-	-	-	-	-	10,164	-
P Gregg [8] #	10,164	-	-	-	-	-	-	10,164	-
T Ryan [9]	11,328	-	29,302	-	-	-	120	40,750	-
B Samuels [10]	12,752	-	23,388	-	-	-	248	36,388	-
C Storrie [11] #	36,164	-	-	-	-	-	-	36,164	-
Sub-total non-executive directors	**606,044**	**-**	**68,530**	**-**	**-**	**-**	**23,782**	**698,356**	**-**
Executive director									
M Reed [12]	65,562	68,434	23,925	-	-	472,741	9,718	640,380	10.7

This table is continued on the next page.

1 Appointed 25 July 2008.
2 Appointed 25 July 2008.
3 Appointed 27 February 2009.
4 Chairman to 27 February 2009.
5 Appointed 5 May 2009.
6 Appointed 16 September 2008 and resigned 4 May 2009.
7 Appointed 25 July 2008 and resigned 15 September 2008.
8 Appointed 25 July 2008 and resigned 15 September 2008.
9 Resigned 25 July 2008.
10 Resigned 25 July 2008.
11 Appointed 16 September 2008 and resigned 27 February 2009
12 CEO until 25 July 2008 (replaced by P Collins) and was GM – Retail from 26 July 2008 until his resignation on 30 September 2008.
Fees paid to Qantas Airways Limited rather than to individual directors.

Remuneration of KMP and the five highest paid executives of the Group

Table 2: Remuneration for the year ended 30 June 2009 (continued)

	Short term			Long term	Post employment benefits				
	Salary and fees	STI cash bonus	Non-monetary	Long service leave	Deferred plan	Termination payments	Super annuation benefits	Total	Proportion of remuneration performance related
	$	$	$	$	$	$	$	$	%
Other KMP									
P Collins *CEO* [*]*	256,706	-	31,592	8,525	-	-	65,397	362,220	-
N Underwood *CFO* [†]*	179,119	-	24,538	5,610	-	-	21,971	231,238	-
A Slark *GM Corporate Development and People* [‡]*	223,696	-	23,167	-	-	-	12,841	259,704	-
C Rankin *GM Wholesale* [§]*	198,374	-	37,687	-	-	-	19,923	255,984	-
D Hughes *GM Corporate* [**]*	179,263	-	39,446	5,168	-	-	28,817	252,694	-
W Blacker *GM Retail* [††]	91,652	-	520	-	-	-	8,209	100,381	-
A Ferguson [‡‡]	28,244	64,000	-	-	-	28,283	8,302	128,829	49.7
J Primmer *GM Retail Sales*	177,624	24,150	2,399	-	-	-	13,745	217,918	11.1
G Smith *GM Marketing* [§§]	81,929	20,000	-	-	-	26,689	9,129	137,747	14.5
Sub-total executive KMP	**1,482,169**	**176,584**	**183,274**	**19,303**		**527,713**	**198,052**	**2,587,095**	
Total	**2,088,213**	**176,584**	**251,804**	**19,303**		**527,713**	**221,834**	**3,285,451**	

[*] Appointed CEO 25 July, replacing M Reed.
[†] Appointed CFO 1 October 2008.
[‡] Appointed CFO from 25 July 2008 until 30 September 2008, appointed GM Corporate Development and People 1 October 2008.
[§] Became a group KMP on 25 July 2008.
[**] Became a group KMP on 25 July 2008.
[††] Appointed GM Retail 1 February 2009, replacing G Smith.
[‡‡] CFO until 25 July 2008 and then GM Finance Retail until 29 August 2008.
[§§] GM Marketing Retail until 14 November 2008, then GM Retail until 31 January 2009.
* These executives have been seconded by Qantas to JTG.

Auditor independence and non-audit services

The directors received the declaration of independence on page 24 from KPMG, the auditor of JTG. This declaration confirms the auditor's independence and forms part of the Directors' Report.

Non-audit services

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

The lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 24 and forms part of the Directors' Report for the financial year ended 30 June 2010. Details of the amounts paid to the auditor of JTG, KPMG, for audit and non-audit services are set out in note 17 to the Financial Statements.

Corporate governance

In recognising the need for the highest standards of corporate behaviours and accountability, the directors of JTL support and have adhered substantially to the principles of corporate governance.

The Group's Corporate Governance Statement is contained in the following section of this Annual Report.

Rounding

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

Signed in accordance with a resolution of the directors:

Tom Dery
Chairman
Jetset Travelworld Limited
Sydney, 15 September 2010

KPMG

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To: the directors of Jetset Travelworld Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

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

KPMG

Martin Sheppard
Partner
Sydney, 15 September 2010

Corporate Governance Statement

Overview

The Board of JTL governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to, and ensures that, the Executive management operates the Group in accordance with the highest level of ethics and integrity. This statement outlines the main corporate governance practices employed by the Board of JTL in applying the Corporate Governance Principles and Recommendations (Recommendations) of the ASX Corporate Governance Council (Council).

As recognised by the Council, corporate governance is the framework of rules, relationships, systems and processes within which and by which authority is exercised and controlled in corporations. It influences the setting and achievement of objectives of the company, the monitoring and assessment of risk and the optimisation of performance. There is no single model of good corporate governance. For JTL, best practice corporate governance has been adapted to the Group's changing circumstances and will continue to evolve as those circumstances change.

1 The Board lays solid foundations for management and oversight

The Board has adopted a formal Charter which sets out the roles of the Board, CEO (Peter Collins) and CFO (Nigel Underwood). This may be found in the Corporate Governance section of the Company's web site: http://www.jetsettravelworld.com.au. The Board is responsible for setting the strategic direction of the Group and monitoring the implementation of that strategy by Executive management, including:

- promoting ethical and responsible decision making;
- oversight of the Group, including its control and accountability systems;
- appointing and removing the CEO, CFO and Company Secretary;
- Board and Executive management development and succession planning;
- input into, and final approval of, corporate strategy;
- input into, and final approval of, the annual operating budget;
- approving and monitoring the progress of major capital expenditure and capital management;
- monitoring compliance with all legal, tax and regulatory obligations;
- reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- at least annually, reviewing the effectiveness of the Group's implementation of its risk management system;
- monitoring the performance of the CEO, CFO and Executive management and implementation of strategy and policies, ensuring appropriate resources are available;
- ensuring a clear relationship exists between performance and executive remuneration;
- ensuring that the market and shareholders are fully informed of material developments; and
- appointment, reappointment or replacement of the external auditor.

The performance of senior executives is evaluated annually by the Remuneration Committee against pre-determined criteria. The results of this process are reflected in the remuneration paid to those executives. The Company has a delegation policy and framework in place which lays down the specific limits, financial and operational, within which management is authorised to operate.

Board meetings

The Board holds nine scheduled meetings each year and these are supplemented by special Board meetings as required. Directors' attendance at these meetings in 2009/10 appears in the Directors' Report on page 9 of this Report.

2 The Board is structured to add value

Board composition

The Directors determine the composition and size of the Board in accordance with the Company's Constitution. The Constitution empowers the Board to set upper and lower limits with the number of Directors not permitted to be less than three. For the time being, the Board has determined that there shall be six Directors. The skills and, experience of each Director and their period of office at the date of this Report are set out on pages 7 and 8 of the Annual Report.

The Directors in office at this time are as follows:

Tom Dery – Chairman
Gareth Evans
Lesley Grant
Brett Johnson
John King
Peter Spathis

Independence

Based on the definition of independence published by the Council, two of the above Directors, Chairman Tom Dery and John King are Independent Directors. The remainder of the Board are not independent for the following reasons:

- Gareth Evans, Lesley Grant and Brett Johnson are executives of the ultimate holding company, Qantas; and
- Peter Spathis is the CFO of Consolidated Travel Pty Limited, a material supplier to the Group. Mr Spathis is a director nominated by Sintack Pty Limited, a significant shareholder of JTG and related body corporate to Consolidated Travel Pty Limited.

Accordingly, a majority of the Board is not independent. The Company recognises that this is a departure from Recommendation 2.1 of the Council's Recommendations. As a result of its majority interest and sizable investment, the Qantas Group retains the right to appoint up to four members to the current Board. Those appointees bring to the Board the requisite skills which are complementary to those of the other Directors and enable them adequately to discharge their responsibilities as non-executive Directors. All Directors bring independent judgements to bear on their decisions.

The materiality thresholds used to assess director independence are set out in the Board Charter which may be found in the Corporate Governance section of the Company's web site. Neither the CEO nor the CFO is a member of the Board. The Board believes that the interests of the shareholders are best served by:

- the current composition of the Board which is regarded as balanced with a complementary range of skills and experience detailed in the Directors' Report on pages 7 and 8 of this Report; and
- the Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

As a 58% shareholder, Qantas has appointed three non-executive directors with the range of requisite skills to guide the development of the strategy of the business and to optimise the benefits associated with a close relationship with Qantas. The following measures are in place to ensure the decision making process of the Board is subject to independent judgements:

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

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

Nomination committee

The Nomination Committee:

- consists of two members, both of whom are non-executive Directors and is chaired by Tom Dery;
- has a Charter which is available on the Corporate Governance section of the Company's website; and
- assists the Board in fulfilling its corporate governance responsibilities in relation to:
  - Board appointments and performance;
  - Directors' induction;
  - Committee Membership;
  - CEO, CFO and Executive management succession planning, appointments and terminations; and
  - other matters referred to the Committee by the Board.

