
BOS PROSPECTUS UNSECURED NOTES

Flight Centre Limited (ACN 003 377 188)

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FLIGHT CENTRE LIMITED

(ACN 003 377 188)

(the Issuer)

Registered office: Level 2, 545 Queen Street, Brisbane

1. Introduction

This Prospectus is dated 15 June 2009 and was lodged with the Australian Securities and Investments Commission on that date. No Unsecured Notes will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Australian Securities and Investments Commission takes no responsibility for the contents of this Prospectus.

Attached to this document is a personalised application form for Unsecured Notes, incorporating the Special Conditions of Issue attaching to the Unsecured Notes. If you misplace the application form or the personalised information in the application form is incorrect, you should contact the Business Ownership Scheme Team by email at BOS_Australia@flightcentre.com or by fax on (07) 3170 7239, who will arrange to forward another or a corrected application form to you with another copy of this Prospectus.

Where this Prospectus and accompanying application form are distributed to you electronically rather than in paper form, the electronic versions contain the same information in the same sequence as the paper Prospectus and application form lodged with the ASIC (except for minor differences allowed by the ASIC). You may request a free paper copy of this Prospectus and accompanying application form by contacting the Business Ownership Scheme Team.

The securities to which this Prospectus relates will only be issued on receipt of a personalised application form issued together with this Prospectus. For these purposes, the application form can only be downloaded from software together with this Prospectus.

The offer pursuant to this Prospectus is only available to persons receiving it within Australia.

2. Information on issue of Unsecured Notes

This Prospectus is for the issue of Unsecured Notes to Flight Centre Group shop managers or other senior managers (or their nominees) as selected by the Issuer. The funds raised under this Prospectus will be used for working capital requirements of the Flight Centre Group. The Issuer does not intend to have the Unsecured Notes listed on the ASX or any other authorised securities exchange. Unsecured Notes issued under this Prospectus are unsecured securities which rank equally with all other unsecured creditors, after the interests of any secured creditors but before the interests of shareholders upon a winding up of the Issuer. The Directors believe that the Issuer will be able to repay amounts of principal and meet interest payments as they fall due.

Flight Centre Limited reserves the right not to accept any application or to satisfy it in part only.

Unsecured Notes are issued under the Trust Deed. The Trust Deed provides for Special Conditions of Issue to be attached to the Unsecured Notes.

Interest on the Unsecured Notes is payable by reference to the relevant shop or business unit profits, or, in the case of certain approved shop or business units, profit improvements of the business. Accordingly, there may be no interest payable if there are no such profits, or profit improvements. No particular level of interest return is promised or guaranteed by any person.

3. Overview of Special Conditions of Issue

The Special Conditions of Issue are set out in their entirety in the personalised application form. They include conditions such as:

3.1 Acquisition of Unsecured Note

Unsecured Notes are issued with respect to nominated business units being a particular shop, group of shops or other discrete business unit within the Flight Centre Group. The relevant business unit for you is specified in Schedule 2 of your personalised application form.

The Unsecured Noteholder must pay to the Issuer an amount equal to the face value of the Unsecured Note as specified in the Special Conditions of Issue. The Issuer will issue a certificate evidencing the ownership of the Unsecured Note by the Unsecured Noteholder. However, if an Unsecured Noteholder enters into a Funding Arrangement which requires the Company to hold the Unsecured Note in escrow, the Company may agree to hold the Unsecured Note certificate in escrow. If payment is not received by the Issuer within the required time, the holder of the Unsecured Note will be deemed not to have been issued the Unsecured Note and agreement for issue of the Unsecured Note will be voidable at the option of the Issuer.

3.2 Redemption of Unsecured Note

Redemption of any Unsecured Note for its face value occurs under the Special Conditions of Issue:

- upon termination of the employment of the relevant manager for any reason; or
- upon notice in writing from the holder requesting redemption or repayment of the Unsecured Note; or
- upon notice in writing from the Issuer advising that redemption or repayment of the Unsecured Note will occur on a certain date; or
- upon the 10th anniversary of the date of issue of the Unsecured Note.

If the relevant manager ceases to be involved in the day to day management of the business unit in respect of which the Unsecured Note is issued, the Issuer may:

- require the Unsecured Noteholder to redeem the Unsecured Note; or
- amend the Special Conditions of Issue to refer to another business unit; or

- where the relevant manager is managing another business unit, allow the Unsecured Noteholder to continue to hold the Unsecured Note, in respect of the business unit which the relevant manager has ceased to manage, under the following conditions:
 - (i) up to 20% (or such higher percentage to a maximum 35% as may be approved by the board of the Issuer) of management profit, or profit improvements, of the business unit which the relevant manager has ceased to manage may be paid out as interest distributions in relation to all Unsecured Notes attaching to that business unit;
 - (ii) the Unsecured Noteholder must not hold more than 3 Unsecured Notes at any time;
 - (iii) where a new manager of the business unit is appointed, any existing Unsecured Noteholder may then be required to redeem all or part of its Unsecured Note; and
 - (iv) where there is more than 1 Unsecured Noteholder in the business unit, the order of redemption will be, first made in time will be first redeemed or repaid.

Upon redemption, the principal value of, and any interest due under, the Unsecured Note is paid to the holder. However, if there is a Funding Arrangement in place, upon redemption, the Company will pay the face value of the Unsecured Note:

- where the Unsecured Noteholder has assigned all or part of the principal amount to the financier, to the financier to the extent of the assigned amount, with any balance to the Unsecured Noteholder; or
- to the Unsecured Noteholder,

(as the case requires) on account of any Moneys Owing upon the Unsecured Notes held by the Noteholder.

For the avoidance of doubt, where any of the grounds for redemption outlined in this Prospectus arises, the Company may redeem the Unsecured Note without first receiving redemption instructions from the Unsecured Noteholder.

3.3 Interest

The Special Condition of Issue dealing with Interest is condition 6.

The holder of an Unsecured Note is entitled to an interest distribution from the business unit in respect of the Unsecured Note by reference to a percentage of the management profits, or, in the case of certain nominated business units, profit improvements of the business unit, after accounting for the liabilities of or within that business unit. The applicable percentage rate(s) is (are) contained in Schedules 5 and 6 of the Special Conditions of Issue. A sliding scale of rates, rather than a fixed number, may be provided in Schedules 5 and 6 of the Special Conditions of Issue.

Unless approved by the Issuer in accordance with the Special Conditions of Issue, no interest distribution will exceed 35% of the principal money in any twelve (12) month period other than by way of full or partial redemption.

For those businesses to which Schedule 5 of the Special Conditions of Issue applies, the period and financial criteria which are to be met in order for interest repayments to be made together with the details of how such interest payments will be calculated and made is set out in Schedule 5 of the Special Conditions of Issue and this will apply where there is profit or profit improvements of that business unit. Interest payments will be made no less frequently than quarterly, in arrears, so long as the Unsecured Note continues. No interest payments will be required in relation to the quarter in which the Unsecured Note is redeemed.

For those businesses to which Schedule 6 of the Special Conditions of Issue applies, the period and financial criteria which are to be met in order for interest payments to be made together with the details of how such interest payments will be calculated and made is set out in Schedule 6 of the Special Conditions of Issue and this will apply where there is profit or profit improvements of that business unit.

In the case of interest distributions to be made by reference to the management profits or profit improvements of the business unit, interest on the Unsecured Notes is only payable by reference to the relevant shop or business unit profits or profit improvements, after accounting for prior period losses of the business.

In these instances, a profit or profit improvement of the business unit for a given period includes a reduced loss position, or a return to profit position, for that period. Profit or loss, for a period shall be determined as the management profit or loss for the relevant period, after accounting for the liabilities of or within the business unit for that period.

3.4 Request for further funds from Unsecured Noteholder

The Issuer may determine from time to time that further funds are required by the business unit (refer to condition 9 of the Special Conditions of Issue). In that case, the Issuer may require the holder to advance that further amount which is calculated by multiplying the percentage set out in Schedule 5 of the Special Conditions of Issue by the total amount of the capital required by the business unit as determined by the Issuer. If the further amount is not paid to the Issuer, then the Unsecured Note will be redeemed and the holder will have no obligation to advance the additional amount. The holder has the choice as to whether to advance the further amount or to have the Unsecured Note redeemed.

The amount of any further advance does not bear interest and is repayable:

- when the Issuer determines that there is surplus cash in the relevant business unit; or
- by applying amounts otherwise payable as interest on the relevant Unsecured Note as a repayment in lieu of any entitlement to that amount of interest on the Unsecured Note. In this event the relevant amount of interest is not payable to the holder but the period for the calculation of cumulative profitability is restarted as if an entitlement to an interest distribution had accrued.

On redemption of the Unsecured Note any outstanding advances are forgiven by the holder so that the loan to the Issuer is extinguished and is no longer owing to the holder.

3.5 Other Special Conditions of Issue

The holder is prohibited from assigning, mortgaging or otherwise dealing with the Unsecured Note without the consent of the Issuer.

The holder is not entitled to voting rights, bonus shares, rights issues or other rights enjoyed by shareholders of the Issuer.

The manager of a business unit must notify the Issuer of any change in control of the legal entity which is registered as being the Unsecured Noteholder. In such a case the Issuer may require either:

- the Unsecured Note to be transferred to a legal entity of which the manager has effective control; or
- that the manager resume effective control of the legal entity registered as being the Unsecured Noteholder,

within 14 days of being required to do so.

If the manager does not comply with the Issuer's requirement, the Issuer may redeem the Unsecured Note immediately.

3.6 Funding Agreements

As indicated above, the Company has in place certain arrangements with a Financier to assist Unsecured Noteholders to fund the purchase of Unsecured Notes. The terms of those arrangements require the Company to (among other things) hold the Unsecured Note Certificate (that would otherwise be held by the Unsecured Noteholder) in escrow and to comply with a required direction by an Unsecured Noteholder to make any payments of Redemption Proceeds on the Unsecured Notes to the Financier.

Unsecured Noteholders who fund the purchase of any Unsecured Notes under a loan arrangement with the Financier (**Note Loan**) should read the Note Loan documentation carefully and if in doubt as to the effect of the Note Loan, consult their solicitor.

Under the terms of the Note Loan, Unsecured Noteholders must assign the payment of the Redemption Proceeds on an Unsecured Note to the Financier. The assignment of Moneys Owed is not by way of mortgage. The Unsecured Noteholder will give the Company an irrevocable direction to make such payments directly to the Financier. The Trust Deed acknowledges the Company's right to pay the Financier the Redemption Proceeds in respect of Unsecured Notes issued under a Note Loan.

Each Note Loan will typically have a term which ends if the Company's facility with the Financier (**BOS Facility**) expires or is terminated. Unsecured Noteholders who fund the purchase of Unsecured Notes with a Note Loan should consider the implications for them if the Company is unable to negotiate a replacement facility with the Financier, such that repayment of their Note Loans may be demanded by the Financier.

Unsecured Noteholders should note that the Trustee is in no way required to enquire into or make itself aware of the terms of the financing arrangements that may be entered into between prospective Unsecured Noteholders, the Issuer or any financier.

The Company receives a commission in connection with you entering into a Note Loan. The commission is equal to the aggregate amount that the interest paid to the Financier under all Note Loans during a quarter exceeds the amount of interest that would have been

paid during that same quarter if the interest rate payable on the Note Loans was the Reserve Bank of Australia cash rate plus 2.75%.

If you want more information about the Note Loan, you should contact the Company's Business Ownership Scheme Team by email at BOS_Australia@flightcentre.com or by fax on (07) 3170 7239.

4. Disclosures Relating to ASIC Regulatory Guide 69

On 29 August 2008 ASIC updated Regulatory Guide 69 entitled 'Debentures – improving disclosure for retail investors' (**Regulatory Guide**). The Regulatory Guide was released to help investors understand the risks, assess the rewards being offered and decide whether a particular debenture investment is suitable for them.

In order to comply with the Regulatory Guide, the Issuer is required to report against certain benchmarks which are set out in the Regulatory Guide, in its Prospectus. Those benchmarks and the relevant disclosures in relation to the Issuer's business are set out in the table below.

Criteria Met	Further disclosures and if criteria not met, why not?
Benchmark 1: Equity Capital	
Debenture issuers (other than property developers) should maintain a minimum of 8% equity	
Yes	At 31 March 2009, the Issuer had an equity ratio of 31.97%.
Benchmark 2: Liquidity	
Debenture issuers should have cash flow estimates for the next 3 months and ensure that at all times they have on hand cash or cash equivalents sufficient to meet their projected cash needs over the next three months.	
Yes	The Issuer has funds available to meet the projected cash needs in relation to the Unsecured Notes over the next three months. Due to the long term nature of the Unsecured Notes (each having a term of up to 10 years) the Issuer does not have regular or large liabilities that arise as a result of the Unsecured Notes. For the calendar years 2007 and 2008, no Unsecured Notes reached their maturity date. No Unsecured Notes will reach their maturity in the 3 months following the date of this Prospectus. Additionally, as the return on each Unsecured Note is commensurate with and paid from the profits of the particular Business Unit to which the Note is linked, funds are readily available (from the revenues generated from the Noteholder's Business Unit) if redemption does occur. The Unsecured Notes are, as the names suggests, not secured and consequently the Redemption Proceeds owing to any Noteholder at any given time will rank behind all secured

	liabilities equally with all unsecured creditors.
Benchmark 3: Rollovers	
Issuers should disclose their approach to rollovers, including whether the 'default' is that debenture investments with them are automatically rolled over.	
Yes	Each unsecured note is issued for a period of 10 years unless: - the relevant manager's employment is terminated for any reason; or - a Noteholder requests redemption or repayment of the Unsecured Note in writing; or - the Issuer notifies the Noteholder that redemption or repayment of the Unsecured Note will occur on a certain date. If none of the above events occur within 10 years the Unsecured Note is redeemed.
Benchmark 4: Credit ratings	
Issuers should have their debentures rated for credit risk by a recognised agency.	
No	The Unsecured Notes are not rated as to credit risk. The reasons that the Unsecured Notes are not rated for credit risk are: - the terms of the issue of the Unsecured Notes are unique; and - Flight Centre's size relative to the total face value of Unsecured Notes on issue. The return on each Unsecured Note is dependant on matters not only within the direct control of the Issuer, but within the control of the Noteholder i.e. the return on each Unsecured Note is dependant upon the profit or improved loss position of the business unit to which the Noteholder is allocated. The operation of the business ownership scheme and the terms of the Unsecured Notes are quite unique when compared to other debentures within the industry. A key rationale of the Unsecured Note program is to provide an incentive to employees (rather than raise funds). Additionally, Flight Centre is an ASX listed entity with a market capitalisation as at 31 March 2009 of over \$530 million producing revenues of \$1.45 billion in the last financial year (revenues of \$874.6 million in the 6 months ending 31 December 2008). Given the matters set out above, Flight Centre does not believe that assessment by a credit rating agency is necessary.

	The directors believe that for a company of the size of Flight Centre, the cost of obtaining and maintaining such a credit rating exceeds the benefit to investors.
Benchmark 5: Loan portfolio	
The Issuer is not required to report against this criteria as it does not loan money.	
Benchmark 6: Related party transactions	
The Issuer is not required to report against this criteria as it does not loan money to related parties.	
Benchmark 7: Valuations	
The Issuer is not required to report against this criteria as it does not loan money for property related activities.	
Benchmark 8: Lending principles – loan to valuation ratios	
The Issuer is not required to report against this criteria as it does not loan money for property related activities.	

5. Trust Deed

The Unsecured Notes are issued pursuant to and subject to the terms and conditions of the Trust Deed including the general conditions found in Schedule 1 of the Trust Deed and the special conditions in Schedule 3 of the Trust Deed (in the latter case as set out in the Unsecured Note agreement which forms part of the application form). The Issuer entered into the Trust Deed with the Trustee on 12 December 1997. The key provisions of the Trust Deed are described below.

5.1 Covenants by the Issuer

The Issuer has covenanted to use its best endeavours to carry on and conduct its business in a proper and efficient manner, to make available accounting or other records of the Issuer to the Trustee, to give or cause to be given to the Trustee such information as the Trustee requires with respect to all matters relating to the accounting and other records of the Issuer, to duly comply with all applicable requirements of the Corporations Act applicable to it and to do certain other things which are usual in a Trust Deed of this nature.

5.2 Events of default

The principal and distributions from time to time payable on the Unsecured Notes will, at the option of the Trustee, become due and be payable in cash immediately upon the occurrence of certain events of default. The events of default include, but are not limited to, the following:

- the Issuer defaults in repayment or redemption of an Unsecured Note within 30 days after payment becomes due in accordance with the Special Conditions of Issue;
- the Issuer does not pay any other money owing which becomes due and payable by the Issuer pursuant to the Trust Deed within 30 days after it becomes due for payment;

- default is made by the Issuer in the performance or observance of any covenant, condition or provision under the Trust Deed and, where such default is capable of remedy, such default is not remedied within 30 days;
- an order is made, or a resolution is passed, for the winding up of the Issuer; and
- other events relating to insolvency, external administration, compromise with creditors and ceasing to carry on, or disposing of, the Issuer's business.