Membership of the Committee appears in the Directors' Report on page 9. This Committee did not meet during the current financial year and its responsibilities were dealt with by the Board during that period.

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

Review of Board performance

The Board assesses the performance of its Committees. This takes the form of an annual review by each Committee to ensure their respective Charters continue to be relevant and by each Committee of their respective performance.

The Board Charter requires the Board to assess its performance annually. This takes the form of an annual review of the Board's Charter, the performance of the Board as a whole and the performance of individual Directors. The Directors also collectively review the performance of the Chairman. The Board has not undertaken a performance review for 2010 due to the dislocation caused by the proposed merger with STS and, in a large part, due to the relevance of such a review with the pending merger that will result in a substantial change to the Board's membership. It is proposed to resume the normal performance review process when the new Board is in place and the merged company resumes "business as usual" operations. The proposed changes to the Board are detailed in the Explanatory Memorandum dated 28 July 2010.

Induction

No Directors have joined the Board during the 2009/10 financial year.

Access to information

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

3 The Board promotes ethical and responsible decision making

The Jetset Travelworld Limited Board has established a Code of Conduct and Ethics which deals with the following issues:

- compliance with laws and regulations
- political contributions
- unacceptable payments
- giving or receiving gifts
- protection of JTG assets
- proper accounting
- dealing with auditors
- unauthorised public statements
- conflict of Interest
- use of inside information
- JTG employee share trading policy

This Code of Conduct has been established specifically to address:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account its legal obligations and the expectations of its stakeholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The JTG Code of Conduct and Ethics may be found in the Corporate Governance section of the Company's web site.

Share trading

The JTG Code of Conduct and Ethics contains the JTG Employee Share Trading Policy which sets out guidelines designed to protect the Group, its Directors and its employees from intentionally or unintentionally breaching the law. JTG Directors and employees must not trade in securities of any Qantas Group (which includes JTG) listed entity while in possession of material non-public information. Further, certain nominated JTG Directors and employees are prohibited from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group listed entity, where control of any sale process relating to those securities may be lost. The JTG Employee Share Trading Policy which is part of the JTG Code of Conduct and Ethics may be found in the Corporate Governance section of the Company's web site.

Protected disclosures

The JTG Protected Disclosures Policy encourages employees to report concerns in relation to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussions. A JTG Protected Disclosures Committee has been established to manage investigations and report to the Board and Audit Committee. The Protected Disclosures Policy is available to all JTG Group employees and is also available in the Corporate Governance section of the Company's web site.

4 The Board safeguards the integrity of financial reporting

The Board has an Audit Committee which:

- comprises three non-executive Directors, Gareth Evans, Tom Dery and John King. Tom Dery and John King are independent;
- is chaired by Gareth Evans. He is not an independent Director and therefore the Company recognises does not comply with the requirements of Recommendation 4.2. However Gareth Evans is considered to be best qualified to serve in this role given he is a Chartered Accountant and has significant finance expertise;
- has a Charter which is available on the Corporate Governance section of the Company's web site;
- consists of members who are all financially literate;
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities, particularly:
  - the reliability and integrity of information for inclusion in Company's and Group's financial statements;
  - enterprise-wide risk management (other than the risk management issues dealt with by the Board);
  - compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
  - the integrity of JTG's internal control framework; and
  - safeguarding the independence of the external and internal auditors.

Membership of the Committee, the experience and qualifications of those Members, their attendance at Committee Meetings and the number of those meetings appear in the Directors' Report on page 9 of this Report.

The Board and Audit Committee closely monitor the independence of the external auditor. Regular reviews of the independence safeguards put in place by the internal and external auditor are undertaken including the rotation of the external audit engagement partner every five years. Deloitte was appointed by the Board on 24 June 2009 to provide an Internal Audit function. The Directors recognise that an Internal Audit function is a fundamental contributor to good governance and the Audit Committee discussed the findings of Deloitte's reports.

The Chairman of the Audit Committee reported to the Board on matters relevant to the Committee's role and responsibilities. The Audit Committee Charter may be found in the Corporate Governance section Company's web site. In addition to membership of the Committee and conduct of its meetings, this Charter contains the Policy in relation to the scope of audits and the external auditor's selection, appointment, replacement, approval of fees and compliance with independence requirements. This Policy also provides for the Committee to monitor and control the work and independence of both the internal and external auditors.

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

5 The Board makes timely and balanced disclosure

The Board has an established process to ensure accountability at a senior executive level for compliance with the continuous disclosure obligations of the Corporations Act 2001 and the ASX listing rules. Executive management is required to communicate all matters of a material nature and which may require disclosure to ASX, to the Chairman, CEO or Company Secretary.

The JTG Continuous Disclosure Policy may be found in the Corporate Governance section of the Company's web site.

6 The Board respects the rights of shareholders

The JTG Shareholder Communications Policy promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. This Policy, which deals with communication through the ASX, the Share Registry, shareholder meetings and the annual report, may be found in the Corporate Governance section of the Company's web site. All of the Company's announcements to the Market may be accessed through the Company's web site. The JTL Annual Reports since 2006 are posted on the Company's web site.

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

7 The Board recognises and manages risk

Ultimate responsibility for risk management rests with the Board. The Audit Committee assists in the discharge of this responsibility by confirming that an enterprise-wide risk management system designed to identify, assess, monitor and manage risk is in place and functioning. The Company has established a Risk Management Policy for the oversight and management of material risks. The Risk Management Policy may be found in the Corporate Governance section Company's web site.

To further strengthen the Company's timely identification and effective management of risk, a Risk Governance Committee consisting of members of executive management has been established by the Board to assess and report to the CEO and Audit Committee on enterprise-wide risk management; compliance with legal and regulatory obligations; and the integrity of JTG's internal control framework.

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

In accordance with the Company's Risk Management Policy, all JTG employees are responsible for identifying, analysing, monitoring and appropriately dealing with risks that arise in their work environment. This process feeds into the risk management framework described above. The types of risk managed by the Company during the year included strategic, financial, operational and regulatory compliance risks.

The CEO and CFO are required to include as part of their sign-off of the financial statements, details of the effectiveness of the Company's management of its material business risks and confirmation that the assessment of that effectiveness is based on a sound, effectively operating system of risk management and internal control. The Board was provided with this sign-off at its 15 September 2010 Board Meeting.

8 The Board remunerates fairly and responsibly

The JTG remuneration philosophy and objectives are detailed in the Remuneration Report which forms part of the Directors Report and may be found on pages 16 to 22 of this Report.

Directors

The annual total of fees payable to Non-Executive Directors is set by the Company's shareholders and allocated as Directors' Fees and Committee Fees by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report on page 20. These fees are inclusive of statutory superannuation contributions. No equity-based remuneration scheme exists for Directors.

Remuneration committee

The Board has established a Remuneration Committee which:

- Consists of three non-executive Directors;
- is chaired by Lesley Grant who, although not an independent Director, is considered to be best qualified to serve in this role given her extensive experience in people management;
- has a Charter which is available on the Corporate Governance section of the Company's website; and
- assists the Board in fulfilling its corporate governance responsibilities in relation to:
  - remuneration policies for non-executive Directors;
  - remuneration policies for the CEO, CFO and executive management; and
  - human resources policies and other matters referred to the Committee by the Board.

Membership of the Committee and attendance at Committee meetings appear in the Directors' Report on page 9.

Executive management

Remuneration packages for Executive management are generally set to be competitive so as to both retain executives and attract experienced executives to the Company. Packages comprise a fixed (cash) element and variable incentive components. Payment of the variable components will depend on the Company's financial and executive's personal performance. No equity-based schemes are in place.

The Remuneration Committee undertakes an annual review of the performance of executive management against key performance indicators. This process is detailed on pages 16 to 19 of the Remuneration Report and was last undertaken in respect of the 2009/10 financial year on 10 August 2010.

Income Statement

		Consolidated	
	Note	2010 $'000	2009 $'000
Revenue	4	**135,108**	**145,104**
Manpower and staff related		59,165	67,627
Advertising, selling and marketing		16,437	16,755
Depreciation and amortisation		6,407	6,376
Other expenses	4	44,021	38,393
		126,030	**129,151**
Operating result		**9,078**	**15,953**
Finance income	5	5,429	7,870
Profit before income tax		**14,507**	**23,823**
Income tax expense	7	(5,774)	(8,056)
Profit attributable to members of Jetset Travelworld Limited		**8,733**	**15,767**
Earnings per share (cents per share)			
- basic and diluted earnings per share	9	3.98	7.39

The above consolidated income statement should be read in conjunction with the accompanying notes to the financial statements set out on pages 35 to 66.

As a result of the reverse acquisition of JTL by QH, the consolidated comparative income statement for the 12 months to 30 June 2009 represents the results of QH only for the period from 1 July 2008 to 24 July 2008 and the consolidated results for QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

Statement of Comprehensive Income

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Profit attributable to members of Jetset Travelworld Limited		**8,733**	**15,767**
Other comprehensive income			
Change in fair value of cash flow hedges		1,008	-
Income tax on other comprehensive income		(302)	-
Other comprehensive income for the period, net of income tax		**706**	**-**
Total comprehensive income for the period, net of income tax		**9,439**	**15,767**

The above consolidated statement of comprehensive Income should be read in conjunction with the accompanying notes to the financial statements set out on pages 35 to 66.

As a result of the reverse acquisition of JTL by QH, the consolidated comparative statement of comprehensive income for the 12 months to 30 June 2009 represents the results of QH only for the period from 1 July 2008 to 24 July 2008 and the consolidated results for QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

Statement of Financial Position

		Consolidated	
	Note	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	113,727	113,672
Trade and other receivables including derivatives	11	57,176	57,259
Prepayments		18,330	17,603
Total current assets		**189,233**	**188,534**
Non-current assets			
Property, plant and equipment	12	1,104	1,465
Intangible assets and goodwill	13	168,241	173,556
Total non-current assets		**169,345**	**175,021**
TOTAL ASSETS		**358,578**	**363,555**
LIABILITIES			
Current liabilities			
Trade and other payables	15	73,712	86,795
Revenue received in advance		65,890	55,140
Provisions	16	2,791	4,502
Income tax payable		1,332	936
Total current liabilities		**143,725**	**147,373**
Non-current liabilities			
Provisions	16	823	2,036
Deferred tax liabilities	14	17,112	18,763
Total non-current liabilities		**17,935**	**20,799**
TOTAL LIABILITIES		**161,660**	**168,172**
NET ASSETS		**196,918**	**195,383**
EQUITY			
Equity attributable to equity holders of Jetset Travelworld Limited			
Contributed equity	18	172,345	172,345
Other reserves	18	706	-
Retained earnings		23,867	23,038
TOTAL EQUITY		**196,918**	**195,383**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements set out on pages 35 to 66.

Statement of Changes in Equity

Consolidated $'000	Issued capital	Hedge Reserve	Retained earnings	Total equity
Balance at 1 July 2009	172,345	-	23,038	195,383
Changes in fair value of cash flow hedges	-	706	-	706
Net profit for the year	-	-	8,733	8,733
Total comprehensive income for the period	-	706	8,733	9,439
Dividends	-	-	(7,904)	(7,904)
Balance at 30 June 2010	172,345	706	23,867	196,918
Balance at 1 July 2008	1,750	-	18,249	19,999
Changes in fair value of cash flow hedges	-	-	-	-
Net profit for the year	-	-	15,767	15,767
Total comprehensive income for the period	-	-	15,767	15,767
Dividends	-	-	(10,978)	(10,978)
Reverse acquisition accounting adjustment	170,595	-	-	170,595
Balance at 30 June 2009	172,345	-	23,038	195,383

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements set out on pages 35 to 66.

Statement of Cash Flows

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from course of operations		556,154	637,866
Payments to suppliers and employees		(544,820)	(690,284)
Interest received		4,660	8,700
Interest paid		-	(830)
Income taxes paid		(7,325)	(8,652)
Net cash flows from/(used in) operating activities	19	8,669	(53,200)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and software		(792)	(410)
Proceeds from disposal of property, plant and equipment		82	32
(Repayment to)/borrowing from related parties		-	(20,266)
Cash acquired on acquisition		-	29,036
Net cash (used in)/ from investing activities		(710)	8,392
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends		(7,904)	(21,121)
Net cash flows used in financing activities		(7,904)	(21,121)
Net increase/(decrease) in cash and cash equivalents held		55	(65,929)
Cash and cash equivalents at the beginning of the year		113,672	179,601
Cash and cash equivalents at the end of the year	10	**113,727**	**113,672**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements set out on pages 35 to 66.

As a result of the reverse acquisition of JTL by QH, the consolidated comparative statement of cash flows for the 12 months to 30 June 2009 represents results of QH only for the period from 1 July 2008 to 24 July 2008 and the consolidated results for QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

Notes To The Financial Statements

1. Reporting entity

The consolidated financial report of JTG for the year ended 30 June 2010 comprises QH, as the accounting parent, and its deemed subsidiaries (together referred to as the "Group").

JTL (or the Company) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the ASX.

The financial statements of the Group for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 15 September 2010.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

(c) Functional and presentation currency

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

JTL is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 (updated by Class Order 05/641 effective 29 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

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

Significant accounting estimates and assumptions

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

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units (CGUs) to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss has been recognised in the current year in respect of goodwill.

The assumptions used in this estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 13.

(b) Commission revenue

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

- a significant portion of commission contract periods do not correspond to the JTG financial year end. Judgements and estimation techniques are required to determine anticipated future flown revenues over the remaining contract year and the associated commission rates applicable to these forecast levels;
- the differing commencement dates of the commission contracts mean that commissions may have to be estimated for contracts for which the applicable commission rates have not been finalised and agreed between the parties; and

- periodic renegotiation of terms and contractual arrangements with the suppliers of travel products may result in additional volume/incentives, rebates or other bonuses being received which relate to past performance and are not specified in existing contracts.
- the accounting policy for commission revenue, incentives and rebates is set out in note 3(e).

3. Significant accounting policies

(a) Basis of consolidation – reverse acquisition accounting

On 25 July 2008, JTL completed a merger with QH and QBT. In accordance with accounting standards, this merger was accounted for as a reverse acquisition with QH being deemed the parent entity for accounting purposes. The impact of this was that the results for the full year ended 30 June 2009 reflect those of QH only for the period from 1 July 2008 to 24 July 2008 and the combined JTG results of QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

The consolidated financial information incorporates the assets and liabilities of all entities deemed to be acquired by QH including JTL and the results of those entities for the period from which those entities are accounted for as being acquired by QH. The assets and liabilities of JTL acquired by QH were recorded at fair value while the assets and liabilities of QH were maintained at their book value. The impact of all transactions between entities in the Group is eliminated in full.

The impact on equity of treating the formation of the Group as a reverse acquisition is discussed in more detail in note 28.

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

Statements of financial position

- The consolidated statement of financial position as at 30 June 2009 represents the consolidated statement of financial position of QH, QBT, JTL and other controlled entities.

Income statement and Statement of comprehensive income

- The 2009 consolidated income statement and statement of comprehensive income represents the results of QH only for the period from 1 July 2008 to 24 July 2008 and the consolidated results for QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

Statement of changes in equity

- The 2009 consolidated statement of changes in equity comprises the amount recognised as issued equity instruments of QH of $1,750,000 immediately before the business combination as well as the cost of the business combination of $170,595,000.
- The opening retained earnings and other equity balances recognised in the consolidated entity are those of QH immediately before the business combination, not those of JTL.
- The profit for the year, being the results of QH only for the period from 1 July 2008 to 24 July 2008 and the consolidated results for QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

Statement of cash flows

- The 2009 consolidated statement of cash flows represents cash flows of QH only for the period from 1 July 2008 to 24 July 2008 and the consolidated statement of cash flows for QH, QBT and JTL for the period from 25 July 2008 to 30 June 2009.

(b) New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact JTG in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for JTG's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments (refer note c)
- Presentation of financial statements

  The Group applies revised AASB 101 Presentation of Financial Statements, which became effective from 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

These accounting policies impact the presentation and disclosure aspects of the financial statements. There is no impact on earnings per share.

(c) Segment reporting

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board and CEO, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

Segment results that are reported to the Board and CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(d) Foreign currency translation

Foreign currency transactions are translated to Australian dollars at the rates of exchange prevailing at the date of each transaction except where hedge accounting is applied. At balance date, amounts receivable and payable in foreign currencies are translated at the rates of exchange prevailing at that date. Resulting exchange differences are brought to account as exchange gains or losses in the income statement in the year in which the exchange rates change. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates prevailing at the dates the fair value was determined.

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The principal activities of the Group are that of an agent for tour, travel and accommodation providers.

(i) Tours and travel

Commission from the arrangement of tours and travel is recognised when the passenger departs. Revenue is recognised as the net amount of commission retained by the Group.

(ii) Rendering of services

Commission from the arrangement of airline tickets is recognised when the tickets are issued. Revenue is recognised as the net amount of commission retained by the Group. Booking service fees applicable to online and corporate travel are recognised at the transaction date. Franchise fees are recognised on a straight-line basis over the term of the agreement.

The Group records as revenue only the amount of volume incentives/commissions earned under its contractual arrangements and not the gross value of travel products sold by franchisees. Where commissions earned are in respect of airline tickets sold, the commission received or receivable is recognised as revenue at the time the ticket is issued. Commissions payable to franchisees are recognised as they fall due in accordance with contractual arrangements, are deemed to be a separately identifiable expense, and are included within net revenue. This reflects the agency-based nature of the transaction.