5.3 Trustee's powers

The Trustee may exercise certain powers in the interests of the Unsecured Noteholders. These powers may include, but are not limited to, the following:

- Waive any breach or non-compliance by the Issuer under the Trust Deed;
- Delegate its powers or discretions;
- Apply to the court for directions in relation to any questions arising either before or after the Unsecured Notes become repayable;
- Convene a meeting of Unsecured Noteholders; and
- Represent the Unsecured Noteholders generally in any investigation, negotiation, demand, action, transaction or proceeding and in so doing have an absolute discretion to act or to refrain from acting as it thinks fit.

Subject to the Corporations Act, the Trustee has absolute and uncontrolled discretion as to the exercise of all its powers, authorities and discretions and in the absence of fraud, wilful default or breach of trust, on the part of the Trustee, the Trustee will not be responsible for any loss, costs, damage or inconvenience that may result from the exercise or non-exercise of such powers, authorities or discretions.

5.4 Trustee may determine disputes

The Trustee may as between itself and the Unsecured Noteholders determine all questions and matters of doubt arising in relation to any of the covenants, provisions and obligations of the Trust Deed.

5.5 Alterations to Trust Deed

The Trustee and the Issuer may by deed make any alteration, modification or addition to the Trust Deed if (in the opinion of the Trustee) such alteration: is made to correct a manifest error or is of a formal or technical nature only; is necessary or expedient for the purpose of enabling the Issuer to continue to be listed for quotation with the ASX or to comply with the provisions of any statute; is required by or in consequence of any amendment to the Corporations Act and is not prejudicial to the interests of Unsecured Noteholders; is considered by the Trustee not to be or to be likely to become prejudicial to the interests of the Unsecured Noteholders; is approved or sanctioned by special resolution of the Unsecured Noteholders; is necessary or expedient to enable the Issuer to claim any deduction or rebate for income tax purposes in respect of the interest payable on any Unsecured Note; or is necessary or expedient for the purpose of facilitating the issue of Unsecured Notes and would not prejudice the rights of existing Unsecured Noteholders.

Otherwise the Trust Deed may be altered or modified with the approval of a special resolution of Unsecured Noteholders.

5.6 Redemption

The Issuer may terminate any particular Unsecured Noteholder's Unsecured Note Agreement and redeem the Unsecured Note related to that Unsecured Note Agreement at any time upon the provision of at least 14 days notice to the Unsecured Noteholders and the Trustee.

5.7 General conditions applying to Unsecured Notes

Schedule 1 of the Trust Deed sets out the general conditions applying to the Unsecured Notes including the following:

- where the Unsecured Noteholder holds the Unsecured Note Certificate, the surrender to the Issuer of the Unsecured Note certificate is a condition precedent to the right of an Unsecured Noteholder to receive payment of the principal. There is a mechanism provided for the re-issue of worn out, defaced, lost or destroyed certificates; and
- subject to the Special Conditions of Issue and the Corporations Act, Unsecured Noteholders are entitled to transfer the whole or part of any part of their Unsecured Notes by an instrument in writing in the usual common form or any form which the Issuer and the Trustee approve. No transfer of any Unsecured Notes will be registered in favour of a person who is, amongst other things, not otherwise a person who may make a loan to the Issuer under the Trust Deed. Every instrument of transfer duly stamped (if required) must be delivered to the Issuer for registration accompanied by the relevant Unsecured Note certificate and such other evidence as the Issuer requires to prove the title of the transferor.

5.8 Unsecured Note agreement

The special conditions of the Unsecured Notes (the Special Conditions of Issue) are contained in the Unsecured Note agreement (a specimen of which is set out in Schedule 3 to the Trust Deed) and have been discussed in section 3 of this Prospectus. The Unsecured Note agreement forms part of the application form.

5.9 Trustee indemnity

The Issuer has indemnified the Trustee against all costs and expenses of acting as trustee, and in particular of enforcing performance of the provisions of the Trust Deed.

Under clause 13 of the Trust Deed, the Trustee generally is only liable to Unsecured Noteholders for fraud, wilful default or breach of trust arising from the Trustee or its employees, servants or agents failing to show the degree of care and diligence required of it as Trustee or agent having regard to their powers, authorities and discretions. Clause 13 of the Trust Deed sets out other limitations on the Trustee's liability to Unsecured Noteholders.

5.10 Copy of Trust Deed

The Trust Deed has been lodged with the ASIC and is available for inspection during usual business hours at the registered office of Flight Centre Limited at Level 2, 545 Queen Street, Brisbane. A copy will be provided to you free of charge on request made to the Company Secretary.

5.11 Trustee's role

The Trustee is a wholly owned subsidiary of Australian Wealth Management Limited listed on the ASX. The Trustee has obligations and duties under the Trust Deed and the Corporations Act. The Trustee has agreed to undertake those obligations and perform those duties. Neither the Trustee nor any of its directors or officers guarantee performance by the Issuer of its obligations under the Trust Deed or the conditions of the Unsecured Notes.

The Trustee has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus. The Trustee does not make any representations as to the truth or accuracy of the contents of this Prospectus other than the parts which refer directly to the Trustee. The Trustee does not make any representation regarding or accepting any responsibility for any statements or omissions in or from any other parts of this Prospectus.

The Trustee is not involved in the promotion of the issue of the Unsecured Notes and gives no express or implied recommendation or other statement in respect of the issue of the Unsecured Notes or as to whether or not the Unsecured Notes are a suitable investment for any person.

Australian Executor Trustees Limited acting as trustee under the Trust Deed is not to be read or construed as an endorsement of the Unsecured Notes or any investment represented by the Unsecured Notes. Each applicant for an Unsecured Note must:

- make their own assessment as to whether or not an investment in the Unsecured Notes is a suitable form of investment for them having regard to their personal, financial, taxation and other relevant circumstances and taking into account any other proposed terms and conditions of the Unsecured Note;
- seek their own financial, taxation and other relevant advice in determining whether or not to make an investment in the Unsecured Notes taking into account any other proposed terms and conditions of the Unsecured Note; and
- make their own decision whether or not to invest in Unsecured Notes taking into account any other proposed terms and conditions of the Unsecured Note and without reliance on any recommendation, statement, opinion, forecast or other representation (whether positive or by omission) by or on behalf of the Trustee.

Without limiting the advice an applicant may seek, applicants should be aware that they may have to contribute further funds if requested by the Issuer and that they may not be able to recover some or all of those further funds that they invest.

Other than the parts of this Prospectus that refer directly to the Trustee or to the provisions of the Trust Deed, the Trustee has relied upon Flight Centre Limited for the accuracy of the content of this Prospectus. The Trustee does not make any representations as to the performance of the issue, the maintenance of capital or any particular rate of return.

6. Information with respect to the Issuer

6.1 Full year ended 30 June 2008

The directors' report and audited financial statements for the financial year ending 30 June 2008 are set out in Attachment A.

6.2 Half year ended 31 December 2008

The directors' report and reviewed financial statements for the half year ended 31 December 2008 are set out in Attachment C.

6.3 Announcements to the ASX

The Issuer is required by the Listing Rules to inform the ASX of information concerning the Issuer that a reasonable person would expect to have a material effect on the price or value of the Issuer's securities.

There is no information which has not been released to the ASX which would otherwise be required to be released but for the confidentiality exceptions to ASX Listing Rule 3.1. The following is a summary of some of the major announcements made to the ASX since 30 June 2008:

- On 21 July 2008, Flight Centre Limited released its preliminary financial report for the year ended 30 June 2008;
- On 1 August 2008, Flight Centre Limited announced that it had formed a joint venture with specialist Melbourne-based global adventure operator Intrepid Travel;
- On 26 August 2008, Flight Centre Limited released its preliminary financial report, its summary of full year results (prior to formal audit sign-off) and its presentation of its full year results for the year ended 30 June 2008;
- On 1 September 2008, Flight Centre Limited announced that it had formalised its agreement with the 99 Bikes in relation to the proposed joint venture bicycle business with its wholesale cycle business, Advanced Traders Australia;
- On 2 September 2008, Flight Centre Limited released its full financial report for the year ended 30 June 2008;
- On 2 October 2008, Flight Centre Limited released its annual report to shareholders for the period ending 30 June 2008;
- On 3 November 2008, Flight Centre Limited released its Chairman's address to shareholders, its CEO's address to shareholders, its 2008 Annual General Meeting presentation and the results of the AGM; and
- On 19 December 2008, Flight Centre updated its result expectations for the first half of 2008/2009, ahead of the formal release of its half year accounts on 26 February 2009;
- On 24 February 2009, Flight Centre released its 2009 half year report and results, its summary of its 2009 half year results and its presentation of its 2009 half year results;
- On 4 March 2009, Flight Centre released its 2009 half year results presentation;
- On 26 March 2009, Flight Centre lodged a letter to shareholders which accompanied its interim dividend payment notification;
- On 7 April 2009, Flight Centre released a trading update for the 2008/2009 financial year; and
- On 7 May 2009 Flight Centre released a presentation by Graham Turner to the Macquarie Australia Conference.

7. Key risks

7.1 Overview

This section identifies the major risks associated with an investment in Unsecured Notes.

The Issuer's business is subject to risk factors, both specific to its business activities and of a general nature. Such risks could affect the future operating performance of the Issuer and, in turn, the Issuer's ability to perform its obligations under the Unsecured Notes. Accordingly, an investment in Unsecured Notes should be considered in light of relevant risks, as set out below.

Before deciding to invest in Unsecured Notes, you should:

- read the entire Prospectus;
- consider risk factors that could affect the financial performance of the Issuer;
- review these factors in light of your personal circumstances; and
- seek professional advice from your accountant, financial adviser, lawyer or other professional adviser before deciding whether to invest.

The risks identified in this Prospectus are not an exhaustive list of the risks faced by the Issuer. These factors and others not addressed in this Prospectus may materially affect the financial performance of the Issuer and its ability to repay Unsecured Notes issued under this Prospectus.

7.2 General economic conditions

The Issuer's operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. A prolonged deterioration in general economic conditions, including a decrease in consumer and business demand, would likely have a material adverse effect on the Issuer's business or financial condition (or both).

7.3 Currency risk

The Issuer operates internationally and is exposed to foreign exchange risk arising from currency exposures. The Issuer has measures in place to manage some of that exposure. However, notwithstanding those measures, the movement of foreign exchange rates could still have an adverse effect on the Issuer's operating and financial performance.

7.4 Taxation risks

A change to the current taxation regime in Australia or overseas, including changes in interpretation or application of the law by courts or taxation authorities, may affect the Issuer or the Unsecured Noteholders. Tax liabilities are the responsibility of each individual Unsecured Noteholder.

7.5 Decreased profits

Interest on the Unsecured Notes is calculated by reference to the relevant shop or business unit profits. Accordingly, an Unsecured Noteholder's return on the Unsecured Notes will be affected by anything which affects the profitability of the relevant shop or business unit. The Issuer does not promise or guarantee any particular return on the Unsecured Notes.

7.6 Tourism industry

The Issuer's operating and financial performance is dependent on the health of the tourism industry generally. A decline in the domestic and international tourism industry, whether as a result of a particular event (such as a terrorist attack or outbreak of SARS or other disease) or economic conditions (such as a decrease in consumer and business demand), would have a material adverse effect on the Issuer's operating and financial performance.

7.7 Regulatory risk

A variation in legislation and government policy may affect the Issuer and the business environment in which it operates. Legislative changes could directly and indirectly alter consumer demand for and consumer attitudes towards international or domestic travel.

7.8 Financial risk

The Issuer's ability to continue its current operations and effectively implement future business plans may depend on its ability to raise additional funds. There is no guarantee that equity or debt funding will be available to the Issuer on favourable terms or at all or that, when an existing facility expires or is otherwise terminated (e.g. due to an event of default), the Issuer will be able to refinance that debt facility on reasonable terms.

An inability to raise additional funds or refinance existing facilities may have a material adverse effect on the Issuer's operating and financial performance and its ability to repay Unsecured Noteholders.

7.9 Investment risks

The Issuer invests funds it receives in the course of conducting its business.

The value of those investments may rise or fall as a result of circumstances beyond the Issuer's control, including general economic conditions in Australia or overseas.

7.10 Growth strategy execution

The Issuer may not be able to execute effectively the strategies for its current and future acquired businesses. Planned growth through expansion of existing business could expose the Issuer to additional or unforeseen costs, which may strain financial or management resources.

7.11 Acquisition and investment risk

From time to time, the Issuer evaluates acquisition and divestment opportunities. Any past or future acquisitions or disposals would cause a change in the sources of the Issuer's earnings and result in variability of earnings over time. Integration of new businesses may be costly and occupy management's time.

7.12 Loss of key staff and staff turnover

The Issuer is dependent upon the experience of its Directors, key senior management and staff generally. The loss of any of key personnel (i.e. by death, total or permanent disablement or resignation), as well as high staff turnover could cause disruption to the conduct of the Issuer's business in the short term and negatively affect the Issuer's operating and financial performance.

8. Meaning of profit and profit improvements for purposes of Unsecured Notes

Profit, or loss, for a period shall be determined as the management profit or loss for the relevant period, after accounting for the liabilities of or within the business unit for that period. The accounting policies used in determining the management profit or loss are determined by the Finance Director or the Chief Financial Officer of the Issuer, but are consistent with the policies used for all business units in the Flight Centre Group. The Issuer will notify the Unsecured Noteholder of any major change in its accounting policies.

Profit of each business unit is calculated as if that business unit was a “stand alone” operation. The expense components used in determining profit are partly influenced by the manager of that business unit and partly by the Issuer.

Areas where the Issuer has significant influence are:

- the Issuer from time to time negotiates various deals with airlines, wholesalers, insurance brokers, reservation system providers and other related travel product providers and all business units have access to these deals;
- the Issuer determines half-yearly internal fees which are charged out to its business units for the following:
 - accounting and legal services;
 - payroll and banking;
 - advertising;
 - computer support;
 - shop fit out;
 - management fees for “Country” and global support;
 - conferences; and
 - training;
- salary related expenses:
 - the business unit is responsible for all statutory costs related to employment of persons in that business unit, including annual leave, long service leave, payroll tax and superannuation within the Issuer’s general policy from time to time and legal requirements; and
 - the business unit is responsible for paying employees as per the Issuer’s salary structure from time to time and legal requirements.

9. Additional Information

9.1 No costs and fees

Investors in Unsecured Notes pay no brokerage, stamp duty or other charges on lodgment of their investment. Any stamp duty on the application for or issue of the Unsecured Notes will be paid by the Issuer.

9.2 Interests of Directors

Other than as described below and in Attachment A, no Director and no firm in which a Director of the Issuer is a partner has any interests in the promotion or formation of, or any property proposed to be acquired by, the Issuer, nor have any amounts in cash or shares or otherwise been paid or been agreed to be paid to any Director of the Issuer (or to any firm of which he is a partner), to induce him to become or to qualify him as, a Director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Issuer.

At no time will any Director be offered, be issued with, or have any beneficial interest in Unsecured Notes that are, will be or have been issued pursuant to this Prospectus.

Directors are paid remuneration for their services as directors of the Issuer as set out in article 48 of the constitution of Flight Centre Limited and, in the case of executive directors, under service agreements. Executive directors of the Issuer may be issued Unsecured Notes in the future.

9.3 Warranty

The applicant warrants to the Issuer that any proposed Unsecured Noteholder which is a non-natural person (for example, a company, family trust or superannuation fund trustee of the applicant):

- has not contracted with Flight Centre to provide the management services (such as by being "*independent contractor*") to a Flight Centre business in Queensland; and
- is not engaged in the business of holding or dealing in debt securities.

9.4 Directors' statement

The Directors report that, after making due inquiry, since 31 December 2008 there have not been any circumstances that have materially affected or will materially affect the profitability or the value of the assets and liabilities of the Issuer or the Flight Centre Group, except as disclosed in this Prospectus (see particularly section 6.2).

9.5 Statutory information

Subject to the earlier provisions of this Prospectus, the Issuer will, within two months of accepting an application form, issue the investor with a certificate acknowledging the indebtedness of the Issuer for the face value of the Unsecured Note issued.

Each of PricewaterhouseCoopers and McCullough Robertson has given and not withdrawn its consent to being named in this Prospectus in the form and context in which it is named. Neither PricewaterhouseCoopers nor McCullough Robertson has authorised or caused the issue of this Prospectus and neither takes any responsibility for any part of this Prospectus. PricewaterhouseCoopers has also given and not withdrawn its consent to the issue of this Prospectus with the inclusion of its audit report on the financial statements for the year ended 30 June 2008 in Attachment A. To the fullest extent permitted by law, PricewaterhouseCoopers does not accept any responsibility for the consequences of any reliance on its audit report beyond that owed to whom the report was addressed at the date of its issue.

The Trustee has given and not withdrawn its consent to being named in this Prospectus as Trustee for Unsecured Noteholders in the form and context in which it is named. The Trustee is currently paid a fee of \$20,000 per annum for acting as trustee and receives the

benefit of the indemnity described above. This fee will increase to an amount equal to 0.02% of the face value of Unsecured Notes on issue if and when that amount exceeds \$20,000.