The periodic renegotiation of the terms of contractual arrangements with the suppliers of travel products may result in additional volume incentives/commissions, rebates or other bonuses, being received which relate to past performance. As contracts are negotiated on a recurring basis, the Group recognises such additional volume incentives/commissions, rebates or other bonuses, which relate to past performance, as revenue at the time a binding contract is signed by both parties.

(iii) Incentives and rebates

Volume incentives, commissions and service fees are recognised as revenue as they are earned and when the amount can be reliably measured. Amounts charged to third parties for advertising are not recognised as revenue but are instead treated as a recovery of advertising expenses, and as such are offset against the related advertising expense.

(iv) Dividends

Dividend revenue is recognised when the Group's right to receive the payment is established.

(v) Total transaction value (TTV)

TTV does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group's various operations, as agents for various airlines and other service providers, plus revenue from other sources. JTG's revenue is, therefore, derived from TTV. TTV does not represent JTG cash inflows as some transactions are settled directly between the customer and the supplier.

TTV is the total ticket value booked through JTG or via arrangements negotiated by JTG. For Wholesale and Corporate products, TTV includes taxes and charges, while for Retail products including ticket consolidation, TTV excludes taxes and charges.

(vi) Revenue received in advance

For the Wholesale business, it is probable that the economic benefits of the sale will flow to the Group once the passenger has departed. Revenues received from the sale prior to the departure date are recorded on the statement of financial position as revenue received in advance. The revenues are recognised in the income statement once the passenger has departed, net of the cost of sale.

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

Current receivables are recognised and carried at original invoice amount less impairment losses. Bad debts are written off as incurred. Non-current receivables are carried at the present value of future net cash inflows expected to be received.

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

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

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

- Plant and equipment – over 3 to 10 years.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end on a prospective basis.

Derecognition

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

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

(i) Leases

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

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

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

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

(j) Impairment

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

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

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

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

(k) Trade and other payables

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

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

(l) Intangible assets

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

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

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

(i) Goodwill

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

(ii) Software development costs

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

	Software development costs (assets in use)
Useful life	Finite
Amortisation method used	3 years – straight-line
Manner of generation	Internally generated
Impairment test	Amortisation method reviewed at each financial year end; closing carrying value reviewed annually for indicators of impairment

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

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

(iii) Brand names and customer contracts and relationships

Brand names are considered to be maintained in perpetuity and have therefore been assessed to have an indefinite useful life. Customer contracts and customer relationships have finite lives and are amortised, on a straight-line basis, over their lives in accordance with the estimated timing of benefits expected to be received from those assets. At 30 June 2010, the amortisation period ranges from 10 to 15 years.

(m) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

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

(i) Dividends

A provision for dividend payable is recognised in the financial year in which the dividends are declared, for the entire amount, regardless of the extent to which the dividend will be paid in cash.

(ii) Onerous contracts

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

(n) Employee leave benefits

(i) Wages, salaries and annual leave

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

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

(ii) Long service leave

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

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(o) Pensions and other post-employment benefits

Qantas Airways Limited (Qantas) (the ultimate parent company) is the sponsoring employer for the Qantas Superannuation Plan (QSP), covering the majority of Qantas Group employees in Australia. The QSP is a hybrid defined benefit/defined contribution fund with 13 separate divisions, which commenced operation in June 1939.

Certain JTG employees participate in the QSP. Participation in such a plan is a related party transaction and in accordance with AASB 119 *Employee Benefits,* elements of the plan as a whole need to be disclosed in JTG's notes to the financial statements. It is important to note, that the disclosure reflects amounts recognised in Qantas' financial statements and do not represent assets, liabilities, costs, gains or contingent obligations of JTG.

JTG recognises a cost equal to its contributions payable to all post employment benefit plans for the period in its financial statements.

(p) Contributed equity

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

(q) Earnings per share (EPS)

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

The Company has no potential ordinary shares which would be considered dilutive and accordingly, basic earnings per share is the same as diluted earnings per share.

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

- for the 12 months to 30 June 2010, the number of ordinary shares on issue by JTL
- for the 12 months to 30 June 2009, the weighted average of the ordinary shares issued by JTL to QH Tours Limited (a subsidiary of Qantas) from 1 July 2008 to 24 July 2008 and the total ordinary shares on issue by JTL from 25 July 2008 to 30 June 2009.

(r) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

(s) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

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

(t) Derivatives and hedging instruments

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

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

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

Cash flow hedges

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

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

(u) Investments and other financial assets

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

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

Recognition and derecognition

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

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(v) Finance income

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

(w) Prepayments

Prepayments largely consists of prepaid airline tickets purchased by QH for bookings that have not yet departed. Prepaid air tickets are recognised as part of the net amount of commissions received in the income statement at the departure date of the applicable booking, in line with the revenue recognition policy.

4. Revenues and expenses

	Consolidated	
	2010 $'000	2009 $'000
(a) Revenue		
Commission and franchisee fees	135,108	145,104
Total revenue	135,108	145,104
(b) Expenses		
Depreciation (note 12)	695	279
Amortisation (note 13)	5,712	6,097
Redundancy costs in relation to closure of contact centres	-	2,497
Net (gain)/loss on disposal of plant and equipment	(21)	515
Other expenses		
- Property	10,069	9,416
- Computer and communication	18,795	18,154
- Onerous lease arising on contact centre closure	(900)	2,029
- Merger costs	4,500	-
- Other	11,557	8,794
	44,021	38,393

5. Finance income

	Consolidated	
	2010 $'000	2009 $'000
Recognised in profit or loss		
Interest income on bank deposits	5,429	7,870
Finance income recognised in profit or loss	5,429	7,870

6. Segment reporting

The Group has identified the following three operating segments based on the internal reports that are reviewed and used by the Board and CEO (the chief operating decision makers) in assessing performance:

- Retail;
- Wholesale; and
- Business Travel

The primary purpose of Retail is the franchisor of the Jetset Travelworld retail travel agent network. Wholesale encompasses the operations of QH whose primary purpose is to procure air and land product for packaging and sale through the retail travel agency networks and Business Travel encompasses the operations of QBT whose primary purpose is to make travel arrangements for corporate and government customers on any airline and includes travel management reporting and control.

The accounting policies applied to the segments are consistent with those applied to the Group and as detailed in Note 3.

Year ended 30 June 2010

Analysis by business segments	Retail	Wholesale	Business Travel	Corporate / Unallocated	Consolidated
	2010	2010	2010	2010	2010
	$'000	$'000	$'000	$'000	$'000
TTV	1,053,919	416,262	728,487	-	2,198,668
External segment revenue	34,351	69,258	31,499	-	135,108
Inter-segment revenue	(2,641)	(652)	3,293	-	-
Total segment revenue	31,710	68,606	34,792	-	135,108
Operating expenses	(14,518)	(55,696)	(38,384)	(11,025)	(119,623)
Amortisation and Depreciation	(378)	(477)	(95)	(5,457)	(6,407)
Interest received	674	4,699	55	1	5,429
Profit before tax	17,488	17,132	(3,632)	(16,481)	14,507
Income tax expense					(5,774)
Profit after tax					**8,733**
Included in the segment results above are:					
- merger costs	-	-	-	4,500	4,500
- onerous lease costs	-	(900)	-	-	(900)
Segment Assets					
Segment Assets	197,822	156,171	9,067	(4,482)	358,578
Segment Liabilities					
Segment Liabilities	39,893	116,997	10,034	(5,264)	161,660
Payment for property, plant and equipment	55	197	143	-	395

Geographical segment

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments. JTG operates in one geographical segment, Australia, with all revenues and net assets being generated from this geographical segment.

Major customers

All segments derive a significant amount of revenue from the Qantas Airways Group, details of which are outlined in Note 24.

TTV

Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group's cash inflows as some transactions are settled directly between the customer and the supplier.

Year ended 30 June 2009

Analysis by business segments	Retail	Wholesale	Business Travel	Corporate / Unallocated	Consolidated
	2009	2009	2009	2009	2009
	$'000	$'000	$'000	$'000	$'000
TTV	877,417	503,221	996,266	-	2,376,904
External segment revenue	30,017	69,154	45,933	-	145,104
Inter-segment revenue	889	(1,229)	340	-	-
Total segment revenue	30,906	67,925	46,273	-	145,104
Operating expenses	(13,552)	(66,014)	(43,209)	-	(122,775)
Amortisation and Depreciation	(458)	(736)	(92)	(5,090)	(6,376)
Interest received	1,052	6,949	(131)	-	7,870
Profit before tax	17,948	8,124	2,841	(5,090)	23,823
Income tax expense					(8,056)
Profit after tax					**15,767**
Included in the segment results above are:					
- redundancy and onerous lease costs	-	3,868	658	-	4,526
Segment Assets					
Segment Assets	199,460	149,922	14,173	-	363,555
Segment Liabilities					
Segment Liabilities	39,030	119,153	9,989	-	168,172
Payment for property, plant and equipment	48	190	20	-	258

In 2009, corporate costs of an estimated $1.3 million were allocated to Retail and $5.9 million to the Wholesale segment.