The Trustee's role in the preparation of this Prospectus has been limited to reviewing the Prospectus to ensure its contents are not inconsistent with the provisions of the Trust Deed. The Trustee has had no involvement in the preparation of any part of this Prospectus and expressly disclaims and takes no responsibility for any part of, and has not caused or authorised the issue of, this Prospectus.

10. Personalised application forms and instructions

Accompanying this Prospectus is your personalised application form. Applicants should complete all relevant sections on the application form provided, sign and return it to the registered office of Flight Centre Limited. Applications should be made only on the application form accompanying the Prospectus. Photocopies of this application form will not be accepted. Multiples of A\$1 will be accepted over the minimum investment (the minimum investment is A\$10,000 for Team Leaders and A\$20,000 for Area Leaders). The percentage and the relevant shop (or other business unit) in respect of which interest calculations will be made under conditions 6, 7 and 8 of the Special Conditions of Issue are nominated in the personalised application form. Where payment is made by cheque, it must be in Australian currency (drawn on an Australian bank) and made payable to "Flight Centre Limited", crossed not negotiable and attached securely to the front of the application form.

An applicant may, with the prior approval of the Issuer, nominate in writing a legal entity over which the applicant has effective control to be the holder of the Unsecured Note. This nomination may be made by inserting the name of the approved holder in the space indicated on the application form. The application form requests applicants or approved holders to complete a postal address for all correspondence. All communications to the holder from the Issuer or the Trustee will be mailed to the address as shown. Applicants should also include their telephone number, area code and contact name to assist the Issuer or the Trustee in the event that they need to contact the applicant in relation to their application. For advice on investing in these Unsecured Notes, applicants should consult their independent financial adviser. Applicants should also enter their Australian tax file number or exemption category in the box provided. Collection of tax file numbers is authorised by taxation law. Quotation of tax file numbers is not compulsory and will not affect this application.

Applicants should obtain their own advice regarding the taxation impacts of holding Unsecured Notes. None of Flight Centre Limited, the Directors or other members of the Flight Centre Group or the Trustee, or any member of the Trust Group, takes any responsibility for advising investors as to their tax position or the taxation impacts of holding Unsecured Notes.

By signing the application form, applicants will be signing a document which will be legally binding on them on acceptance by the Issuer in accordance with the terms of the Trust Deed (and in particular the Special Conditions of Issue set out in the application form) and this Prospectus.

The following information will be set out in each personalised application form:

- the name of the applicant (Item A and Schedule 3);
- the name of any other person previously approved by the Issuer to hold the relevant Unsecured Note (Item B);
- the name of the relevant shop/ business unit to which the Unsecured Note will relate (Item C and Schedule 2);
- the face value of the Unsecured Note for which application is invited (being the principal amount of the Unsecured Note (Item D and Schedule 4);
- the percentage rate proposed by the Issuer for use in the calculation of interest (Item E and Schedules 5 and 6).

11. Glossary

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Ltd ACN 008 624 691;

Company Secretary means the secretary of the Issuer;

Directors means the directors of the Issuer;

Flight Centre Group means Flight Centre Limited and its controlled entities from time to time;

Funding Arrangement means an arrangement whereby a financier funds the issue of Unsecured Notes to an Unsecured Noteholder;

Issuer or **Company** means Flight Centre Limited (ACN 003 377 188);

Moneys Owning has the meaning given to that term in the Trust Deed;

Prospectus means this prospectus dated 15 June 2009;

Redemption Proceeds means the principal money together with any distributions then due and payable in respect of an Unsecured Note.

Special Conditions of Issue means the special conditions being schedule 3 to the Trust Deed, as modified by this Prospectus, which modified version is set out in full in the personalised application form with this Prospectus;

Trust Deed means the Unsecured Note Deed between Permanent Nominees (Aust.) Limited ACN 000 154 441 (**Permanent**) and the Issuer dated 12 December 1997, as amended by the amendments noted in the Deed of Confirmation between Permanent and the Issuer dated 19 June 2003, the Deed of Amendment between Permanent and the Issuer dated 5 April 2004, the Deed of Amendment between Permanent and the Issuer dated 2 August 2005, the Deed of Appointment and Retirement between Permanent, the Trustee and the Issuer dated 21 December 2007 and the Deed of Amendment between the Trustee and Issuer dated 21 December 2007;

Trustee means Australian Executor Trustees Limited (ACN 007 869 794) appointed as trustee for the Unsecured Noteholders pursuant to the Trust Deed;

Unsecured Noteholder has the meaning set out in the Trust Deed; and

Unsecured Notes means the unsecured debt securities issued by the Issuer pursuant to this Prospectus under the Trust Deed.

12. Corporate directory

Directors

G F Turner (Managing Director)

P F Barrow (Non-executive Director)

G Smith (Non-executive Director)

P Morahan (Non-executive Director)

Company secretaries

S Kennedy

D Smith

Registered Office

Level 2, 545 Queen Street:

BRISBANE QLD 4000

Share Registrar

Computershare Investor Services Pty Limited

Level 19, 307 Queen Street

BRISBANE QLD 4000

Auditors

PricewaterhouseCoopers

Level 15, Riverside Centre

123 Eagle Street

BRISBANE QLD 4000

Solicitors

McCullough Robertson Lawyers

Level 11, Central Plaza Two

66 Eagle Street

BRISBANE QLD 4000

Trustee

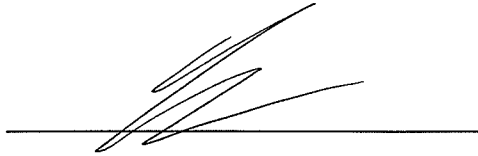
Australian Executor Trustees Limited

Level 22, 207 Kent Street

SYDNEY NSW 2000

Signature

This Prospectus is signed on behalf of Flight Centre Limited by Graham Turner who is authorised by the Board of Directors to sign the Prospectus.



Graham Turner
Managing Director

Attachment A

Annual Financial Report and Directors' Report for the Year Ended 30 June 2008

ABN 25 003 377 188

FLIGHT CENTRE LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

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

Flight Centre Limited
Level 12, 316 Adelaide Street
BRISBANE QLD 4000

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

The financial report was authorised for issue by the directors on 2 September 2008. The company has the power to amend and reissue the financial report.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

The following persons were directors of Flight Centre Limited during the financial year ended 30 June 2008:

G.F. Turner
P.F. Barrow
B.R. Brown (resigned 6 November 2007)
H.L. Stack (resigned 2 November 2007)
P.R. Morahan (appointed 2 November 2007)
G.W. Smith (appointed 2 November 2007)
G.L. Harris (alternate for G.F. Turner and P.F. Barrow) until resignation on 31 January 2008

Principal activities

During the year, the principal continuing activities consisted of the selling of international and domestic travel. There were no significant changes in the nature of the activities of the group during the year.

Dividends - Flight Centre Limited

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

	2008	2007
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2007 of 46 cents (2006 - 32 cents) per fully paid share paid on 12 October 2007, fully franked	43,628	30,231
Interim ordinary dividend for the year ended 30 June 2008 of 37.5 cents (2007 - 20 cents) per fully paid share paid on 28 March 2008, fully franked	37,353	18,894
	<u>80,981</u>	<u>49,125</u>

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$48,310,271 (48.5 cents per fully paid share) to be paid on 10 October 2008 out of retained profits at 30 June 2008.

Review of operations and significant changes in the state of affairs

A review of the company and its controlled entities and the results of those operations for the year are contained in the Appendix 4E released 26 August 2008.

Matters subsequent to the end of the financial year

On 1 August 2008, Flight Centre Limited formed an adventure travel joint venture with specialist Melbourne-based operator Intrepid. The joint venture will see Flight Centre and Intrepid work together to develop and expand a chain of specialist adventure travel retail stores to capitalise on growing interest in the sector. To secure its 50% holding in the venture, Flight Centre invested \$2.4million.

On 31 August 2008, Flight Centre Limited (FLT) formalised its agreement with the Turner family in relation to a proposed joint venture cycling business. The agreement, which was foreshadowed during 2007/08, will see FLT transfer its wholesale cycle business, Advance Traders Australia (ATA), to the joint venture. 99 Bikes, which is partly owned by Graham Turner's family company, will transfer its Brisbane-based chain of bike shops to the joint venture. The Turner family will make an additional cash contribution to secure a 50% holding in the new joint venture. The contribution will be determined following an independent valuation of 99 Bikes' and ATA's stock at 31 August 2008. The transaction was conducted at arm's length and with independent valuations and legal advice.

No other circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulations

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

Information on directors

Particulars of directors' interests
in shares and options of:

Director	Experience	Special responsibilities	Flight Centre Limited	
			Ordinary shares	Options
P.R. Morahan Age: 47	Executive chairman of investment company that owns Moreton Hire, Member of Australian Institute of Company Directors and the Australian Institute of Management.	Independent non-executive chairman Remuneration committee member Audit committee member	3,212	-
G.F. Turner BVSc Age: 59	Founding Flight Centre Limited director with significant experience in running retail travel business in Australia, New Zealand, USA, UK, South Africa and Canada.	Managing director Remuneration committee member	15,729,535	-
P.F. Barrow FCA/FAICD Age: 57	Flight Centre Limited director since 1995. Director of Oaks Hotels and Resorts Limited, Mosaic Oil NL and Cluff Resources Pacific NL. Senior partner of chartered accounting firm MBT. More than 25 years' experience with retail travel companies.	Independent non-executive director Audit committee chairman Remuneration committee member	25,000	-
G.W. Smith BCom, CA, FAICD Age: 48	Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered accountant, Queensland Tourism Industry Council board member.	Independent non-executive director Remuneration committee chairman Audit committee member	5,000	-

Company secretary

The company secretary is Mr. D. Smith B.Com, LL.B. Mr. Smith has worked for Flight Centre for six years and initially served as the company's general counsel, before heading Flight Centre's mergers and acquisition business. He was appointed on 31 January 2006. Mr. G. Pringle was the company secretary until 25 January 2008. The interim company secretary from 25 January 2008 to 31 January 2008 was Mr. S. Kennedy B.Bus, ACIS. Mr. S. Kennedy remains a registered co-company secretary of Flight Centre Limited and its Australian subsidiaries. Mr. Kennedy has worked for Flight Centre for 12 years in various finance roles before moving into the role of Assistant Company Secretary four years ago.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit	Remuneration	A	B
G.F. Turner	10	13	*	*	1	1
P.F. Barrow	13	13	4	4	1	1
P.R. Morahan (appointed 2 November 2007)	11	11	3	3	1	1
G.W. Smith (appointed 2 November 2007)	11	11	3	3	1	1
H.L. Stack (resigned 2 November 2007)	2	2	1	1	*	*
B.R. Brown (resigned 6 November 2007)	2	2	1	1	*	*
G.L. Harris (alternative director - resigned 31 January 2008)	2	2	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

Remuneration report

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

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

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

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

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. Underpinning this framework is the core philosophy of "ownership by our people", which allows employees to invest in their own success. The framework aligns executive reward with achievement of strategic objectives and the creation of shareholder value, and conforms with market practice for reward delivery. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The group has structured an executive remuneration framework that is market competitive and complementary to the organisation's reward strategy.

Alignment to shareholders' interests:

- has profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and share price growth and delivering constant return on assets, as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Remuneration report (continued)

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

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on this committee's role.

Non-executive directors

Non-executive directors' fees and payments reflect the position's demands and responsibilities and are reviewed annually by the Board. The chairman's fees are determined independently from the fees of non-executive directors. The chairman is not present at any discussions relating to determination of his own remuneration. Directors have elected not to participate in the Flight Centre Limited Employee Option Plan and are not eligible to participate in the Flight Centre Limited Employee Share Plan.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for shareholder approval. The maximum currently stands at \$400,000 per annum, as approved by shareholders on 31 October 2003.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
 - short-term performance incentives
 - other incentives through participation in Business Ownership Scheme (BOS) program, Flight Centre Limited Employee Option Plan, Senior Executives Option Plan and Employee Share Plan, and
 - other remuneration such as superannuation contributions
- The combination of these comprises the executive's total remuneration.

Base pay

Executives are offered a guaranteed base pay element by the remuneration committee. In keeping with Flight Centre's philosophy of "what gets rewarded gets done", an executive's pay is heavily weighted towards short-term incentives.

Superannuation

Contributions are paid to a defined contribution superannuation fund sponsored by Flight Centre Limited. Payments are made in accordance with relevant government legislation.

Short-term incentives

Executives become entitled to short-term incentives if the company achieves a predetermined profit target or outcome-based key performance indicators (KPIs) or they achieve a prescribed profit within their divisions. The remuneration committee sets annual profit targets and incentives are payable monthly. Using a profit target ensures a variable award is only available when value has been created for shareholders and when returns are consistent with the business plan.

Each executive's short-term incentive target is reviewed frequently each year to ensure that targets are aligned to group and company strategic goals and that the appropriate compensation is achieved.

The remuneration committee is responsible for assessing whether the KPIs are met. To help make this assessment, the committee receives detailed reports on performance from management.

BOS Interest

An integral part of an executive's position is the opportunity to participate in the Business Ownership Scheme (BOS) unsecured note program.

The BOS program enables invited staff to invest directly in the operations of their division. Under this program, an executive makes a cash investment to participate in the growth in profits of his or her business area as the receipt of an interest return on investment. The executive is exposed to the risks of his or her business, as neither Flight Centre Limited nor any of its group companies guarantees returns.

Share-based compensation

Share-based compensation is made available through the Flight Centre Limited Employee Option Plan, Senior Executive Option Plan and Employee Share Plan.

At the Board's discretion, certain executives have been granted share options under the rules of the Senior Executive Option Plan, as established in March 2006. Options are not vested unless profit performance conditions are met. The maximum options available for each executive is limited to 20,000 for the 2007 and 2008 years.

Directors have not received any options during the year.

Remuneration report (continued)

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

Executives are eligible to participate in the Employee Share Plan, in line with conditions for all staff generally. The company believes it is important for its people to see the business they run as their business and, accordingly, offers the plan to provide staff with the opportunity to take ownership by investing in Flight Centre Limited shares. Details of the plan are contained in note 41.

Directors are not eligible to participate in the Employee Share Plan.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year ending 30 June 2008 are set out in the following tables.

The key management personnel of Flight Centre Limited and the group includes the directors as per page 1 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

Group

- G. Dixon - Executive General Manager - North America
- C. Galanty - Executive General Manager - UK
- S. Garrett - Executive General Manager - Southern Hemisphere Retail (Australia, NZ and RSA)
- A. Grigson - Executive General Manager - Global Corporate
- S. O'Brien - Chief Financial Officer

Parent Entity

- S. Garrett - Executive General Manager - Southern Hemisphere Retail (Australia, NZ and RSA)
- A. Grigson - Executive General Manager - Global Corporate
- S. O'Brien - Chief Financial Officer

Details of the nature and amount of each element of the remuneration of each director of Flight Centre Limited and each of the five officers of the company and the consolidated entity consisting of Flight Centre Limited and the entities it controlled receiving the highest emoluments for the year ended 30 June 2008 as required by the Corporations Act 2001, and key management personnel of the consolidated entity, are set out in the following tables.

Key management personnel and other executives of the group

2008	Name	Short-term employee benefits				Post-employment benefits		Long-term benefits	Share-based payments
		Cash salary and fees \$	Incentive \$	BOS interest \$	Superannuation \$	Termination benefits \$	Long service leave \$		
	Non-executive directors								
	P.R. Morahan (appointed 2 November 2007)	91,743	-	-	8,257	-	-	-	100,000
	G.W. Smith (appointed 2 November 2007)	61,162	-	-	5,505	-	-	-	66,667
	P.F. Barrow	90,000	-	-	-	-	-	-	90,000
	H.L. Slack (resigned 2 November 2007)	29,659	-	-	2,899	-	-	-	32,328
	B.R. Brown (resigned 6 November 2007)	43,295	-	-	3,897	-	-	-	47,192
	Sub-total non-executive directors	315,859	-	-	20,328	-	-	-	336,187
	Executive directors								
	G.F. Turner	-	30,142	-	-	-	-	-	30,142
	Other key management personnel								
	G. Dixon ^A	176,296	239,558	181,172	4,419	-	-	-	601,445

Remuneration report (continued)									
B Details of remuneration (audited) (continued)									
Amounts of remuneration (continued)									
	2008	2007	2006	2005	2004	2003	2002	2001	2000
C. Galanti	288,037	480,783	-	36,623	-	1,894	7,269	792,712	-
S. Garrett	144,244	446,193	-	51,350	-	11,592	7,269	650,950	-
A. Grigson	142,202	355,954	701,358	42,526	-	28,426	7,269	1,260,901	-
S. O'Brien	142,202	673,759	354,834	51,248	-	-	-	1,255,738	-
Total key management personnel compensation	1,188,840	2,226,389	1,237,364	206,494	-	39,912	23,076	4,328,075	-
Other group executives	102,868	300,513	-	40,498	-	9,451	-	453,135	-
D. Smith	-	-	-	-	-	-	-	-	-

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

** Long service leave includes amounts accrued during the year.

^ Denotes one of the 5 highest paid executives of the group, as required to be disclosed under the Corporations Act 2007.
~ Denotes key management personnel and one of the 5 highest paid executives of the parent entity, as required to be disclosed under the Corporations Act 2007.

Denotes one of the 5 highest paid executives of the parent, as required to be disclosed under the Corporations Act 2001.

Key management personnel and other executives of the group

2007	Name	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments
		Cash salary and fees \$	Incentive \$	BOS Interest \$	Super-annuation \$	Termination Benefits \$		
	Non-executive directors							
	P F Barrow	90,068	-	-	-	-	-	90,068
	H L Slack	87,000	-	-	7,830	-	-	94,830
	B R Brown	126,999	-	-	11,430	-	-	138,429
	Sub-total non-executive directors	304,067	-	-	19,260	-	-	323,327
	Executive directors							
	G F Turner	-	26,395	-	-	-	-	26,395
	Other key management personnel							
	M Aponas #	148,951	321,101	-	35,872	288,932	6,647	43,178
	D Burns #	38,801	35,085	-	4,527	-	-	367,445
	C Galani^	245,988	246,223	34,478	27,543	-	-	597,410
	S Garrett	148,952	266,293	-	14,320	-	1,557	474,300
	A Grigson^	129,800	202,915	420,039	18,415	-	24,504	838,851
	G Hogan #	139,834	363,948	-	37,010	-	2,330	586,300
	R Nath	137,998	8,796	-	8,305	-	-	155,099
	S O'Brien^	145,451	442,943	-	44,910	-	16,473	692,955
	A Slingsby^	112,365	358,535	-	-	-	87,635	601,713
	A Spence	421,756	-	-	36,898	54,890	-	458,654
	K Stanley #	38,313	27,519	-	5,852	-	-	169,752
	Total key management personnel compensation	2,012,376	2,299,753	454,517	252,912	343,822	139,146	5,847,950
	Other group executives	148,703	359,293	-	36,033	-	7,555	594,762
	G Pingle^*	-	-	-	-	-	-	-

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

** Long service leave includes amounts accrued during the year.

^ Denotes one of the 5 highest paid executives of the group, as required to be disclosed under the Corporations Act 2007.
~ Denotes executive considered one of the 5 highest paid executives in the prior year but no longer in the current year.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2008 %	2007 %	2008 %	2007 %	2008 %	2007 %

Remuneration report (continued)									
B Details of remuneration (audited) (continued)									
Amounts of remuneration (continued)									
	2008	2007	2006	2005	2004	2003	2002	2001	2000
P.F. Barrow	100	100	-	-	-	-	-	-	-
H.L. Stack	100	100	-	-	-	-	-	-	-
B.R. Brown	100	100	-	-	-	-	-	-	-
G.F. Turner	-	-	100	-	-	-	-	-	-
P.R. Morahan	100	-	-	-	-	-	-	-	-
G.W. Smith	100	-	-	-	-	-	-	-	-
Other key management personnel of group									
G. Dixon	29	41	71	52	1	1	7	7	7
C. Galanti	34	27	77	64	1	1	9	9	9
S. Garrett	22	16	88	79	1	1	5	5	5
A. Grigson	11	22	88	72	1	1	6	6	6
S. O'Brien	11	22	88	72	1	1	6	6	6

C Service agreements (audited)

There are no fixed term service agreements with any director or key management personnel of the consolidated entity. Remuneration of the key management personnel is reviewed annually by the remuneration committee. Standard contracts are in place for these employees. The packaged salary of the directors and key management personnel consists of fixed (retainer) and variable (incentive) components. Details of the amount of remuneration received for the year and the percentages of fixed versus variable remuneration components are disclosed in Part B of the remuneration report. Directors and key management personnel may terminate employment with the company in accordance with statutory notice periods.

D Share-based compensation (audited) - Options

Options are granted under the Flight Centre Limited Employee Option Plan (established in October 1987 and amended 31 October 2002) and the Senior Executive Option Plan (March 2006). Options are granted under the plan for no consideration. Options are exercisable over fully paid unissued ordinary shares of the company.

Challenging annual performance hurdles are set on grant date and options vest upon achieving those hurdles. The performance hurdles are generally two fold:

- The total group profit target to be met; and
- The respective business unit must either meet or improve upon a predetermined profit or budget target.

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

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
30 March 2006	50% on release of 2006 audited financial statements of the group to the market and 50% on release of 2007 audited financial statements of the group to the market and are granted at no consideration.	30 March 2011	\$10.66	\$1.96

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

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the week up to and including the date of grant.

Details of options over ordinary shares in the company provided as remuneration to each director of Flight Centre Limited and each of the key management personnel of the parent entity and the group are set out below. When exercisable, each option is convertible into one ordinary share of Flight Centre Limited. Further information on the options is set out in note 41 to the financial statements.

Remuneration report (continued)				
D Share-based compensation (audited) Options (continued)				
Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Key management personnel of the group				
M. Aponas *	-	-	-	10,000
C. Galanty	-	-	20,000	10,000
S. Garrett	-	-	20,000	10,000
A. Grigson	-	-	20,000	10,000
G. Hogan * (resigned 1 February 2008)	-	-	20,000	10,000
S. O'Brien	-	-	-	10,000
G. Pringle * (resigned 25 January 2008)	-	-	-	10,000
A. Slingsby * (resigned 15 August 2007)	-	-	-	10,000
K. Stanley * (resigned 1 September 2006)	-	-	-	10,000
D. White *	-	-	-	10,000

* M. Aponas, G. Hogan, G. Pringle, A. Slingsby, K. Stanley and D. White are not considered KMP for 2008.

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

The model inputs for options granted during the year ended 30 June 2006 included:

- (a) options are granted for no consideration; each tranche vests and is exercisable on the release of audited accounts for the years ended 30 June 2006 and 30 June 2007 respectively
- (b) exercise price: \$10.66
- (c) grant date: 30 March 2006
- (d) expiry date: 30 March 2011
- (e) share price at grant date: \$11.03
- (f) expected price volatility of the company's shares: 27.91%
- (g) expected dividend yield: 5.11%
- (h) risk-free interest rate: 5.25%

Shares provided on exercise of remuneration options

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

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2008	2007
Other key management personnel of the group			
C. Galanty	27 September 2007	30,000	-
S. Garrett	18 September 2007	30,000	-
S. O'Brien	12 September 2007	30,000	-
K. Stanley (resigned 1 September 2006)	11 December 2006	-	10,000

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

Exercise date	Amount paid per share
11 December 2006	\$10.66
12 September 2007	\$10.66
18 September 2007	\$10.66
27 September 2007	\$10.66

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

Remuneration report (continued)
D Share-based compensation (audited) - Options (continued)
Employee share scheme
Under the new Employee Share Plan, shares are now acquired on market by the Plan Trustee and allocated to the employee, rather than issued as new shares. No shares were granted under the Employee Share Plan during the year ended 30 June 2008.

E Additional information (audited)

Performance of Flight Centre Limited

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

Details of remuneration: cash bonuses and options

For each incentive and grant of options included in the tables on pages 8 - 10, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options vest over two years, provided the vesting conditions are met (see page 6). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Incentives			Options		
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest
C. Galanty	100	-	2006	75	25	2008
S. Garrett	100	-	2006	75	25	2008
A. Grigson	100	-	2006	75	25	2008
S. O'Brien	100	-	2006	75	25	2008

Share-based compensation: Options

Further details relating to options are set out below.

Name	Remuneration consisting of options	Value at grant date		Value at exercise date		Value at lapse date
		\$	%	\$	%	\$
C. Galanty	0.9%	-	-	58,800	-	-
S. Garrett	1.1%	-	-	58,800	-	-
A. Grigson	0.6%	-	-	-	-	-
S. O'Brien	0.6%	-	-	58,800	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Loans to directors and executives

There have been no loans entered into with directors and executives during the current reporting period and at 30 June 2008 no loans were in place.

Shares under option

The following is a summary of the unissued ordinary shares of Flight Centre Limited under option at 30 June 2008:

Shares under option (continued)

Date options granted	Expiry date	Issue price of shares	Number under option
14 July 2003	14 July 2008	\$22.46	7,200
30 March 2006	30 March 2011	\$10.66	30,000
			<u>37,200</u>

Insurance of officers

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or its controlled entities. The officers of the company covered by the insurance policy include all the directors, executive officers and the company secretaries. Disclosure of the premiums paid is prohibited by the insurance contract.

Proceedings on behalf of the company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in the financial statements in Note 31.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reason:

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

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Rounding of amounts

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

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



S. O'Brien
Acting CEO
BRISBANE
2 September 2008

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Auditor's Independence Declaration

As lead auditor for the audit of Flight Centre Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



R A Baker
Partner
PricewaterhouseCoopers
BRISBANE
2 September 2008

Flight Centre Limited Income Statement 30 June 2008

	Notes	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
Revenue from continuing operations					
Revenue from the sale of travel services	3	1,407,484	1,121,832	727,642	603,536
Other revenue	3	46,747	32,060	51,717	70,415
Total for revenue from continuing operations		1,454,231	1,153,892	779,359	673,951
Other income	4	1,125	21,280	89	45,766
Expenses					
Selling expenses					
Administration / support expenses		(1,061,730)	(845,084)	(497,050)	(436,181)
Finance costs	5	(149,908)	(137,292)	(125,041)	(94,555)
Share of profit of joint venture and associate		(31,339)	(18,994)	(17,171)	(10,735)
Share of profit of joint venture and associate accounted for using the equity method					
Profit before income tax expense	18/42	549	219	325	-
Income tax expense		212,928	174,021	140,511	178,246
Profit attributable to members of Flight Centre Limited	6	(69,774)	(53,197)	(40,833)	(37,257)
		143,154	120,824	99,678	140,989
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	40	146.6	127.5		
Diluted earnings per share	40	146.5	127.5		

Cents

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:
Basic earnings per share
Diluted earnings per share

The above income statements should be read in conjunction with the accompanying notes.

Flight Centre Limited
Balance Sheet
30 June 2008

		Consolidated	30 June 2007	30 June 2008	Parent	30 June 2007	30 June 2008
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current assets							
Cash and cash equivalents	8	738,638	469,225	439,877	268,351		
Available-for-sale investments	12	246,461	166,588	112,413	150,600		
Receivables	9	340,452	294,584	141,040	102,330		
Current tax receivables	10	3,886	9,918	-	-		
Inventories		1,548	407	1,408	231		
Total current assets		1,330,985	940,722	694,738	521,512		
Non-current assets							
Property, plant and equipment	15	164,768	86,906	53,675	39,751		
Intangible assets	17	410,408	203,956	26,184	17,115		
Deferred tax assets	16	40,789	17,230	23,030	9,630		
Other financial assets	14	-	-	395,603	291,181		
Investments accounted for using the equity method	13	9,595	8,472	1,754	-		
Derivative financial instruments	11	516	-	-	-		
Total non-current assets		626,066	316,564	500,246	357,677		
Total assets		1,957,051	1,257,286	1,194,984	879,189		
LIABILITIES							
Current liabilities							
Trade and other payables	19	1,098,049	646,226	492,399	337,878		
Borrowings	20	100,505	48,270	39,750	26,754		
Provisions	21	6,695	3,761	6,603	3,641		
Current tax liabilities	22	36,514	18,765	27,925	16,596		
Derivative financial instruments	11	2,342	559	2,342	318		
Total current liabilities		1,244,105	717,581	569,019	385,187		
Non-current liabilities							
Payables	23	19,598	20,104	10,601	4,821		
Borrowings	24	60,158	27,000	29,935	27,000		
Deferred tax liabilities	25	16,063	245	-	-		
Provisions	26	12,291	10,367	10,801	9,724		
Total non-current liabilities		108,110	57,716	51,337	41,545		
Total liabilities		1,352,215	775,297	620,356	426,732		
Net assets		604,836	481,989	574,628	452,457		
EQUITY							
Contributed equity	27	377,343	260,828	377,343	260,828		
Reserves	28(a)	(50,976)	(5,655)	(13,229)	(188)		
Retained profits	28(b)	278,469	228,816	210,514	191,817		
Total equity		604,836	481,989	574,628	452,457		

The above balance sheets should be read in conjunction with the accompanying notes.

Flight Centre Limited
Statement of Changes in Equity
30 June 2008

		Consolidated	30 June 2007	30 June 2008	Parent	30 June 2007	30 June 2008
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year		481,989	408,062	452,457	361,325		
Changes in the fair value of available-for-sale financial assets, net of tax	28	(18,575)	(1,277)	(14,836)	(1,277)		
Changes in the fair value of cash flow hedges, net of tax		516	-	-	-		
Impairment of available for sale assets		1,729	-	1,729	-		
Net exchange differences on translation of foreign operations		(39,577)	2,960	-	-		
Net income recognised directly in equity	28	(55,907)	1,683	(13,107)	(1,277)		
Profit for the year		143,154	120,824	99,678	140,989		
Total recognised income and expense for the year		87,247	122,507	86,571	139,712		
Total equity at the end of the financial year		604,836	481,989	574,628	452,457		
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	27	116,033	-	116,033	-		
Tax effect of equity raising costs		482	(49,125)	482	(49,125)		
Dividends provided for or paid		(80,981)	-	(80,981)	-		
Employee share options		66	432	66	432		
Tax effect of previous share issues		-	113	-	113		
		35,600	(48,580)	35,600	(48,580)		
Total equity at the end of the financial year		604,836	481,989	574,628	452,457		
Total recognised income and expense for the year is attributable to:							
Members of Flight Centre Limited		87,247	122,507	86,571	139,712		
		87,247	122,507	86,571	139,712		

The above statements of changes in equity should be read in conjunction with the accompanying notes.

	Consolidated		Parent	
	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
Cash flows from operating activities				
Receipts from customers (including GST)	1,419,878	1,103,972	747,047	603,575
Payments to suppliers and employees (including GST)	(991,036)	(842,460)	(475,534)	(458,839)
Dividends received	43,938	31,740	30,866	26,969
Interest received	747	-	20,366	28,749
Royalties received	(28,874)	(17,563)	(17,171)	14,512
Interest paid	(52,727)	(45,078)	(36,204)	(10,735)
Income taxes paid	391,926	230,611	269,370	(20,190)
Net cash inflow from operating activities	39			
	391,926	230,611	269,370	184,041
Cash flows from investing activities				
Payment for purchase of businesses and for additional issues of shares in subsidiaries	(110,469)	(12,919)	(103,382)	(96,786)
Payments for property, plant and equipment	(97,078)	(37,154)	(27,178)	(16,406)
Payments for intangibles	(25,060)	(9,775)	(11,353)	(3,036)
Payments for investments	(41,188)	(26,460)	(25,000)	(26,460)
Proceeds from sale of investments	57,895	43,150	41,620	44,663
Proceeds from sale of property, plant and equipment	-	34,746	-	34,606
Net cash outflow from investing activities	35			
	(215,900)	(8,412)	(125,293)	(63,419)
Cash flows from financing activities				
Advances / repayments of intercompany loans	-	-	(23,534)	76,088
Proceeds from borrowings	117,055	1,673	42,931	-
Issue of shares	116,033	-	116,033	-
Repayment of borrowings	(27,000)	-	(27,000)	1,821
Dividends paid to company's shareholders	(80,981)	(49,125)	(80,981)	(49,125)
Net cash inflow(outflow) from financing activities	7			
	125,107	(47,452)	27,449	28,784
Net increase in cash held				
Cash and cash equivalents at the beginning of the financial year	301,133	174,747	171,526	149,406
Effects of exchange rate changes on cash and cash equivalents	453,101	281,571	268,351	118,945
Cash and cash equivalents at end of year	8			
	727,507	453,101	439,877	268,351

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Flight Centre Limited as an individual entity and the consolidated entity consisting of Flight Centre Limited and its subsidiaries.

(a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Flight Centre Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Flight Centre Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Flight Centre Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

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

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement.

Purchases from minority interests result in goodwill, being the difference between any consideration paid on the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Flight Centre Limited.

(ii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 42).

1 Summary of significant accounting policies (continued)

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) Joint ventures

Interests in joint venture entities are accounted for in the consolidated financial statements using the equity method and are carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the joint venture entity is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the joint venture are set out in note 18.

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Foreign operations

The results and financial position of all the foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

(d) Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, if it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

1 Summary of significant accounting policies (continued)

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

(i) Revenue from travel services

Revenue from the sale of travel services is recorded at the time of issuing travel documents.

(ii) Total Transaction Value

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

(iii) Lease income

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

(iv) Interest income

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

(v) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(vi) Royalties

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting not taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

Tax consolidation legislation

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

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

1 Summary of significant accounting policies (continued)

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 6. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Leases

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

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

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of the exchange unless, in rare circumstances it can be demonstrated that the published price at the date of the exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Business combinations involving companies and businesses under common control are accounted for using the predecessor value method.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

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

1 Summary of significant accounting policies (continued)

(h) Impairment of assets

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

(i) Trade receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade debtors are impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment is recognised in the income statement in other expenses.