7. Income tax

	Consolidated	
	2010 $'000	2009 $'000
The major components of income tax expense/(benefit) as recognised in the income statement are:		
Current tax expense		
Current income tax expense	7,691	9,584
Adjustments in respect of current income tax of previous years	36	5
Deferred income tax (benefit)		
Relating to origination and reversal of temporary differences	(1,953)	(1,533)
Income tax expense reported in the income statement	5,774	8,056
Reconciliation between income tax expense and profit before income tax:		
Accounting profit before income tax	14,507	23,823
Adjustment for reverse acquisition (pre-merger accounting profit before income tax for QH and QBT)	-	(4,346)
Reinstated accounting profit before income tax (for income tax purposes only)	14,507	19,477
At the Group's statutory income tax rate of 30% (2009: 30%)	4,352	5,843
Add/(less) adjustments for:		
Non-assessable income	20	(2)
Non deductible merger costs	1,218	-
Non-deductible other expenditure	148	497
Tax consolidation allocable cost amount (ACA) adjustments	-	1,713
Under provision in prior years	36	5
Income tax expense reported in the income statement	**5,774**	**8,056**

Income tax on other comprehensive income

Included in other comprehensive income is an income tax expense of $302,000 (2009: Nil) relating to an increase in the fair value of cashflow hedges.

Tax consolidation ACA adjustment

On 25 July 2008, JTL acquired a 100% interest in QH and QBT. Upon this acquisition, QH and QBT became subsidiary members of the JTG tax consolidated group. Relevant ACA calculations were performed in accordance with income tax legislation in order to reset the tax cost bases of each of the assets brought into the tax consolidated group, as a result of the acquisition.

8. Dividends paid and proposed

	Consolidated	
	2010 $'000	2009 $'000
(a) Dividends paid during the year		
(i) Current year interim		
Fully franked dividend (1.6 cents per share paid on 31 March 2010) (2009: 5.0 cents per share paid on 31 March 2009)	3,513	10,978
(ii) Previous year final		
Fully franked dividend (2.0 cents per share paid 14 October 2009)	4,391	-
(b) Dividends proposed and not recognised as a liability		
In accordance with the Merger Implementation Agreement with Stella Travel Services, no final dividend will be declared.	-	-
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at year end at 30% (2009: 30%)	14,850	11,027
– franking credits that will arise from income tax payable as at year end	1,332	936
– impact on the franking account of dividends proposed or declared after the balance sheet date but not recognised as a distribution to equity holders during the period	-	(1,881)
	16,182	10,082

The tax rate at which dividends have been franked is 30% (2009: 30%).

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

9. EPS

The calculation of basic EPS for the year ended 30 June 2010 was based on the profit attributable to ordinary shareholders of $8.733 million (2009: $15.767 million) and a weighted average number of ordinary shares outstanding of 219,552,976 (2009: 213,489,705).

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

– for the 12 months to 30 June 2010, the number of ordinary shares on issue by JTL

– for the 12 months to 30 June 2009, the weighted average of the ordinary shares issued by JTL to QH Tours Limited from 1 July 2008 to 24 July 2008 and the total ordinary shares on issue by JTL from 25 July 2008 to 30 June 2009

The Company has no potential ordinary shares which would be considered dilutive and accordingly, basic EPS is the same as diluted EPS.

10. Cash and cash equivalents

	Consolidated	
	2010 $'000	2009 $'000
Cash at bank and on hand	29,317	27,438
Bank short-term deposits	84,410	86,234
Cash and cash equivalents in the statements of cash flows	**113,727**	**113,672**

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

At 30 June 2010, $2.2 million of cash (2009: $2.2 million) held by the Group was pledged as collateral under the terms of various operational financing facilities.

11. Trade and other receivables including derivatives

	Consolidated	
	2010 $'000	2009 $'000
Receivables - trade partners	24,533	27,953
Receivables - related parties	28,362	26,481
Receivables - other	2,192	2,897
Allowance for impairment losses	(579)	(536)
Trade receivables net	54,508	56,795
Hedge receivable	1,403	-
Interest receivable	1,265	464
	57,176	**57,259**

Trade receivables are non-interest bearing and are generally on 45 day terms.

The hedge receivable at 30 June 2010 reflects forward exchange contracts entered during the year that will mature and impact the income statement within 1 to 12 months.

The ageing of trade receivables, net of allowance for impairment losses, at 30 June was:

	Consolidated	
	2010 $'000	2009 $'000
Not past due	46,716	34,014
Past due 1 – 30 days	5,269	7,211
Past due 31 – 90 days	1,833	12,969
More than 91 days	690	2,601
Total	**54,508**	**56,795**

There are no significant other receivables that have been recognised that would otherwise, without negotiation, have been past due or impaired.

An allowance for impairment losses is made when there is objective evidence that a trade receivable is impaired. In the current period an additional $375,000 provision has been recognised (2009: write back of $72,000). The amount of the allowance/impairment losses is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

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

	Consolidated	
	2010 $'000	2009 $'000
Balance as at 1 July	(536)	(613)
Acquisitions through business combinations	-	(25)
Additional provision recognised	(375)	-
Write back of provision	-	72
Bad debts written off	332	30
Balance as at 30 June	**(579)**	**(536)**

12. Property, plant and equipment

	Consolidated	
	2010 $'000	2009 $'000
Plant and equipment		
Cost		
Opening balance	4,635	4,222
Additions	395	258
Disposals	(306)	(911)
Acquisitions through business combinations	-	2,322
Write off of plant and equipment	-	(1,256)
Closing balance	4,724	4,635
Accumulated depreciation		
Opening balance	3,170	3,255
Depreciation	695	279
Disposals	(245)	(364)
Closing balance	3,620	3,170
Carrying amounts		
Opening balance	1,465	967
Closing balance	1,104	1,465

13. Intangible assets and goodwill

	Consolidated				
	Software development costs $'000	Brands $'000	Customer contracts # $'000	Goodwill $'000	Total $'000
Cost					
Balance at 1 July 2008	1,276	-	-	-	1,276
Acquisitions – internally developed	152	-	-	-	152
Acquisitions through business combinations	425	8,900	66,500	102,998	178,823
Write down of asset	(1,428)	-	-	-	(1,428)
Balance at 30 June 2009	425	8,900	66,500	102,998	178,823
Balance at 1 July 2009	425	8,900	66,500	102,998	178,823
Acquisitions – internally developed	397	-	-	-	397
Write down of asset	-	-	-	-	-
Balance at 30 June 2010	822	8,900	66,500	102,998	179,220
Amortisation					
Balance at 1 July 2008	347	-	-	-	347
Amortisation for the year	1,007	-	5,090	-	6,097
Write down of asset	(1,177)	-	-	-	(1,177)
Balance at 30 June 2009	177	-	5,090	-	5,267
Balance at 1 July 2009	177	-	5,090	-	5,267
Amortisation for the year	255	-	5,457	-	5,712
Write down of asset	-	-	-	-	-
Balance at 30 June 2010	432	-	10,547	-	10,979
Carrying amounts					
At 1 July 2008	929	-	-	-	929
At 30 June 2009	248	8,900	61,410	102,998	173,556
At 1 July 2009	248	8,900	61,410	102,998	173,556
At 30 June 2010	390	8,900	55,953	102,998	168,241

Average remaining useful lives at 30 June 2010 of 8 to 13 years.

Carrying amount of intangible assets and goodwill allocated to CGUs

As a result of the merger of JTG and QH on 25 July 2008, intangible assets relating to JTG brands ($8.9 million) and customer contracts ($66.5 million) were recognised along with $103.0 million of goodwill.

Goodwill of $103.0 million and intangible assets of $75.4 million have been allocated to the JTW Retail CGU.

Impairment test for CGU containing goodwill and intangible assets

The recoverable amount of the Retail CGU has been determined based upon a value in use calculation using cash flow projections based on the latest three year budget and plan as approved by the Board. For years 4 to 20, a growth rate of 2.5% per annum was used.

The cash flows have been discounted at a pre-tax discount rate of 16.2% (2009: 16.9%) per annum.

Management's approach to determining the value assigned to each key assumption was as follows:

(a) growth rates are consistent with the Federal Government's general economic growth forecasts; and

(b) the discount rate is based on a conservative long-term weighted average cost of capital of JTL.

The cash flow projections extend for 20 years, 3 years of which are based on the approved financial plan. A terminal value is applied at year 20. The valuation period is justified given the enduring nature of the brands and the long trading history they have already enjoyed.

This recoverable amount valuation is most sensitive to:

(a) the assumed growth rate of 2.5% per annum beyond the financial plan. The growth rate would have to fall to 2.0% per annum before the carrying amount would exceed the recoverable amount; and

(b) the pre-tax discount rate of 16.2% per annum. The discount rate would have to increase to 17.0% per annum before the carrying amount would exceed the recoverable amount.