Trade receivables relating to volume incentives are recognised at the amount receivable when it is probable annual targets will be achieved.

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

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

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

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

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

(k) Investments and other financial assets

Classification

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

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

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

1 Summary of significant accounting policies (continued)

(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. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. The majority of these financial assets are made up of client monies that are effectively repayable on demand and therefore classified as current assets.

Recognition and derecognition

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

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

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current mid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

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

1 Summary of significant accounting policies (continued)

(i) Derivatives

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(m) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current mid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line basis over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

(o) Intangible assets

(i) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill is allocated to the group's cash-generating units (CGUs) identified according to relevant business and country of operation (note 17).

(ii) Software

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

(iii) Other intangible assets

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

(p) Trade and other payables

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

1 Summary of significant accounting policies (continued)

(q) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date are recognised in payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Sick leave is recognised as an expense when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The company provides benefit to employees on retirement through a defined contribution superannuation fund. Contributions to the defined contribution fund are recognised as an expense as they become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Flight Centre Limited Employee Option Plan, Senior Executive Option Plan and the Employee Share Plan. Information relating to these schemes is set out in note 41.

Share options

The fair value of options granted under the Flight Centre Limited Employee Option Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

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

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

(v) Profit-sharing and bonus plans

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

(vi) Termination benefits

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

(r) Earnings per share

(i) Basic earnings per share

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

1 Summary of significant accounting policies (continued)

(ii) Diluted earnings per share

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

(s) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Contributed equity

Ordinary shares are classified as equity (note 27).

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

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

(u) Rounding of amounts

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

(v) Dividends

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

(w) Cash and cash equivalents

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

(x) Borrowings and borrowing costs

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

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

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1 Summary of significant accounting policies (continued)

- interest on bank overdrafts and short and long term borrowings; and
- unwinding of discount on deferred payables.

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

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

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The group has assessed the impact of these new standards and interpretations and no material impacts are expected apart from those set out below.

- (i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements. The group intends to apply the revised standard from 1 July 2009.
- (ii) Revised AASB 123 Borrowing Costs and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 123 IASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12 The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the group, as the group has no qualifying assets. The group intends to apply the revised standard from 1 July 2009.
- (iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The group intends to apply the revised standard from 1 July 2009.
- (iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The group will not adopt until 1 July 2009. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:
 - all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income
 - all transaction cost will be expensed
 - the group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and
 - when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

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1 Summary of significant accounting policies (continued)

(z) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(aa) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs and comprises of purchasing raw materials and cost of production.

(ab) Financial guarantee contracts

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

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

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

(ac) Goods and Services Tax (GST)

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

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

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

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

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

(i) *Estimated impairment of goodwill*

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use cash flow projections based upon financial budgets approved by management and cover a five year period. The growth rate does not exceed the long term average growth rate for the business in which the cash-generating unit operates. Refer to note 17 for details of these assumptions and the potential impacts of changes to the assumptions.

(ii) *Make good provision*

A provision is raised on inception of the lease where the lease agreement requires premises to be returned to their previous condition. An estimate is required to calculate the costs to bring premises to their original condition.

(iii) *Provision for impairment of receivables*

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

3 Revenue

	Consolidated		Parent	
	30 June	30 June	30 June	
	2008	2008	2007	
	\$'000	\$'000	\$'000	
Total Transaction Value (TTV)	10,881,729	8,875,020	4,926,435	4,299,568
From continuing operations				
<i>Revenue from the sale of travel services</i>				
Commission and fees from the provision of travel	1,069,181	841,290	543,870	465,530
Revenue from the provision of travel	312,770	264,460	154,718	121,888
Other revenue from travel services	25,533	16,082	29,054	16,118
	<u>1,407,484</u>	<u>1,121,832</u>	<u>727,642</u>	<u>603,536</u>
<i>Other revenue</i>				
Rents and sub-lease rentals	2,062	320	465	185
Interest	43,938	31,740	30,886	28,749
Dividends	-	-	-	26,969
Royalties	747	32,060	20,366	14,512
	<u>46,747</u>	<u>32,060</u>	<u>51,717</u>	<u>70,415</u>

Total Transaction Value (TTV)

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

4 Other income

	Consolidated		Parent	
	30 June	30 June	30 June	
	2008	2008	2007	
	\$'000	\$'000	\$'000	
Net gain on disposal of PPE	-	21,280	-	21,832
Foreign exchange gains	1,125	-	89	-
Intercompany loan forgiveness	<u>1,125</u>	<u>21,280</u>	<u>89</u>	<u>23,934</u>
				<u>45,766</u>

(a) Net gain on disposal of property, plant and equipment

The net gain on sale of property, plant and equipment in 2007 includes an accounting gain of \$22,440,271 on the sale of 316 Adelaide Street Brisbane.

5 Expenses

	Consolidated		Parent	
	30 June	30 June	30 June	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Buildings	429	6	-	-
Plant and equipment	34,066	26,740	12,626	10,259
Total depreciation	<u>34,495</u>	<u>26,746</u>	<u>12,626</u>	<u>10,259</u>
<i>Amortisation</i>				
Customer relationships	1,441	-	-	-
Other intangibles	8,121	9,416	1,893	2,357
Total amortisation	<u>9,562</u>	<u>9,416</u>	<u>1,893</u>	<u>2,357</u>

Other charges against assets	-	313	-	313
Impairment charge of goodwill	-	4,572	-	-
Impairment charge of software	-	-	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	30,296	16,837	17,137	10,556
Unwinding of deferred consideration and make good provision discount	1,043	2,157	34	179
Foreign exchange gains and losses	-	-	-	-
Net foreign exchange losses (net gain in 2008 - see note 4)	-	10,273	-	7,182

Defined contribution superannuation expense

Net loss on disposal of property, plant and equipment and intangible assets (net gain in 2007 - see note 4)	36,011	30,271	27,138	23,354
	<u>1,642</u>	<u>-</u>	<u>628</u>	<u>-</u>

Rental expense relating to operating leases

Lease payments	100,209	79,561	52,901	44,866
Net loss on foreign currency	-	-	-	-
Derivatives not qualifying as hedges (note 11)	2,342	-	2,342	-
Impairment losses - financial assets	1,729	-	1,729	-
Available-for-sale financial assets	3,835	1,480	1,780	456
Trade receivables	-	-	-	-

Elements of rental expense are contingent upon such factors as CPI growth and individual shop turnover growth. Total rental expense includes all elements of rent, including those that are contingent, to the extent known.

6 Income tax expense

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
(a) Income tax expense		
Current tax	80,293	57,637
Deferred tax	(9,395)	(3,401)
Under (over) provided in prior years	(1,124)	(1,039)
Income tax expense in relation to continuing operations	69,774	53,197
	40,833	37,257
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 16)	(11,192)	(1,166)
(Decrease) increase in deferred tax liabilities (note 25)	1,797	(2,235)
	(9,395)	(3,401)

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

Profit from continuing operations before income tax expense	212,928	174,021	140,511	178,246
Tax at the Australian tax rate of 30% (2007 - 30%)	63,879	52,207	42,154	53,473
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:				
Non deductible (assessable) amounts	2,051	1,310	450	(923)
Intercompany loan forgiveness	(368)	(896)	1,853	(7,180)
Other amounts	-	-	-	-
Exempt dividends	65,562	52,619	44,457	(8,091)
	-	-	-	37,279
Tax losses not recognised	5,241	1,077	-	-
Effect of different tax rates on overseas income	95	540	-	-
Under (over) provision in prior years	(1,124)	(1,039)	(3,624)	(22)
	4,212	578	(3,624)	(22)
Income tax expense	69,774	53,197	40,833	37,257

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	(482)	(113)	(482)	(113)
Current tax - (credited) directly to equity (note 27)				
Net deferred tax - (credited) / debited directly to equity (notes 16 and 25)	(8,033)	(547)	(5,617)	(547)

6 Income tax expense (continued)

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	32,009	18,758
Potential tax benefit @ effective rate of 38.26% (30% 2007)	12,246	5,627

All unused tax losses were incurred by entities in the United States of America, China and Hong Kong that are not part of the tax consolidated group.

(e) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. This advice is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 34(e)).

7 Dividends

	Parent
	30 June 2008
	\$'000
(a) Ordinary shares	
Final ordinary dividend for the year ended 30 June 2007 of 46 cents (2006: 32 cents) per fully paid share, paid on 12 October 2007, fully franked	43,628
Interim ordinary dividend for the year ended 30 June 2008 of 37.5 cents (2007: 20 cents) per fully paid share, paid on 28 March 2008, fully franked	37,353
	80,981

7 Dividends (continued)

	Consolidated	Parent
	30 June 2008 \$'000	30 June 2007 \$'000
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 48.5 cents (2007: 46 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 October 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end is		
	48,310	43,628

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008.

	Consolidated	Parent
	30 June 2008 \$'000	30 June 2007 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	74,169	66,029
	74,169	66,029

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

- (a) franking credits that will arise from the payment of the amount of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

Payment of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will reduce the franking account by \$20,704,402 (2007: \$18,624,290).

8 Current assets - Cash and cash equivalents

	Consolidated	Parent
	30 June 2008 \$'000	30 June 2007 \$'000
Cash at bank and on hand	160,542	126,450
Client account	578,096	313,427
	738,638	439,877

8 Current assets - Cash and cash equivalents (continued)

	Consolidated	Parent
	30 June 2008 \$'000	30 June 2007 \$'000
Restricted cash		
Total cash and cash equivalents	738,638	439,877
Restricted client funds	(578,096)	(313,427)
Unrestricted cash	160,542	126,450
	160,542	126,450

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	Parent
	30 June 2008 \$'000	30 June 2007 \$'000
Balances as above	738,638	439,877
Bank overdrafts (note 20)	(11,131)	(16,124)
Balances per statement of cash flows	727,507	423,753

(b) Cash at bank and on hand

These are bearing interest at between 0% and 12.25% (2007: 0% and 9.20%) for an average term of less than 3 months.

(c) Client account

These are bearing interest at between 0% and 11.25% (2007: 0% and 9.00%) for an average term of less than 3 months. The weighted average interest rate for the year was 6.13% (2007: 6.36%).

9 Current assets - Receivables

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
Trade receivables				
Trade receivables	298,002	262,025	93,144	83,913
Client receivables	21,004	19,080	6,196	6,171
Less: Provision for impairment of receivables	(9,923)	(7,949)	(4,836)	(4,118)
	<u>309,083</u>	<u>273,156</u>	<u>94,504</u>	<u>85,966</u>
Receivable from controlled entities				
GST receivable	2,432	3,379	32,804	9,269
Prepayments	23,933	15,097	12,567	5,848
Other receivables	5,004	2,982	1,165	1,247
	<u>340,452</u>	<u>294,584</u>	<u>141,040</u>	<u>102,330</u>

(a) Impaired trade receivables

As at 30 June 2008 current trade receivables of the group with a nominal value of \$9,923,482 (2007 - \$7,948,726) were impaired. As at 30 June 2008 current trade receivables of the parent with a nominal value of \$4,836,321 (2007 - \$4,117,920) were impaired. The impaired receivables mainly relate to discrepancies under discussion with large corporates.

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

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
At 1 July	7,949	8,039	4,118	4,230
Provision for impairment recognised during the year	3,835	1,480	1,780	456
Balance acquired through acquisition	397	68	-	68
Receivables written off during the year as uncollectible	(2,869)	(1,521)	(1,062)	(636)
Foreign exchange translation	611	(117)	-	-
	<u>9,923</u>	<u>7,949</u>	<u>4,836</u>	<u>4,118</u>

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

(b) Past due but not impaired

As of 30 June 2008, trade receivables of the group of \$21,007,759 (2007 - \$22,162,772) were past due but not impaired. As of 30 June 2008, trade receivables of the parent of \$9,168,084 (2007 - \$10,920,613) were past due but not impaired. These receivables are due from a number of large corporate customers and suppliers and full recovery is expected due to contractual agreements. The ageing analysis of these trade receivables is as follows:

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
Up to 9 months	17,395	18,381	8,194	7,451
Over 9 months	3,613	3,781	974	3,470
	<u>21,008</u>	<u>22,162</u>	<u>9,168</u>	<u>10,921</u>

9 Current assets - Receivables (continued)

(c) Other receivables

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

(d) Foreign exchange and interest rate risk

All receivables are non-interest bearing with the exception of receivables from controlled entities, which are bearing an interest rate at between 1.97% and 12.47% (2007: 6.00% and 7.00%).

Information about the group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to receivables is provided in note 29.

(e) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Client receivables credit risk exposure is mitigated by related client creditor balances. Refer to note 29 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

10 Current assets - Current tax receivables

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
Income tax receivable	<u>3,886</u>	<u>9,918</u>	-	-

11 Derivative financial instruments

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Interest rate swaps - cash flow hedges	516	-	-	-
Total non-current derivative financial instrument assets	<u>516</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities				
Forward foreign exchange contracts - held for trading	2,342	559	2,342	318
(a)(ii)	<u>2,342</u>	<u>559</u>	<u>2,342</u>	<u>318</u>
Total derivative financial instrument liabilities				

(a) Instruments used by the group

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the group's financial risk management policies (refer to note 29).

(i) Interest rate swap contracts - cash flow hedges

Bank loans of the group currently bear an average variable interest rate of 5.80% (2007: 6.73%). It is group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 49% (2007 - n/a) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates are 3.15% (2007 - n/a) and the variable rates at balance date was 2.91% (2007 - n/a).

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt up to January 2011.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2008 \$4,261 relating to net interest expense on the interest rate swap was transferred to profit and loss, there was no ineffectiveness to be recognised.

(ii) Forward exchange contracts

The group has further entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are subject to the same risk management policies as all other derivative contracts, see note 29 for details. However, they are recognised through the income statement.

(b) Risk exposures

Information about the group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 29.

12 Current assets - Available-for-sale financial assets

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Debt securities	213,412	166,588	112,413	150,600
Equity securities	33,049	-	-	-
	<u>246,461</u>	<u>166,588</u>	<u>112,413</u>	<u>150,600</u>

Changes in the fair value of available-for-sale financial assets are recognized as a separate component from equity until the instrument is sold, collected or otherwise disposed of, or until an investment is determined to be impaired.

These are bearing interest at between 2% and 12% (2007: 6% and 10%).

The weighted average interest rate for the year was 6.50% (2007: 7.29%).

(a) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the fair value of the traded securities classified as available-for-sale.

An impairment charge of \$1.73M has been written off to the income statement in the 2008 year (2007: nil).

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

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Shares in associates (note 42)	7,831	8,472	-	-
Interest in joint venture partnership (note 18)	<u>1,754</u>	<u>8,472</u>	<u>1,754</u>	<u>-</u>
	<u>9,585</u>	<u>8,472</u>	<u>1,754</u>	<u>-</u>

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer to note 42).

(b) Interest in joint venture partnership

Interest in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting (refer to note 18).