14. Deferred tax assets and liabilities

	Statement of Financial Position	
	2010 $'000	2009 $'000
Deferred tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Employee benefits	1,038	1,269
Other payables and accruals	811	740
Tax consolidation ACA adjustments to property, plant and equipment and software development costs	-	(73)
Unrealised foreign exchange gains	856	722
Difference between book and tax written down value of fixed assets	289	-
Deferred tax assets	2,994	2,658
Deferred tax liabilities		
Prepayments	(347)	(329)
Hedge reserve adjustment	(302)	-
JTL intangible assets	(19,457)	(21,092)
Deferred tax liabilities	(20,106)	(21,421)
Net deferred tax liability	**(17,112)**	**(18,763)**

15. Trade and other payables

	Consolidated	
	2010 $'000	2009 $'000
Trade payables - external	49,707	49,858
Trade payables – related parties	10,586	19,177
Non trade payables and accruals	13,419	17,760
	73,712	86,795

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

16. Provisions

	Consolidated	
	2010 $'000	2009 $'000
Current		
Employee benefits	2,638	3,418
Other	153	1,084
	2,791	4,502
Non-current		
Employee benefits	823	1,091
Other	-	945
	823	2,036

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

	Consolidated	
	2010 $'000	2009 $'000
Other provisions Other provisions represent obligations due upon termination of JTG lease contracts		
Balance at 1 July	2,029	-
Provisions made	-	2,029
Provisions released	(900)	-
Payments made from provision	(976)	-
Balance as at 30 June	153	2,029

Defined contribution superannuation funds

Refer to note 24(g) for further details of superannuation contributions. The Group makes contributions to several defined contribution funds. The amount recognised as an expense was $2.6 million for the financial year ended 30 June 2010 (2009: $3.0 million).

17. Auditor's remuneration

	Consolidated	
	2010 $	2009 $
Audit services		
Auditors of the Company – KPMG Australia		
- Audit and review of financial statements	584,120	594,300
- Other regulatory assurance services	12,000	6,330
	596,120	600,630
Other services		
Auditors of the Company – KPMG Australia		
- Due diligence services	1,733,369	-
- Taxation compliance services	43,500	55,730
	1,776,869	55,730
Total auditors' remuneration	2,372,989	656,360

18. Capital and reserves

	Consolidated	
	2010 $'000	2009 $'000
Contributed equity	172,345	172,345

	Consolidated	
	Number of shares	$'000
Movements in contributed equity		
Opening balance 1 July 2008	92,212,250	11,359
Issued 25 July 2008	127,340,726	160,986
Closing balance 30 June 2009	219,552,976	172,345
Opening balance 1 July 2009	219,552,976	172,345
Issued	-	-
Closing balance 30 June 2010	219,552,976	172,345

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

	Consolidated	
	2010 $'000	2009 $'000
Other Reserves		
Hedging Reserve	706	-
	706	-

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions that have not yet occurred.

19. Reconciliation of net profit after tax to the net cash flows from operating activities

	Consolidated	
	2010 $'000	2009 $'000
Net profit after tax	8,733	15,767
Adjustments for:		
Depreciation of plant and equipment	695	279
Amortisation of intangible assets	5,712	6,097
Write off of plant and equipment	-	1,256
(Gain)/loss on disposal of plant and equipment	(21)	515
Write down of intangible assets	-	251
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,174	32,981
(Increase)/decrease in prepayments	(727)	18,327
Increase/(decrease) in trade and other payables	(13,170)	(84,592)
Increase/(decrease) in revenue received in advance	10,750	(45,834)
Increase/(decrease) in provisions	(2,924)	2,350
Increase/(decrease) in net deferred tax liabilities	(1,949)	(1,533)
Increase/(decrease) in income tax payable	396	936
Net cash flow from operating activities	**8,669**	**(53,200)**

20. Share-based payments

There were no share-based payments grants issued by JTG.

21. Financial risk management

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

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

Liquidity risk

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

The following table summarises the contractual cash flows of financial liabilities as at 30 June 2010 and 30 June 2009:

	Consolidated				
	Carrying amount	Contractual cash flows			
2010		Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Non-derivative financial liabilities					
Trade and other payables	73,712	(73,712)	-	-	(73,712)
Other financial liabilities	-	-	-	-	-
Total financial liabilities	73,712	(73,712)	-	-	(73,712)
	Carrying amount	Contractual cash flows			
2009		Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Non-derivative financial liabilities					
Trade and other payables	86,795	(86,795)	-	-	(86,795)
Other financial liabilities	-	-	-	-	-
Total financial liabilities	86,795	(86,795)	-	-	(86,795)

Market risk

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

(i) Foreign exchange

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

Forward foreign exchange contracts are used to hedge a portion of remaining foreign currency exposure within specific parameters. As at 30 June 2010, the Group's net exposure to foreign currency risk is set out in the table below. The table includes the following:

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

	Consolidated	
	2010 $'000	2009 $'000
USD	27,892	22,172
EUR	2,438	3,495
GBP	1,865	1,754
SGD	4,525	2,078
THB	5,739	8,082
NZD	1,210	1,382
Other currencies	15,102	11,625
Net total foreign currency exposure liability	**58,771**	**50,588**

The following table summaries the impact of a reasonably possible change in foreign exchange rates on net profit. For the purpose of this disclosure, the sensitivity analysis assumes a 10% increase and decrease in all currency pairs. Sensitivity analysis assumes hedge effectiveness as at 30 June 2010. This analysis also assumes that all other variables, including interest rates, remain constant.

	Consolidated Net Profit Before Tax	
	2010 $'000	2009 $'000
10% increase in all currency pairs	1,136	1,070
10% decrease in all currency pairs	(1,388)	(1,307)

(ii) Interest rates

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is presently limited to its cash assets. Cash includes short-term deposits amounting to $84.410 million (2009: $86.234 million) paying a weighted average fixed rate of 5.72% per annum (2009: 3.80% per annum). Other funds are held in operational and foreign currency bank accounts and during the year earned fixed interest at rates ranging between 0% and 4.00% per annum depending on the balance.

All short-term deposits are fixed rate instruments and accordingly, a change of 100 basis points per annum in interest rates at the reporting date would have no impact on the profit and the net equity of the Group (2009: $nil).

Credit risk

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

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

- trade debtor counterparties: the credit risk is the recognised amount, net of any impairment loss. As at 30 June 2010, this amounted to $54.508 million (2009: $56.795 million). The Group has credit risk associated with travel agents, airlines, industry settlement organisations and direct suppliers. The Group minimises credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs; and
- other financial asset counterparties: the Group restricts its dealings to counterparties that have acceptable credit ratings. Should the rating of a counterparty fall below certain levels, internal policy dictates that approval by the Board is required to maintain the level of the counterparty exposure.
- JTG's most significant customer is Qantas Airways Group details of which are outlined in Note 24.

The table below set out the maximum exposure to credit risk as at 30 June 2010:

	Consolidated	
	2010 $'000	2009 $'000
Cash and cash equivalents	113,727	113,672
Trade and other receivables	57,176	57,259
	170,903	170,931

The Group minimises the concentration of credit risk by undertaking transactions with a large number of customers and other counterparties in various countries in accordance with Board approved policy. The Group's exposure to deposit taking institutions is with counterparties which have a minimum credit rating of A- (Standard and Poors) and A3 (Moody's Investor Service).

Net fair values

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

Consolidated	Note	Carrying amount 2010 $'000	Carrying amount 2009 $'000	Net fair value 2010 $'000	Net fair value 2009 $'000
Financial assets at fair value					
Forward exchange contracts used for hedging	11	1,403	-	1,403	-
		1,403	-	1,403	-
Financial assets at amortised cost					
Cash and cash equivalents	10	113,727	113,672	113,727	113,672
Trade and other receivables	11	55,773	57,259	55,773	57,259
		169,500	170,931	169,500	170,931
Financial liabilities at amortised cost					
Trade creditors	15	60,293	69,035	60,293	69,035
Non-trade payables and accruals	15	13,419	17,760	13,419	17,760
		73,712	86,795	73,712	86,795

Fair value hierarchy

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

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

JTG's forward exchange contracts are recognised at their fair value based on quoted formal market prices at period end.

2010	Consolidated Level 1	Level 2	Level 3	Total
Derivative financial assets	-	1,403	-	1,403
	-	1,403	-	1,403

2009	Consolidated Level 1	Level 2	Level 3	Total
Derivative financial assets	-	-	-	-
	-	-	-	-

Capital management

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

In accordance with the Merger Implementation Agreement with STS no final dividends were declared for 2010. There were no other changes in the Group's approach to capital management during the year.

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

22. Commitments and contingencies

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2010 $'000	2009 $'000
Within one year	6,189	5,619
After one year but not more than five years	8,738	13,841
Longer than five years	2,091	3,126
Aggregate lease expenditure contracted for at reporting date	**17,018**	**22,586**

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

The following amounts were recognised in the income statement as rent expense:

	Consolidated	
	2010 $'000	2009 $'000
Rent expense	10,069	9,416

Guarantees

Other than the Deed of Cross Guarantee entered into with its subsidiaries, as outlined in note 27, JTL has on issue at 30 June 2010 bank guarantees totalling $2.2 million.

Contingencies

If the merger with STS is successful, fees of $4.0 million will become payable to certain advisors of the Group (2009: nil). Refer note 29 for further details.