15 Non-current assets - Property, plant and equipment

Consolidated	Freehold land & buildings \$'000	Plant and equipment \$'000	Total \$'000
At 1 July 2006			
Cost	392	183,737	184,129
Accumulated depreciation	(42)	(105,601)	(105,643)
Net book amount	350	78,136	78,486
Year ended 30 June 2007			
Opening net book amount	350	78,136	78,486
Exchange differences	(6)	(1,885)	(1,891)
Acquisitions	-	1,190	1,190
Additions	-	37,154	37,154
Disposals	-	(1,287)	(1,287)
Depreciation charge	(6)	(26,740)	(26,746)
Closing net book amount	338	86,568	86,906
At 30 June 2007			
Cost	386	212,974	213,360
Accumulated depreciation	(48)	(126,408)	(126,456)
Net book amount	338	86,568	86,906
Consolidated	Freehold land & buildings \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2008			
Opening net book amount	338	86,568	86,906
Exchange differences	(47)	(974)	(1,021)
Acquisitions	-	17,515	17,515
Additions	36,693	60,385	97,078
Disposals	-	(1,215)	(1,215)
Depreciation charge	(429)	(34,066)	(34,495)
Closing net book amount	36,555	128,213	164,768
At 30 June 2008			
Cost	37,023	267,198	304,221
Accumulated depreciation	(468)	(138,965)	(139,433)
Net book amount	36,555	128,213	164,768

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

Parent	Plant and equipment \$'000	Total \$'000
At 1 July 2006		
Cost	76,003	76,003
Accumulated depreciation	(42,095)	(42,095)
Net book amount	33,908	33,908
Year ended 30 June 2007		
Opening net book amount	33,908	33,908
Acquisitions	573	573
Additions	16,406	16,406
Intercompany transfer	(58)	(58)
Disposals	(819)	(819)
Depreciation charge	(10,259)	(10,259)
Closing net book amount	39,751	39,751
At 30 June 2007		
Cost	93,462	93,462
Accumulated depreciation	(53,711)	(53,711)
Net book amount	39,751	39,751
Parent	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2008		
Opening net book amount	39,751	39,751
Additions	27,178	27,178
Disposals	(628)	(628)
Depreciation charge	(12,626)	(12,626)
Closing net book amount	53,675	53,675
At 30 June 2008		
Cost	113,162	113,162
Accumulated depreciation	(59,487)	(59,487)
Net book amount	53,675	53,675

16 Non-current assets - Deferred tax assets

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
The balance comprises temporary differences attributable to:				
Doubtful debts	2,820	2,083	1,363	1,235
Employee benefits	11,897	8,328	8,680	6,908
Depreciation	3,289	2,876	55	-
Accruals	7,996	2,692	3,891	1,827
Investment write-down	6,587	464	6,448	464
Unearned income	1,302	-	1,302	-
Other	6,371	3,188	2,121	1,854
Loyalty program	-	356	-	356
Unrealised foreign exchange	1,867	-	1,867	-
Leasing	3,705	887	2,348	830
	<u>45,834</u>	<u>20,874</u>	<u>28,075</u>	<u>13,274</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	(5,045)	(3,644)	(5,045)	(3,644)
Net deferred tax assets	<u>40,789</u>	<u>17,230</u>	<u>23,030</u>	<u>9,630</u>
Deferred tax assets to be recovered within 12 months	23,869	11,789	13,953	8,040
Deferred tax assets to be recovered after more than 12 months	21,965	9,085	14,122	5,234
	<u>45,834</u>	<u>20,874</u>	<u>28,075</u>	<u>13,274</u>

Movements - Consolidated	Financial assets \$'000	Employee benefits \$'000	Doubtful debts \$'000	Depreciation \$'000	Accruals \$'000	Leasing \$'000
At 1 July 2006	-	7,205	2,205	3,593	2,371	-
Credited / (Charged) to the income statement	152	1,123	(122)	(717)	321	887
Credited / (Charged) directly to equity	312	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-
At 30 June 2007	<u>464</u>	<u>8,328</u>	<u>2,083</u>	<u>2,876</u>	<u>2,692</u>	<u>887</u>
Movements - Consolidated	Other \$'000	Total \$'000				
At 1 July 2006	3,787	19,161				
Credited / (Charged) to the income statement	(478)	1,166				
Credited / (Charged) directly to equity	235	547				
Acquisition of subsidiary	-	-				
At 30 June 2007	<u>3,544</u>	<u>20,874</u>				

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

Movements - Consolidated	Financial assets \$'000	Employee benefits \$'000	Doubtful debts \$'000	Depreciation \$'000	Accruals \$'000	Leasing \$'000
At 30 June 2007 Credited / (Charged) to the Income statement	464	8,328	2,083	2,876	2,692	887
Acquisition of subsidiaries Credited / (Charged) directly to equity	367	2,181	737	413	1,914	2,818
At 30 June 2008	5,756	1,388	-	-	3,390	-
At 30 June 2008	6,587	11,897	2,820	3,289	7,996	3,705
Movements - Consolidated	Other \$'000	Total \$'000				
At 30 June 2007 Credited / (Charged) to the Income statement	3,544	20,874				
Acquisition of subsidiaries Credited / (Charged) directly to equity	2,762	11,192				
At 30 June 2008	3,234	8,012				
At 30 June 2008	9,540	5,756				
At 30 June 2008	9,540	45,834				
Movements - Parent entity	Financial Assets \$'000	Employee benefits \$'000	Doubtful debts \$'000	Accruals \$'000	Leasing \$'000	Other \$'000
At 1 July 2006 Credited / (Charged) to the Income statement	-	5,954	1,269	1,160	-	3,173
Credited / (Charged) directly to equity	152	954	(34)	467	830	(1,198)
At 30 June 2007	312	-	-	-	-	235
At 30 June 2007	464	6,908	1,235	1,627	830	2,210
Movements - Parent entity	Total \$'000					
At 1 July 2006 Credited / (Charged) to the Income statement	11,556					
Credited / (Charged) directly to equity	1,171					
At 30 June 2007	547					
At 30 June 2007	13,274					

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

Movements - Parent entity	Financial assets \$'000	Employee benefits \$'000	Doubtful debts \$'000	Depreciation \$'000	Accruals \$'000	Leasing \$'000
At 30 June 2007 Credited / (Charged) to the Income statement	464	6,908	1,235	-	1,627	830
Credited / (Charged) directly to equity	367	1,772	128	55	2,264	1,518
At 30 June 2008	5,617	-	-	-	-	-
At 30 June 2008	6,448	8,680	1,363	55	3,891	2,348
Movements - Parent entity	Other \$'000	Total \$'000				
At 30 June 2007 Credited / (Charged) to the Income statement	2,210	13,274				
Credited / (Charged) directly to equity	3,080	9,184				
At 30 June 2008	5,290	5,617				
At 30 June 2008	5,290	28,075				

17 Non-current assets - Intangible assets

Consolidated	Goodwill \$'000	Other Intangible assets \$'000	Total \$'000
At 1 July 2006			
Cost	171,286	52,091	223,377
Accumulated amortisation and impairment	-	(27,291)	(27,291)
Net book amount	<u>171,286</u>	<u>24,800</u>	<u>196,086</u>
Year ended 30 June 2007			
Opening net book amount	171,286	24,800	196,086
Exchange differences	(4,165)	456	(3,709)
Additions	3,014	6,762	9,776
Acquisitions	13,630	2,474	16,104
Impairment charge	(313)	(4,572)	(4,885)
Amortisation charge *	-	(9,416)	(9,416)
Closing net book amount	<u>183,452</u>	<u>20,504</u>	<u>203,956</u>
At 30 June 2007			
Cost	183,452	55,144	238,596
Accumulated amortisation and impairment	-	(34,640)	(34,640)
Net book amount	<u>183,452</u>	<u>20,504</u>	<u>203,956</u>
Consolidated	Goodwill \$'000	Brand names and customer relationships \$'000	Other Intangible assets \$'000
Year ended 30 June 2008			
Opening net book amount	183,452	-	20,504
Exchange differences	(25,145)	(4,941)	(2,343)
Additions	6,174	-	18,886
Acquisitions	159,574	63,655	2,242
Disposals	(894)	-	(1,194)
Amortisation charge *	-	(1,441)	(8,121)
Closing net book amount	<u>323,161</u>	<u>57,273</u>	<u>29,874</u>
At 30 June 2008			
Cost	323,161	58,714	70,357
Accumulated amortisation and impairment	-	(1,441)	(40,383)
Net book amount	<u>323,161</u>	<u>57,273</u>	<u>29,874</u>
			<u>410,408</u>

17 Non-current assets - Intangible assets (continued)

Parent	Goodwill \$'000	Other Intangible assets \$'000	Total \$'000
At 1 July 2006			
Cost	3,648	14,581	18,229
Accumulated amortisation and impairment	-	(9,545)	(9,545)
Net book amount	<u>3,648</u>	<u>5,036</u>	<u>8,684</u>
Year ended 30 June 2007			
Opening net book amount	3,648	5,036	8,684
Additions	-	3,036	3,036
Acquisitions	6,939	2,342	9,281
Intercompany transfers	(1,573)	357	(1,216)
Impairment	(313)	-	(313)
Amortisation charge **	-	(2,357)	(2,357)
Closing net book amount	<u>8,701</u>	<u>8,414</u>	<u>17,115</u>
At 30 June 2007			
Cost	8,701	21,291	29,992
Accumulated amortisation and impairment	-	(12,877)	(12,877)
Net book amount	<u>8,701</u>	<u>8,414</u>	<u>17,115</u>

Parent	Goodwill \$'000	Other Intangible assets \$'000	Total \$'000
Year ended 30 June 2008			
Opening net book amount	8,701	8,414	17,115
Additions	650	10,703	11,353
Disposals	-	(291)	(291)
Amortisation charge **	-	(1,993)	(1,993)
Closing net book amount	<u>9,351</u>	<u>16,833</u>	<u>26,184</u>
At 30 June 2008			
Cost	9,351	30,966	40,317
Accumulated amortisation and impairment	-	(14,133)	(14,133)
Net book amount	<u>9,351</u>	<u>16,833</u>	<u>26,184</u>

Other intangible assets predominantly relate to software.

* Amortisation of \$9,562,000 (2007: \$9,416,000) is included in depreciation and amortisation expense in the income statement.

** Amortisation of \$1,993,000 (2007: \$2,357,000) is included in depreciation and amortisation expense in the income statement.

(a) Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to relevant business and country of operation.

A segment-level summary of the goodwill allocation is presented below.

17 Non-current assets - Intangible assets (continued)

2008	Australia \$'000	UK \$'000	North America \$'000	Other countries * \$'000	Total \$'000
Goodwill	51,737	81,704	157,082	32,638	323,161
2007					
	Australia \$'000	UK \$'000	Other countries * \$'000	Total \$'000	
Goodwill	49,224	89,131	45,097	183,452	

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

* Other countries consists of a number of non individually significant CGU's.

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

CGU	Gross margin * 30 June 2008 %	Growth rate ** 30 June 2008 %	Discount rate *** 30 June 2008 %	30 June 2007 %	30 June 2007 %
Goodwill					
Australia	8.8	8.8	-	-	16.0
North America	9.9	-	-	-	16.0
UK	12.2	-	-	-	16.0
Other countries	7.6	10.8	-	0.3	16.0

* Budgeted gross margin.

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

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

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and future expectations. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

18 Interests in joint ventures

Joint venture entity

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

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

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
Carrying amount of investment in joint venture	1,754	-	1,754	-
	1,754	-	1,754	-
	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000		
	1,754	-		

Share of joint venture assets and liabilities

Current assets	904	-
Non-current assets	28	-
Total assets	932	-
Current liabilities	256	-
Net assets	676	-

Consolidated 30 June 2008 \$'000	30 June 2007 \$'000
904	-
28	-
932	-

Share of joint venture revenue, expenses and results

Revenues	1,730	-
Expenses	(1,405)	-
Profit before income tax	325	-

Share of joint venture commitments

Lease commitments	58	-
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19 Current liabilities - Trade and other payables

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Trade payables	224,499	69,425
Client creditors	835,053	403,585
Accrued unsecured note interest	5,914	4,147
GST payable	26,107	13,856
Annual leave	1,778	1,456
Accrual for vouchers	4,698	21,057
Deferred consideration **	-	23
Amounts owing to controlled entities	1,098,049	492,399
		337,878

** See note 23 for more information.

Controlled Entities

The amounts owing to controlled entities are repayable on demand in accordance with individual loan agreements. The amounts owing to controlled entities are payable on demand until that time, they incur interest at rates varying between 2% and 12% (2007: varying amounts between 6% and 7%).

(a) Risk exposure

Information about the group's and the parent entity's exposure to foreign exchange risk is provided in note 29.

20 Current liabilities - Borrowings

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Secured		
Bank overdrafts	11,131	3,436
Bank loan	3,625	-
Unsecured		
Bank loan	41,515	-
Unsecured notes principal	44,234	39,750
Bank overdraft	-	12,688
Total current borrowings	100,505	55,874

Unsecured notes

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

The weighted average interest rate during the year was 47.92% (2007: 35.99%) calculated on the face value of the unsecured notes principal.

Bank overdraft

Total secured overdraft facilities available to the group are \$12.6M (2007: \$3.8M). These bear interest at 12.25% (2007: 5.85%). Total unsecured overdraft facilities available to the group are \$0 (2007: \$16.0M).

(a) Risk exposures

Details of the group's exposure to risks arising from current borrowings are set out in note 29.

21 Current liabilities - Provisions

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Employee benefits - Long service leave	6,695	3,761
		6,603
		3,641

22 Current liabilities - Current tax liabilities

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Provision for taxation	36,514	18,765
		27,925
		16,596

23 Non-current liabilities - Payables

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Other payables	2,761	3,361
Deferred settlement consideration	8,210	12,712
Straight-line lease liability	8,627	4,031
	19,598	20,104
		10,601
		4,621

Deferred settlement consideration relates to amounts payable to previous owners of businesses that Flight Centre has purchased. The amounts payable are discounted to their present value as at the date of exchange (see note 19).

24 Non-current liabilities - Borrowings

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Secured		
Bank loan	30,223	-
Unsecured		
Bank loan	29,935	29,935
Total non-current borrowings	60,158	27,000

(a) Financing arrangements

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Bank loan facilities (current and non-current)		
Total facilities	173,295	50,000
Used at balance date	105,298	29,935
Unused at balance date	67,997	23,000

Bank loan facilities have revolving terms of up to 3 years at floating interest rates and may be drawn down at any time.

The current interest rates on bank loan facilities range from 2.77% - 12.25% (2007: 6.73%).

A purchase card facility of \$23M is available to the company (2007: \$35M).

Bank of guarantees / Letter of credit facilities (unsecured)

Letters of credit facilities of \$142M are available to the company (2007: \$99M). The total letters of credit issued under this facility was \$71M (2007: \$88M).

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

(b) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	30 June 2008	30 June 2007
	Carrying amount \$'000	Carrying amount \$'000
	Fair value \$'000	Fair value \$'000
On-balance sheet		
<i>Non-traded financial liabilities</i>		
Bank overdrafts	11,131	16,124
Bank loans	105,298	27,000
Unsecured notes principal	44,234	32,146
	160,663	75,270

24 Non-current liabilities - Borrowings (continued)

(c) Assets pledged as security for secured liabilities

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

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Current		
Receivables	33,825	29,934
Non-current		
Plant and equipment	4,198	4,149
Buildings	27,155	-
Total assets pledged as security	65,178	34,083

25 Non-current liabilities - Deferred tax liabilities

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Prepayments	18	16
Receivables	2,836	2,714
Depreciation	16,709	773
Unrealised foreign exchange	-	9
Investments	418	-
Other	1,127	377
	<u>21,108</u>	<u>3,889</u>
	1,127	343
	<u>21,108</u>	<u>3,644</u>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 16)	(5,045)	(3,644)
Net deferred tax liabilities	<u>16,063</u>	<u>-</u>
Deferred tax liabilities to be settled within 12 months	2,855	2,722
Deferred tax liabilities to be settled after more than 12 months	18,253	1,167
	<u>21,108</u>	<u>3,889</u>
	18,253	931
	<u>21,108</u>	<u>3,644</u>

25 Non-current liabilities - Deferred tax liabilities (continued)

Movements - Consolidated	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
At 1 July 2006	1,672	636	1,258	2,558	6,124
Charged/(credited) to the income statement	1,042	137	(1,249)	(2,165)	(2,235)
At 30 June 2007	<u>2,714</u>	<u>773</u>	<u>9</u>	<u>393</u>	<u>3,889</u>
Movements - Consolidated	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
At 30 June 2007	2,714	773	9	393	3,889
Charged/(credited) to the income statement	122	1,158	(9)	525	1,796
Acquisition of subsidiaries	-	14,778	-	2,922	17,700
Charged/(credited) to equity	-	-	-	(2,277)	(2,277)
At 30 June 2008	<u>2,836</u>	<u>16,709</u>	<u>-</u>	<u>1,563</u>	<u>21,108</u>
Movements - Parent	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
At 1 July 2006	1,672	408	1,258	2,408	5,746
Charged/(credited) to the income statement	1,032	180	(1,249)	(2,065)	(2,102)
At 30 June 2007	<u>2,704</u>	<u>588</u>	<u>9</u>	<u>343</u>	<u>3,644</u>
Movements - Parent	Receivables \$'000	Depreciation \$'000	Foreign exchange movements \$'000	Other \$'000	Total \$'000
At 30 June 2007	2,704	588	9	343	3,644
Charged/(credited) to the income statement	79	1,120	(9)	211	1,401
At 30 June 2008	<u>2,783</u>	<u>1,708</u>	<u>-</u>	<u>554</u>	<u>5,045</u>

26 Non-current liabilities - Provisions

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Employee benefits - Long service leave	8,473	6,955
Make good provision	3,818	3,412
	<u>12,291</u>	<u>10,367</u>
	8,473	6,955
	<u>3,818</u>	<u>2,769</u>
	<u>10,801</u>	<u>9,724</u>

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

	Make good provision \$'000
Consolidated - 2008	
Non-current	
Carrying amount at start of year	3,412
Additional provisions recognised	818
Decrease in provision	(475)
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	63
Carrying amount at end of year	<u>3,818</u>

	Make good provision \$'000
Consolidated - 2007	
Non-current	
Carrying amount at start of year	2,514
Additional provisions recognised	719
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	179
Carrying amount at end of year	<u>3,412</u>

	Make good provision \$'000
Parent - 2008	
Non-current	
Carrying amount at start of year	2,769
Decrease in provision	(475)
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	34
Carrying amount at end of year	<u>2,328</u>

26 Non-current liabilities - Provisions (continued)

	Make good provision \$'000
Parent - 2007	
Non-current	
Carrying amount at start of year	2,414
Additional provisions recognised	176
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	179
Carrying amount at end of year	<u>2,769</u>

Flight Centre Limited is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and restore the leased premises. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

27 Contributed equity

	Parent entity 30 June 2008	Parent entity 30 June 2007	Parent entity 30 June 2008	Parent entity 30 June 2007
	Shares	Shares	\$'000	\$'000
(a) Share capital				
Fully paid ordinary shares			99,608,807	94,471,035
(b) Movements in ordinary share capital:				
Details	Date	Details	Date	Details
Opening balance	1 July 2006	Opening balance	1 July 2006	260,715
Tax effect of previous issue costs		Tax effect of previous issue costs		113
Balance	30 June 2007	Balance		<u>260,828</u>
			94,471,035	
			<u>94,471,035</u>	
Opening balance	1 July 2007	Opening balance	1 July 2007	260,828
Senior executive option scheme	6 September 2007	Senior executive option scheme		640
Senior executive option scheme	12 September 2007	Senior executive option scheme		640
Senior executive option scheme	19 September 2007	Senior executive option scheme		320
Senior executive option scheme	20 September 2007	Senior executive option scheme		320
Employee options plan	20 September 2007	Employee options plan		23
Senior executive option scheme	2 October 2007	Senior executive option scheme		640
Share issue	19 November 2007	Share issue		99,992
Senior executive option scheme	17 December 2007	Senior executive option scheme		14,924
Senior executive option scheme	3 January 2008	Senior executive option scheme		40
Senior executive option scheme	15 January 2008	Senior executive option scheme		22,46
Employee options plan	13 February 2008	Employee options plan		58
Equity raising costs		Equity raising costs		(1,604)
Equity raising costs tax adjustment		Equity raising costs tax adjustment		482
Balance	30 June 2008	Balance		<u>377,343</u>
			99,608,807	
			<u>99,608,807</u>	

27 Contributed equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

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

(d) Employee option plan

Information relating to the Flight Centre Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 41.