23. KMP

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

(a) Compensation of KMP

	Consolidated	
	2010 $'000	2009 $'000
Short-term employee benefits	2,332	2,516
Post-employment benefits	345	222
Long term and termination benefits	17	547
	2,694	**3,285**

(b) Option or right holdings of KMP

No options or rights over JTL shares were held by any KMP at any time during the financial year.

(c) Shareholdings of KMP in JTL

(number)	Held at 1 July 2009	Net change	Held at 30 June 2010
Directors			
T Dery	-	-	-
G Evans	-	-	-
L Grant	-	-	-
B Johnson	-	-	-
JMC King	50,600	-	50,600
P Spathis	500,000	-	500,000
Executives			
P Collins	-	-	-
N Underwood	-	-	-
A Slark	-	-	-
C Rankin	-	-	-
D Hughes	-	-	-
W Blacker	-	-	-
Total	550,600	-	550,600

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length with an unrelated individual.

No JTL shares were granted to KMP during the financial year as compensation (2009: nil).

(d) Loans to KMP

No loans were made, guaranteed or secured, directly or indirectly, by JTL or any of its subsidiaries to any KMP at any time during the financial year.

(e) Other transactions and balances with KMP

The terms and conditions of other transactions with KMP were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to those other than KMP on an arm's length basis.

24. Related parties

(a) Subsidiaries

Details relating to subsidiaries are included in note 25.

(b) Ultimate and direct parent

QH Tours Limited holds voting power in JTL of 58% and, as such, is the direct parent of JTL. Qantas holds a 100% interest in QH Tours Limited and as such, is JTL's ultimate parent entity with a 58% interest in JTL through QH Tours Limited.

(c) Entity with significant influence over the Group

Sintack Pty Limited holds a 24.7% interest in JTG.

(d) KMP

Details relating to KMP, including remuneration paid, are included in note 23 and the Remuneration Report.

(e) Transactions with related parties

The following transactions were carried out with related parties:

	Consolidated	
	2010	2009
Trading transactions		
(i) Services provided to:		
Ultimate parent entity	44,619,475	51,204,647
Fellow subsidiaries (Qantas subsidiaries)	38,582,426	57,749,821
(ii) Purchase of services from:		
Ultimate parent entity	57,574,962	84,934,187
Fellow subsidiaries (Qantas subsidiaries)	20,061,762	20,295,698
Entities with significant influence over the Group #	4,011,154	3,524,247
(iii) Finance income from:		
Ultimate parent entity	460,876	196,636
(iv) Dividends received/(paid):		
Ultimate parent entity	(4,584,266)	(6,367,036)
Year end balances		
(i) Receivables - sale of goods and services:		
Ultimate parent entity	27,541,651	23,510,968
Fellow subsidiaries (Qantas subsidiaries)	820,219	2,969,774
(ii) Payables - purchase of goods and services:		
Ultimate parent entity	8,745,890	12,974,801
Fellow subsidiaries (Qantas subsidiaries)	1,475,779	5,367,650
Entities with significant influence over the Group #	364,009	364,452

Consolidated Travel Pty Limited, an associate of the previous parent, Chesters Nominees Pty Limited. Sintack Pty Limited and Chesters Nominees Pty Limited are both entities which are controlled by Mr Alysandratos.

In addition, there are two 'non-employment' related party transactions being with Mr Dery and Mr Alysandratos as follows:

Mr Dery is the Chairman of M&C Saatchi Worldwide (M&CS) and holds shares in M&CS. There are no related party transactions between M&CS and JTG. M&CS provides advertising and marketing services to Qantas, the ultimate parent entity of JTG, which are conducted on normal commercial terms and are not material or significant to either party; and

Mr Alysandratos is a director of Chesters Nominees Pty Limited. Chesters Nominees Pty Limited has a controlling interest in Sintack Pty Limited, which in turn holds 24.68% of JTG. Mr Alysandratos has a controlling interest in Consolidated Travel Pty Limited. This ownership structure makes Mr Alysandratos and Consolidated Travel Pty Limited related parties to JTG. Mr Alysandratos has extensive experience in the travel industry and has been engaged as a consultant to JTG. For this service, Mr Alysandratos received $12,000 in 2010 (2009: $12,000).

(f) Terms and conditions

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

Outstanding balances are unsecured and are repayable in cash.

(g) Group pension plan

Qantas (the ultimate parent entity) is the sponsoring employer for the Qantas Superannuation Plan (QSP), covering the majority of Qantas Group employees in Australia. The QSP is a hybrid defined benefit/defined contribution fund with 14 separate divisions, which commenced operation in June 1939.

A large portion of JTG employees are members of the QSP. JTG recognises a cost equal to its contribution payable for the period in its financial statements. JTG does not however, recognise any net defined benefit cost for its employees' participation in the QSP. The net defined benefit cost of the QSP has only been recognised in the financial statements of Qantas in accordance with paragraph 34a of AASB 119 *Employee Benefits*, as it is the legal sponsor employer of the plan. Further, there is no policy for charging the net defined benefit cost nor determining the contribution to be paid by JTG.

Participation in such a plan is a related party transaction and in accordance with paragraph 34b of AASB 119 *Employee Benefits*, certain elements of the plan need to be disclosed in JTG's notes to its financial statements. It is important to note that the following disclosure reflects amounts recognised in Qantas Group's financial statements and does not represent assets, liabilities, costs, gains or contingent obligations of JTG.

The Qantas Group makes contributions to defined benefit superannuation plans that provide defined benefit amounts for employees upon retirement. Under the plans, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels. The total plan assets include financial instruments issued by Qantas with a fair value of $8 million (2009: $6 million). Plan assets also include an investment in a trust which owns a 50 per cent interest in property occupied by the Qantas Group. The value of this investment is $16 million (2009: $28 million).

	Qantas Group	
Changes in the present value of defined benefit obligations	2010 $ millions	2009 $ millions
Opening defined benefit obligations	2,098	1,846
Current service cost	158	149
Interest cost	106	105
Actuarial losses	174	176
Exchange differences on foreign plans	(23)	8
Benefits paid	(303)	(186)
Closing defined benefits obligations	2,210	2,098

	Qantas Group	
Changes in the fair value of plan assets	2010 $ millions	2009 $ millions
Opening fair value of plan assets	1,944	2,142
Expected return	147	170
Actuarial gains/(losses)	36	(343)
Exchange differences on foreign plans	(16)	6
Contributions by employer	133	130
Contributions by plan participants	23	25
Benefits paid	(303)	(186)
Closing fair value of plan assets	1,964	1,944

	Qantas Group	
Major categories of plan assets as a percentage of total plan assets	2010 %	2009 %
Equity instruments (Australian and overseas)	55	55
Fixed interest and cash and indexed bonds (Australian and overseas)	20	20
Property	9	10
Alternative assets	16	15

Principal actuarial assumptions at balance date (expressed as weighted averages per annum)	Qantas Group 2010 %	Qantas Group 2009 %
Discount rate	5.3	5.7
Expected return on plan assets	7.4	7.6
Future salary increases	3.0	3.0

It is estimated that $108 million will be paid by Qantas to the defined benefit superannuation plans in the year ending 30 June 2011 (2010: $121 million).

(h) Guarantees

Guarantees provided or received for any related party receivables or payables have been disclosed in note 22.

25. Particulars in relation to controlled entities as at 30 June 2010

				Jetset Travelworld Group Ownership Interest	
Controlled entities	Note	ABN/ACN	Country of incorporation	2010 %	2009 %
Jetset Travelworld Limited	1, 2	60 091 214 998	Australia	N/A	N/A
ABN 23 124 732 136 Pty Limited	2	23 124 732 136	Australia	100	100
Business Select Pty Limited	3	115 334 855	Australia	100	100
Jetset Pty Limited	2	30 098 029 362	Australia	100	100
JTG Corporate Pty Limited	2	128 834 588	Australia	100	100
JTG Services Pty Limited	2, 4	85 124 719 508	Australia	100	100
JTG Travel Insurance Pty Limited	2, 5	59 105 702 136	Australia	100	100
National Cruise Centre Pty Limited	2, 6	86 135 179 485	Australia	100	100
National Ticket Centre Pty Limited	2	47 108 306 243	Australia	100	100
Orient Pacific Holidays Pty Limited	7	128 812 788	Australia	100	100
Qantas Business Travel Pty Limited	2	50 128 382 187	Australia	100	100
Qantas Holidays Limited	1, 2	24 003 836 459	Australia	100	100
Ready Travel Pty Limited	2, 8	72 139 386 520	Australia	100	-
Traveland Pty Limited	9	115 329 112	Australia	100	100
Travelworld Pty Limited	2	81 074 285 224	Australia	100	100

1. Jetset Travelworld Limited is the legal owner of the Group. However, under the applicable accounting standards, a reverse acquisition by Qantas Holidays Limited is deemed to have occurred on the merger of it with Jetset Travelworld Limited. Consequently, for accounting purposes, Qantas Holidays Limited is the parent entity of the Group.
2. Pursuant to ASIC Class Order 98/1418 (as amended), these controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Statements.
3. Business Select Pty Ltd changed its name from Traveland Group Pty Ltd on 16 September 2009.
4. JTG Services Pty Limited changed its name from Orient Pacific Holidays Pty Ltd on 16 September 2009.
5. JTG Travel Insurance Pty Ltd changed its name from Jetset Travelworld Insurance Pty Ltd on 13 July 2009.
6. National Cruise Centre Pty Ltd changed its name from JTG Services Pty Ltd on 16 September 2009.
7. Orient Pacific Holidays Pty Ltd changed its name from JTG Wholesale Pty Ltd on 16 September 2009.
8. Ready Travel Pty Ltd was incorporated on 10 September 2009.
9. Traveland Pty Ltd changed its name from Traveland Australia Pty Ltd on 16 September 2009.

26. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2010 the parent company of the Group was Jetset Travelworld Ltd.

	Company	
	2010 $'000	2009 $'000
Result of the parent entity		
Profit/(loss) for the period	(4,368)	33,242
Total comprehensive income for the period	(4,368)	33,242
Financial position of parent entity at year end		
Current assets	16,531	23,921
Non Current assets	237,190	237,090
Total assets	253,721	261,011
Current liabilities	6,154	1,172
Total liabilities	6,154	1,172
Total equity of the parent entity comprising of:		
Share capital	246,939	246,939
Retained earnings	628	12,900
Total Equity	247,567	259,839

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 27.

Parent entity tax liabilities in respect of its subsidiaries

The parent entity has entered into a tax funding agreement with the effect that the Company guarantees $1.332 million (2009: $0.936 million) of tax liabilities of other entities in the tax consolidated Group.

Parent entity commitments and contingencies

The parent entity has no contractual commitments and contingencies as at 30 June 2010.

27. Deed of cross guarantee

Pursuant to Class Order 98/1418, the entities identified in note 25 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial statements and directors' reports.

As a condition of the Class Order, Jetset Travelworld Limited, Travelworld Pty Limited and Jetset Pty Limited (Closed Group) entered into a Deed of Cross Guarantee on 25 May 2007. National Ticket Centre Pty Limited, Qantas Holidays Limited and Qantas Business Travel Pty Limited joined the Deed of Cross Guarantee on 28 November 2008. ABN 23 124 732 136 Pty Limited, JTG Corporate Pty Limited, JTG Services Pty Limited, JTG Travel Insurance Pty Limited, National Cruise Centre Pty Limited and Ready Travel Pty Limited were added to the Deed on 2 December 2009. The effect of the Deed is that Jetset Travelworld Limited has guaranteed to pay any deficiency in the event of the winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities which are party to the Deed have also given a similar guarantee in the event Jetset Travelworld Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee.

The consolidated income statement and statement of financial position have been prepared in accordance with the accounting policy note 3(a), comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee and is set out below.

(a) Closed group income statement for the year ended 30 June

	2010 $'000	2009 $'000
Profit before related income tax	14,507	23,552
Income tax expense	(5,774)	(7,974)
Profit after related income tax attributable to members of JTL	8,733	15,578
Retained earnings at the beginning of the year	22,917	21,672
Retained earnings of entities entering closed group during year	121	-
Reverse acquisition adjustments	-	6,788
Dividends recognised	(7,904)	(21,121)
Retained earnings at the end of year	23,867	22,917

(b) Closed group statement of financial position as at 30 June

	2010 $'000	2009 $'000
Assets		
Current assets		
Cash and cash equivalents	113,727	111,779
Trade and other Receivables	57,176	57,256
Other	18,330	17,603
Total current assets	189,233	186,638
Non-current assets		
Property, plant and equipment	1,104	1,454
Intangible assets and goodwill	168,241	173,556
Investments	-	150
Total non-current assets	169,345	175,160
Total assets	358,578	361,798
Liabilities		
Current liabilities		
Trade and other payables	73,712	85,198
Revenue received in advance	65,890	55,140
Provisions	2,791	4,463
Income tax payable	1,332	936
Total current liabilities	143,725	145,737
Non-current liabilities		
Provisions	823	2,036
Deferred tax liabilities	17,112	18,763
Total non-current liabilities	17,935	20,799
Total liabilities	161,660	166,536
Net assets	196,918	195,262
Equity		
Contributed equity	172,345	172,345
Other reserves	706	-
Retained earnings	23,867	22,917
Total equity	196,918	195,262

28. Business acquisitions

On 17 July 2008, the merger of JTL with QH and QBT was approved by shareholders of the Company at an Extraordinary General Meeting. Following the issue of shares to QH Tours Limited (a wholly owned subsidiary of Qantas), JTL has 219,552,976 shares on issue and QH Tours Limited holds voting power in JTL of 58%. Accordingly under the terms of the merger, JTL became:

- the legal parent entity of QH and QBT; and
- a subsidiary of Qantas.

Details of the net assets acquired by QH on 25 July 2008 are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Entities acquired		
Equity consideration		170,595
Less: fair value of net identifiable assets acquired		(67,597)
Goodwill		102,998
Net assets		
Cash	29,036	29,036
Trade and other receivables	20,285	20,285
Property, plant and equipment	2,078	2,078
Intangible assets	425	75,825
Deferred tax assets	1,355	1,355
Trade and other payables	(27,003)	(27,003)
Employee benefits	(342)	(342)
Other provisions	(115)	(115)
Deferred tax liabilities	(759)	(23,379)
Dividend payable	(10,143)	(10,143)
Net assets of JTL as at 25 July 2008	**14,817**	**67,597**
Goodwill acquired		102,998
Consideration paid, satisfied in equity		**170,595**

29. Events subsequent to balance date

With the exception of the items disclosed below, there has not arisen in the interval between 30 June 2010 and the date of this report, any event that would have had a material effect on the financial statements for the year ended 30 June 2010.

Final dividend

No final dividend was declared in relation to the year ended 30 June 2010 (2009: 2 cents)

Merger

On 6 September 2010 JTG shareholders approved the Merger with STS following advice from the ACCC on 1 September 2010 that it will not oppose the Merger.

The Merger is expected to complete on 30 September 2010. When the merger with STS is completed, fees of $4.0 million will be payable to certain advisors of the Group.

Directors' Declaration

In the opinion of the directors of Jetset Travelworld Limited (the Company):

(1) in the opinion of the directors:

(a) the consolidated financial statements and notes that are set out on pages 30 to 68 and the Remuneration report in the Directors' report set out on pages 16 to 23, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

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

(2) There are reasonable grounds to believe that the Company and the Group entities identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

(3) The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the year ended 30 June 2010.

(4) The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Tom Dery
Chairman
Jetset Travelworld Limited
Sydney, 15 September 2010

Independent Auditor's Report

to the members of Jetset Travelworld Limited

Report on the financial report

We have audited the accompanying financial report of the Jetset Group comprising Jetset Travelworld Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of the Jetset Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Jetset Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included on pages 16 to 23 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Jetset Travelworld Limited for the year ended 30 June 2010, complies with Section 300A of the Corporations Act 2001.

KPMG

Martin Sheppard
Partner
Sydney, 15 September 2010

ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 14 September 2010.

(a) Distribution of equity securities

The number of shareholders, by size of holding, are:

Shares range	Number of holders	Number of shares	%
1 -1,000	174	95,236	0.04
1,001 - 5,000	355	1,042,267	0.47
5,001 - 10,000	233	1,966,141	0.90
10,001 – 100,000	347	9,868,468	4.49
100,001 and over	47	206,580,864	94.10
Total	1,156	219,552,976	100.00

All issued ordinary shares carry one vote per share and carry the right to dividends.

(b) Twenty largest holders of quoted equity securities

The names of the 20 largest registered holders of quoted shares are:

Fully paid ordinary shares as at 14 September 2010		
Ordinary shareholders	Number of shares	%
QH Tours Limited	127,340,726	58.00
Sintack Pty Limited	54,193,165	24.68
HSBC Custody Nominees (Australia) Limited	4,695,240	2.14
Avanteos Investments Limited	4,565,603	2.08
Ethnic Publications Pty Limited	2,115,251	0.96
Tip Top Poultry (VIC) Pty Limited	1,900,944	0.87
Just Super Co Pty Limited	915,986	0.42
Mrs Lynette Joy Fahey	893,889	0.41
Zarn Nominees Pty Limited	865,782	0.39
Gwynvill Trading Pty Limited	600,000	0.27
Mr Leo and Mrs Helen Dimos	550,000	0.25
Melbourne Aged Care Pty Limited	538,681	0.25
Mrs Dana Andrea Rosenzweig	500,000	0.23
Vortex TV Pty Limited	500,000	0.23
Mr Severino and Mrs Anna Maria Pegoraro	352,148	0.16
Mr Brian Francis and Mrs Yvonne Beverley Peel	323,828	0.15
Mr James Edgar and Mrs Jocelyn Ann Everett	308,554	0.14
Parmelia Pty Limited	300,000	0.14
Golden Venture Pty Limited	282,560	0.13
Kimbry Pty Limited	262,500	0.12
	202,004,857	92.02

(c) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Substantial shareholder	Number of shares	%
QH Tours Limited	127,340,726	58.00
Chesters Nominees Pty Limited	55,367,051	25.22

(d) On-market buy-back

There is no current on-market buy-back.

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