(e) Capital management

The group's and parent's overall strategic capital management objective is to maintain a conservative funding structure, which provides sufficient flexibility to fund the operational demands of the business and to fund future strategic opportunities. Flight Centre maintains tight control over working capital and a continued focus on cashflow management and intends to bring a more optimal level of gearing onto the balance sheet.

The capital structure of the group consists of debt, which includes the borrowings (refer borrowings note 24), general cash (refer cash and cash equivalents note 8) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings disclosed in notes 27 and 28.

The group's capital management policy objectives will be effected through:

- an ongoing flow of fully franked dividends which, subject to group's franking ability, are expected to approximate 65% to 60% of post tax earnings.

During 2008, the group's strategy, which is unchanged from 2007, is to hold debt where it enhances shareholder value. The group is committed to only holding a level of debt which is consistent with that of an investment grade entity.

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Total borrowings	160,663	75,270	69,685	53,574
Total equity	604,836	481,989	574,628	452,456
Gearing ratio	27 %	16 %	12 %	12 %

(f) Employee share plan

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

(g) Senior executive option plan

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

28 Reserves and retained profits

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
(a) Reserves				
Available-for-sale investments revaluation reserve	(17,939)	(1,093)	(14,200)	(1,093)
Share-based payments reserve	971	905	971	905
Foreign currency translation reserve	(45,044)	(5,467)	-	-
Hedging reserve - cash flow hedges	516	-	-	-
Capital redemption reserve	10,520	-	-	-
	(50,976)	(5,655)	(13,229)	(188)

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Movements:				
Available-for-sale investments revaluation reserve				
Balance 1 July	(1,093)	184	(1,093)	184
Revaluation gross	(26,608)	(1,824)	(20,453)	(1,824)
Deferred tax (note 16)	8,552	547	6,136	547
Impairment taken to the income statement	1,729	-	1,729	-
Deferred tax (note 16)	(519)	-	(519)	-
Balance 30 June	(17,939)	(1,093)	(14,200)	(1,093)

	30 June 2008	30 June 2007
	\$'000	\$'000
Share-based payments reserve		
Balance 1 July	905	473
Option expense	66	432
Balance 30 June	971	905

	30 June 2008	30 June 2007
	\$'000	\$'000
Foreign currency translation reserve		
Balance 1 July	(5,467)	(8,427)
Net exchange differences on translation of foreign operations	(39,577)	2,960
Balance 30 June	(45,044)	(5,467)

	30 June 2008	30 June 2007
	\$'000	\$'000
Hedging reserve - cashflow hedges		
Balance 1 July	516	-
Fair value adjustments	-	-
Balance 30 June	516	-

	30 June 2008	30 June 2007
	\$'000	\$'000
Capital redemption reserve		
Balance 1 July	-	-
Share buy-back	10,520	-
Balance 30 June	10,520	-

28 Reserves and retained profits (continued)

(b) Retained profits

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Balance 1 July	226,816	155,117
Profit for the year	143,154	120,824
Dividends	(80,981)	(49,125)
Capital redemption reserve	(10,520)	-
Balance 30 June	<u>278,469</u>	<u>210,814</u>
		191,817

(c) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

Changes in the fair value of investments, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(k). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(ii) Share-based payments reserve

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

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

(iv) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(i). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(v) Capital redemption reserve

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

29 Financial risk management

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

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity. Group Treasury identifies, evaluates and hedges financial risks in close co operation with the group's operating units.

The group and parent entity hold the following financial assets and liabilities:

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	738,638	489,225
Trade and other receivables	340,452	294,584
Available-for-sale financial assets	246,461	166,588
Other financial assets	-	-
	<u>1,325,551</u>	<u>930,397</u>
		439,877
		102,330
		141,040
		112,413
		395,603
		291,181
		<u>1,088,933</u>
		812,462
Financial liabilities		
Trade and other payables	1,117,647	666,330
Borrowings	160,663	75,270
Derivative financial instruments	2,342	559
	<u>1,280,652</u>	<u>742,159</u>
		503,000
		69,685
		2,342
		<u>575,027</u>
		396,591

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures to several foreign currencies.

The Group Treasury risk management policy on foreign exchange is to identify foreign exchange risk that arises from future commercial transactions and recognised assets and liabilities in foreign currencies and reduce the foreign currency risk through the use of forward foreign currency derivatives.

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

29 Financial risk management (continued)

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

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2008 \$'000	30 June 2007 \$'000
Receivables				
Great Britain Pounds	244	-	-	-
US Dollars	4,586	4,350	3,917	4,133
Canadian Dollars	419	18	419	18
Euro	411	37	251	37
Chinese Renminbi	1,123	-	-	-
Royal Brunei Dollars	289	170	289	170
Other	585	96	21	4
Trade payables				
Great Britain Pounds	1,364	889	967	648
US Dollars	5,098	3,118	3,862	475
Filipin Dollars	4,067	3,540	3,715	138
Thai Baht	4,254	2,160	4,141	767
Euro	3,036	2,043	2,108	1,278
Other	5,744	7,564	4,513	713
Bank Loans				
US Dollars	20,758	-	20,758	-
NZ Dollars	9,178	-	9,178	-

(i) Price risk

The group and the parent entity are exposed to securities price risk. This arises from investments held by the group and classified on the balance sheet either as available for sale.

To manage its price risk arising from investments in securities, the investment portfolio is diversified in accordance with the limits established within Group Treasury policy.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, investment securities, and derivative financial instruments, as well as credit exposures to corporate and retail customers, including outstanding receivables and committed transactions. Credit risk arising from cash and cash equivalents, investment securities, and derivative financial instruments, is managed in accordance with Group Treasury policy. Limits are set on credit rating, type of security, counterparty exposure, industry exposure and maturity.

Derivative counterparties are limited to high-credit-quality financial institutions.

Credit risk management assesses the credit quality of corporate clients, analysing external credit ratings, financial position and security available where appropriate. Individual risk limits are established for all corporate customers in accordance with Corporate Credit Policy, with regular monitoring and reporting to management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

Credit risk on financial guarantees and letters of credit is disclosed in note 24 and note 32.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The group and parent's access to undrawn borrowing facilities and the maturities of financial liabilities at the reporting date are disclosed in Note 20 and Note 24.

29 Financial risk management (continued)

Maturities of financial liabilities

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

Group - At 30 June 2008	Less than 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Non-derivatives					
Non-interest bearing	1,098,049	11,001	8,597	1,117,647	1,117,647
Variable rate	106,419	38,248	21,910	166,577	166,577
Total non-derivatives	1,204,468	49,249	30,507	1,284,224	1,284,224
Derivatives					
Gross settled					
- (inflow)	42,630	-	-	42,630	-
- outflow	(44,972)	-	-	(44,972)	(2,342)
Total derivatives	(2,342)	-	-	(2,342)	(2,342)
Group - At 30 June 2007	Less than 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Non-derivatives					
Non-interest bearing	646,226	6,542	13,562	666,330	666,330
Variable rate	52,637	27,000	-	79,637	79,637
Total non-derivatives	698,863	33,542	13,562	745,967	745,967
Derivatives					
Gross settled					
- (inflow)	22,460	-	-	22,460	-
- outflow	(23,019)	-	-	(23,019)	(559)
Total derivatives	(559)	-	-	(559)	(559)
Parent - At 30 June 2008	Less than 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Non-derivatives					
Non-interest bearing	492,399	5,102	5,499	503,000	503,000
Variable rate	43,897	29,935	-	73,832	73,832
Total non-derivatives	536,296	35,037	5,499	576,832	576,832
Derivatives					
Gross settled					
- (inflow)	42,630	-	-	42,630	-
- outflow	(44,972)	-	-	(44,972)	(2,342)
Total derivatives	(2,342)	-	-	(2,342)	(2,342)

29 Financial risk management (continued)

Parent - At 30 June 2007				
	Less than 12 months	Between 1 and 2 years	Between 2 and 5 years	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000
Non-derivatives				
Non-interest bearing				342,699
Variable rate	337,878	1,805	3,016	56,640
Total non-derivatives	337,878	1,805	3,016	399,339
Derivatives				
Gross settled - (inflow)	7,724	-	-	7,724
- outflow	(8,042)	-	-	(8,042)
Total derivatives	(318)	-	-	(318)

(d) Cash flow and fair value interest rate risk

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

The group's interest rate risk also arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

The variable rate borrowings and interest rate swap contracts outstanding at reporting date are disclosed in note 24 and note 11.

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

Based on the various scenarios, the group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. This is the first financial year where interest rate swaps have been used to manage interest rate risk. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

29 Financial risk management (continued)

(e) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group are the current bid or mid price (where no bid sourced).

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

Summarised sensitivity analysis

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

Consolidated	Interest rate risk			Foreign exchange risk			Other price risk **		
	-1%	+1%		-10%	+10%		-1%	+1%	+10%
	Profit \$'000	Equity \$'000	Carrying amount \$'000	Profit \$'000	Equity \$'000	Carrying amount \$'000	Profit \$'000	Equity \$'000	Carrying amount \$'000
30 June 2008									
Financial assets									
Cash and cash equivalents	(7,386)	7,386	738,638	-	-	-	-	-	-
Accounts receivable	-	-	340,452	-	-	-	-	-	-
A-F-S investments	(1,127)	1,127	246,461	-	-	-	-	-	-
Derivatives - Interest rate swap	(5)	5	516	-	-	-	-	-	-
Financial liabilities									
Derivatives - FVTPL	-	-	2,342	-	-	-	-	-	-
Trade payables	-	-	1,117,647	-	-	-	-	-	-
Borrowings - current	563	(563)	100,505	-	-	-	-	-	-
Borrowings - non current	602	(602)	60,158	-	-	-	-	-	-
Total increase/ (decrease)	(7,353)	7,353		(3,310)	3,310		2,708	(2,708)	
Parent									
30 June 2008									
Financial assets									
Cash and cash equivalents	(4,399)	4,399	439,877	-	-	-	-	-	-
Accounts receivable	-	-	141,040	-	-	-	-	-	-
A-F-S investments	(1,127)	1,127	112,413	-	-	-	-	-	-
Financial liabilities									
Derivatives - FVTPL	-	-	2,342	-	-	-	-	-	-
Trade payables	-	-	503,000	-	-	-	-	-	-
Borrowings - current	-	-	39,750	-	-	-	-	-	-
Borrowings - non current	299	(299)	29,935	-	-	-	-	-	-
Total increase/ (decrease)	(5,227)	5,227		(3,310)	3,310		2,708	(2,708)	

30 Key management personnel disclosures (continued)

2008						
Name	Balance at start of the year	Granted as compensation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable
Executive and Non-Executive Directors of Flight Centre Limited						
G.F. Turner	-	-	-	-	-	-
P.F. Barrow	10,000	-	-	(10,000)	-	-
G.L. Harris (resigned 31 January 2008)	-	-	-	-	-	-
H.L. Stack (resigned 2 November 2007)	10,000	-	-	(10,000)	-	-
B.R. Brown (resigned 6 November 2007)	-	-	-	-	-	-
P.R. Morahan (appointed 2 November 2007)	-	-	-	-	-	-
G.W. Smith (appointed 2 November 2007)	-	-	-	-	-	-
Other key management personnel of the group						
G. Dixon	-	-	-	-	-	-
C. Galanty	30,000	-	(30,000)	-	-	-
S. Garrett	30,000	-	(30,000)	-	-	-
A. Ogden	33,000	-	-	(3,000)	30,000	30,000
S. O'Brien	30,000	-	(30,000)	-	-	-

- Other price risk represents a 1% shift in yield curve on debt securities and a 10% shift in share price on equity securities

(a) Key management personnel compensation

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$	\$	\$	\$
Short-term employee benefits	4,652,593	4,766,646	3,306,747	3,200,507
Post-employment benefits	206,494	596,734	185,452	523,988
Share-based payments	29,076	345,424	21,807	259,068
Long-term benefits	<u>39,912</u>	<u>139,146</u>	<u>39,912</u>	<u>51,511</u>
	4,928,075	5,847,950	3,533,918	4,035,074

30 Key management personnel disclosures (continued)

2007	Balance at start of the year	Granted as compensation	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
Executive and Non-Executive Directors of Flight Centre Limited						
Name						
G.F. Turner	20,000	-	-	-	-	-
P.F. Barrow	-	-	(10,000)	10,000	10,000	-
G.L. Harris	-	-	-	-	-	-
H.L. Stack	20,000	-	(10,000)	10,000	10,000	-
B.R. Brown	-	-	-	-	-	-
Other key management personnel of the group						
M. Aponas	40,000	-	(10,000)	30,000	10,000	20,000
D. Burns	-	-	-	-	-	-
C. Galanty	41,500	-	(11,500)	30,000	10,000	20,000
S. Garrett	40,000	-	(10,000)	30,000	10,000	20,000
A. Grigson	52,500	-	(19,500)	33,000	13,000	20,000
G. Hogan	40,000	-	(10,000)	30,000	10,000	20,000
R. Nath	-	-	-	-	-	-
S. O'Brien	43,000	-	(13,000)	30,000	10,000	20,000
G. Pringle	40,000	-	(10,000)	30,000	10,000	20,000
A. Slingsby	50,500	-	(20,500)	30,000	10,000	20,000
K. Stanley	53,500	-	(43,500)	-	-	-
A. Spence	-	-	-	-	-	-

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Flight Centre Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2008	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Flight Centre Limited				
Ordinary shares				
Name				
G.F. Turner	17,228,687	-	(1,499,452)	15,729,235
P.F. Barrow	72,085	-	(47,085)	25,000
H.L. Stack (resigned 2 November 2007)	42,288	-	424	42,712
G.L. Harris (resigned 31 January 2008)	16,260,493	-	(855,473)	15,405,020
B.R. Brown (resigned 6 November 2007)	5,000	-	-	5,000
P.R. Morahan (appointed 2 November 2007)	3,000	-	212	3,212
G.W. Smith (appointed 2 November 2007)	-	-	5,000	5,000
Other key management personnel of the group				
Ordinary shares				
G. Dixon	7,171	-	(6,518)	653
C. Galanty	2,002	30,000	(30,000)	2,002
S. Garrett	3,142	30,000	(30,000)	3,142
A. Grigson	2,928	-	212	3,140
S. O'Brien	3,000	30,000	(5,788)	27,212

30 Key management personnel disclosures (continued)

2007	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Flight Centre Limited				
Ordinary shares				
Name				
G.F. Turner	17,228,687	-	-	17,228,687
P.F. Barrow	80,800	-	(8,715)	72,085
H.L. Stack	42,288	-	-	42,288
G.L. Harris	16,262,357	-	(1,864)	16,260,493
B.R. Brown	5,000	-	-	5,000
Other key management personnel of the group				
Ordinary shares				
M. Aponas	892	-	-	892
D. Burns	785	-	(785)	-
C. Galanty	2,002	-	-	2,002
S. Garrett	3,142	-	-	3,142
A. Grigson	2,928	-	-	2,928
G. Hogan	30,000	-	-	30,000
R. Nath	-	-	-	-
S. O'Brien	3,000	-	-	3,000
G. Pringle	2,451	-	-	2,451
A. Slingsby	1,857	-	-	1,857
K. Stanley	8,955	10,000	(18,955)	-

(c) Other transactions with key management personnel

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

The company has entered into a lease agreement with Four Direct Properties Pty Ltd, of which Messrs Turner and Harris are directors. The lease agreement, which was signed in 2003, is for the rental of the premises at 181 George Street, Brisbane to Flight Centre Limited. Independent advice was sought as to the monthly rentals to be paid. Rental paid during the year was \$36,000 (2007: \$77,000).

31 Remuneration of auditors

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

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$	\$
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	742,200	878,000
Other audit work under the <i>Corporations Act 2001</i>	759	21,928
Related practices of PricewaterhouseCoopers Australian firm	1,222,571	917,769
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the group	4,885	-
Total remuneration for audit services	<u>1,965,530</u>	<u>1,822,582</u>
		<u>899,928</u>
(b) Non-audit services		
<i>Audit-related services</i>		
PricewaterhouseCoopers Australian firm		
IFRS accounting services	-	68,077
Due diligence services	-	-
Other services	55,800	55,800
Related practices of PricewaterhouseCoopers Australian firm	15,358	17,372
Audit of regulatory returns	11,991	-
IFRS accounting services	685,046	50,962
Due diligence services	768,195	136,411
Total remuneration for audit-related services		<u>33,200</u>
<i>Taxation services</i>		
Related practices of PricewaterhouseCoopers Australian firm	176,071	294,261
Tax compliance services	-	-
International tax consulting and tax advice on mergers and acquisitions	21,484	-
Total remuneration for taxation services	<u>176,071</u>	<u>108,560</u>
Total remuneration for non-audit services	<u>944,266</u>	<u>141,760</u>
Total remuneration for audit and non-audit services	<u>2,909,796</u>	<u>1,041,688</u>

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

32 Contingencies

(a) Contingent liabilities

The parent entity and group had contingent liabilities at 30 June 2008 in respect of:

(i) Deferred consideration

Included in investment in controlled entities (note 14) are liabilities payable on the acquisition of various entities and businesses. Additional instalments may become payable and are dependent on future events.

(ii) Guarantees

The parent entity has guaranteed leases of other related entities. Bank guarantees in respect of shop lease obligations are secured by a mortgage of marketable securities amounting to \$3M. No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees as the fair value of the guarantees is immaterial.

Standard industry operating practice requires the group to issue letters of credit to the International Air Transport Association for the benefit of the travelling public in offshore businesses. Australian customers are covered via membership of the Travel Compensation Fund and International Air Transport Regulations (refer note 24).

33 Commitments

(i) Operating leases

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	87,975	70,305
Later than one year but not later than five years	224,940	192,128
Later than five years	44,460	71,008
	<u>357,375</u>	<u>333,441</u>
		<u>50,984</u>
		<u>123,402</u>
		<u>109,357</u>
		<u>12,897</u>
		<u>166,428</u>

The operating leases above relate primarily to occupancy leases of varying terms, generally between 5 and 7 years and have escalation clauses and renewal rights. Note included in the above are contingent rental payments which generally represent rental escalation based on CPI.

(ii) Land and buildings

	Consolidated	Parent
	30 June 2008	30 June 2007
	\$'000	\$'000
Commitments for payments in relation to non-cancellable capital commitment are payable as follows:		
Within one year	7,297	-
	<u>7,297</u>	<u>-</u>

The land and buildings above relate primarily to a building in South Africa scheduled for completion in early 2009.

34 Related party transactions (continued)

(f) Loans to/from related parties

	20 June	20 June	20 June
Consolidated			

Beginning of the year

Loans advanced	-	3
Loan repayments received	-	(28)

Investment in existing subsidiaries

interest	-
End of year	-

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

(g) Guarantees	The following guarantee's have been given by the parent entity:			
	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$	\$	\$	\$
Secured				
North America	-	-	-	3,344,855
United Kingdom	-	-	-	35,419
Australia	-	-	-	1,062,699
Unsecured				
North America	-	-	2,864,740	6,552,354
United Kingdom	-	-	16,225,567	67,522,749
Hong Kong	-	-	4,556,591	3,400,230
India	-	-	25,253,624	-
China	-	-	5,734,302	4,398,394
New Zealand	-	-	5,720,712	4,162,896
Australia	-	-	10,406,471	1,526,424
	-	-	70,764,007	92,006,020

(h) Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 6(e).

All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

35 Business combinations

Current year acquisitions

(a) Liberty Travel Inc.

(i) Summary of acquisition

On 31 January 2008, Flight Centre (USA) Inc. (a subsidiary of Flight Centre Limited) acquired 100% of the equity of Liberty Travel Inc., a travel agency group based in the United States.

From the date of acquisition to year end, Liberty Travel Inc. group has contributed a net loss of \$10.9M to the Flight Centre Limited consolidated group. If the acquisition had occurred on 1 July 2007, the pro-forma contributed revenue and contributed loss for the year ended 30 June 2008 would have been \$199m and \$6.1m respectively. This pro-forma loss excludes integration expenses.

These amounts have been calculated using the group's accounting policies and by adjusting the results of the acquisition to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2007, together with the consequential tax effects.

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

	2008 \$'000
Purchase consideration (refer to (ii) below):	
Cash paid	151,907
Direct costs relating to the acquisition	6,853
Total purchase consideration	158,760
Fair value of net identifiable assets acquired (refer to (iii) below)	(814)
Goodwill (refer to (iii) below and note 17)	159,574

The goodwill is attributable to the potential product wholesale synergies and increased access to the United States travel retail market which will contribute to overall revenue and profitability of the group.

(ii) Purchase consideration

Outflow of cash to acquire subsidiary:

Cash consideration (including acquisition costs)	158,760
Less: Cash acquired	50,715
Outflow of cash	108,045

There was no deferred consideration in this acquisition.

(iii) Assets and liabilities acquired

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

35 Business combinations (continued)

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	50,715	50,715
Available for sale assets	137,854	137,033
Accounts receivable	10,954	10,774
Other assets	13,053	11,365
Tangible fixed assets	16,266	17,515
Trade names	-	38,258
Developed technology	71,988	2,242
Customer relationships	-	24,755
Favourable lease asset	-	643
Accounts payable	(83,795)	(90,248)
Customer deposits for future tours	(160,896)	(161,234)
Accrued expenses and other liabilities	(43,956)	(32,945)
Deferred tax liability	(33)	(9,687)
Net identifiable assets acquired	12,150	(814)

The fair value of assets and liabilities acquired are based on book values with adjustment for intangible and tangible assets where the fair value can be measured reliably. The available for sale investment portfolio was already included at fair value by the acquiree.

No acquisition provisions were created.

The initial accounting for this acquisition has been determined only provisionally due to continuing work on ascertaining the fair value of all assets and liabilities to be recognised.

(b) Advance Traders (Australia) Pty Ltd

(i) Summary of acquisition

On 30 June 2008 Advance Traders (Australia) Pty Ltd (a subsidiary of Flight Centre Limited) acquired the assets of Advance Traders Pty Limited a wholesaler of bike products operating out of Brisbane.

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

	2008 \$'000
Purchase consideration (refer to (ii) below):	
Cash paid	1,148
Direct costs relating to the acquisition	22
Total purchase consideration	1,170
Fair value of net identifiable assets acquired (refer to (iii) below)	1,129
Goodwill (refer to (iii) below and note 17)	41

(ii) Purchase consideration

35 Business combinations (continued)

Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	1,170
Less: Cash acquired	-
Outflow of cash	1,170

There was no deferred consideration in this acquisition.

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount \$'000	Fair value \$'000
Inventories	998	998
Intangible assets: distribution rights and intellectual property	150	150
Employee liabilities	(19)	(19)
Net identifiable assets acquired	1,129	1,129

The goodwill is attributable to the potential revenue and profit from the distribution rights and intellectual property. The fair value of assets and liabilities acquired are based on book values as the purchase occurred on the last day of the financial year at a cost deemed to be fair value. No acquisition provisions were created.

Prior year acquisitions

(a) Comfort Business Travel Services Co Ltd

(i) Summary of acquisition

On 1 July 2006 via its Flight Centre (China) Pty Ltd subsidiary, the group acquired an additional 45% shareholding in Comfort Business Travel Services Co Ltd, a travel agency company operating in China. The group previously held an investment in the acquired business as a 50% joint venture partner. The group now holds a 95% controlling interest in the business.

The acquired business contributed revenues of \$1.6M and net loss before tax of \$1.3M to the group for the period from 1 July 2006 to 30 June 2007.

This acquisition has been 100% consolidated with no accounting for the 5% minority interest, as the group has an option to purchase the final 5% at a fixed price \$0.3M and this has been adjusted in goodwill and deferred consideration at 30 June 2007.

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

\$'000

35 Business combinations (continued)

2007
\$'000

Purchase consideration (refer to (ii) below):	
Cash paid	1,253
Deferred consideration	232
Direct costs relating to the acquisition	204
Total purchase consideration	1,709
Fair value of net identifiable assets acquired (refer to (iii) below)	336
Goodwill (refer to (iii) below and note 17)	1,373
Goodwill 50% interest	1,875
Total goodwill	3,248

(ii) Purchase consideration

\$'000

Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	1,457
Less: Cash acquired	622
Outflow of cash	835

The goodwill is attributable to the high growth and profitability potential of the Chinese market. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	622	622
Receivables	3,338	3,338
Prepayments	40	40
Plant and equipment	292	292
Payables	(1,190)	(1,190)
Loans - Bank	(1,693)	(1,693)
Loans - Other	(662)	(662)
Net identifiable assets acquired	747	747

(b) Toni Brasch Event Management Pty Limited

(i) Summary of acquisition

On 28 February 2007 the group acquired the business of Toni Brasch Event Management Pty Limited, a business specialising in events management and based in Sydney.

35 Business combinations (continued)

The acquired business contributed a net loss of \$26k from 28 February 2007 until 30 June 2007. If the acquisition had occurred on 1 July 2006, the revenue and loss contributed for the year ended 30 June 2007 would have been \$568k and \$89k respectively.

These amounts have been calculated using the group's accounting policies and by adjusting the results of the acquisition to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2006, together with the consequential tax effects.

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

	2007 \$'000
Purchase consideration (refer to (i) below):	
Cash paid	653
Deferred consideration	214
Direct costs relating to the acquisition	27
Total purchase consideration	894
Fair value of net identifiable assets acquired (refer to (iii) below)	84
Goodwill (refer to (iii) below and note 17)	810

(ii) Purchase consideration

	\$'000
Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	680
Less: Cash acquired	-
Outflow of cash	680

The deferred consideration is in relation to payments based on future profits. The payments are probable and can be measured reliably, hence have been included in the cost of the acquisition.

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount \$'000	Fair value \$'000
Prepayments	11	11
Plant and equipment	47	47
Intangible assets	-	37
Payables	(10)	(11)
Net identifiable assets acquired	48	84

The goodwill is attributable to the network of customers and suppliers established by TBEM and the synergy that is expected to contribute to the future profitability of the Ci Events division. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

35 Business combinations (continued)

(c) Nationwide Currency Services Pty Ltd

(i) Summary of acquisition

On 20 November 2006, the group acquired Nationwide Currency Services Pty Limited, a foreign exchange services company based in Perth.

The acquired business contributed net profit before tax of \$0.4M from 20 November 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006, the revenue and profit contribution for the year ended 30 June 2007 would have been \$2.5M and \$0.7M respectively.

These amounts have been calculated using the group's accounting policies and by adjusting the results of the acquisition to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2006, together with the consequential tax effects.

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

	2007 \$'000
Purchase consideration (refer to (i) below):	
Cash paid	2,805
Deferred consideration	800
Direct costs relating to the acquisition	106
Total purchase consideration	3,711
Fair value of net identifiable assets acquired (refer to (iii) below)	1,078
Goodwill (refer to (iii) below and note 17)	2,633

(ii) Purchase consideration

	\$'000
Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	2,911
Less: Cash acquired	722
Outflow of cash	2,189

Deferred consideration is payable to the previous owner of Nationwide Currency Services, who has taken up an employment position with Flight Centre Limited. The amount is payable irrespective of whether the previous owner continues employment with Flight Centre Limited.

(iii) Assets and liabilities acquired

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

35 Business combinations (continued)

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	722	722
Prepayments	20	20
Plant and equipment	278	278
Intangible assets	-	95
Payables	(2)	(2)
Provision for employee benefits	(35)	(35)
Net identifiable assets acquired	<u>983</u>	<u>1,078</u>

The goodwill is attributable to the high profitability of the acquired business and synergies expected to arise after the company's acquisition of the new subsidiary. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

(d) Travel Spirit Group Pty Limited

(i) Summary of acquisition

On 3 March 2007 the parent acquired the business of Travel Spirit Group Pty Limited, a wholesaler of travel products operating out of Sydney.

The acquired business contributed net profit of \$0.2M to the group for the period from 3 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, the revenue and loss contributed for the year ended 30 June 2007 would have been \$58.7M and \$1.6M respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the acquisition to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2006, together with the consequential tax effects.

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

	2007 \$'000
Purchase consideration (refer to (i) below):	
Cash paid	10,000
Direct costs relating to the acquisition	<u>131</u>
Total purchase consideration	<u>10,131</u>
Fair value of net identifiable assets acquired (refer to (iii) below)	<u>3,192</u>
Goodwill (refer to (iii) below and note 17)	<u>6,939</u>
(ii) Purchase consideration	
	\$'000
Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	10,131
Less: Cash acquired	<u>9,169</u>
Outflow of cash	<u>962</u>

There was no deferred consideration in this acquisition.

35 Business combinations (continued)

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash	9,169	9,169
Accounts receivable	182	182
Prepayments	567	567
Deposits	316	316
Inventories	316	316
Plant and equipment	1,235	573
Intangible assets; brands and customer relationships	-	2,342
Trade payables	(1,042)	(1,042)
Client creditors	(8,942)	(8,942)
Employee liabilities	<u>(289)</u>	<u>(289)</u>
Net assets	<u>1,512</u>	<u>3,192</u>

The goodwill is attributable to the potential product wholesale synergies and access to the Calypso system which is expected to contribute to revenue and profit. The fair value of assets and liabilities acquired are based on book values with adjustment for intangible assets and plant and equipment where the fair value can be measured. No acquisition provisions were created.

36 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2008 %	Equity holding 2007 %
Advance Traders (Australia) Pty Ltd	Australia	Ordinary	100	-
Australian AssetCo Pty Ltd	Australia	Ordinary	100	100
Australian OnCo Pty Ltd *	Australia	Ordinary	100	100
BDI Solutions Pty Ltd	Australia	Ordinary	-	100
Escape Travel Franchising Pty Ltd	Australia	Ordinary	100	100
Flight Centre (China) Pty Ltd	Australia	Ordinary	95	95
Flight Centre Foundations Pty Ltd	Australia	Ordinary	100	-
Flight Centre Property Pty Ltd	Australia	Ordinary	100	-
Flight Centre Technology Pty Ltd *	Australia	Ordinary	100	100
Flight Centres (New South Wales) Pty Ltd	Australia	Ordinary	-	100
Frequent Flyers Pty Limited *	Australia	Ordinary	-	100
The Great Holiday Escape Pty Ltd	Australia	Ordinary	-	100
Globalnet Technologies Pty Ltd	Australia	Ordinary	-	100
Group & Conference Travel Pty Ltd	Australia	Ordinary	-	100
GTM Internet Travel Pty Limited	Australia	Ordinary	-	100
GTM Travel Australia Pty Limited	Australia	Ordinary	-	100
Infinity Holidays Pty Limited	Australia	Ordinary	-	100
Internet E. Travel Pty Limited	Australia	Ordinary	-	100
Internet Travel Australia Pty Limited	Australia	Ordinary	-	100
Intravel Group Pty Ltd	Australia	Ordinary	-	100
ITL Overseas Holdings Pty Limited	Australia	Ordinary	-	100
Lumina Marketing Pty Limited	Australia	Ordinary	-	100
Lumina Technologies Pty Ltd	Australia	Ordinary	-	100

36 Subsidiaries (continued)

Pedal Group Pty Ltd	Australia	100	Ordinary	-
Publishing Pty Ltd	Australia	-	Ordinary	100
Retail Detail Pty Ltd	Australia	-	Ordinary	100
Shanghai Journey Pty Ltd	Australia	-	Ordinary	100
Stage & Screen Travel & Freight Services Pty Limited *	Australia	-	Ordinary	100
Traveland Pty Ltd	Australia	-	Ordinary	100
Travel Money (AUS) Pty Ltd (formerly Nationwide Currency Services 2 Pty Ltd)	Australia	100	Ordinary	100
Travel Money Holdings Pty Ltd	Australia	100	Ordinary	-
Travel Services Corporation Pty Ltd	Australia	100	Ordinary	100
The Flight Shops Inc	Canada	100	Preference	100
The Flight Shops Inc	Canada	100	Preference	100
Flight Centre - Comfort Business Travel Services Co Ltd #	China	100	Ordinary	100
Shanghai CEvent Business Consulting Co Ltd	China	100	Ordinary	-
American International Travel Limited #	Hong Kong	100	Ordinary	100
CH Services Limited	Hong Kong	100	Ordinary	100
GCH Services Limited	Hong Kong	100	Ordinary	100
FCm Travel Solutions (India) Private Limited #	India	100	Ordinary	100
Flight Centre (Mauritius) Limited	Mauritius	100	Ordinary	100
Escape Travel Limited	New Zealand	100	Ordinary	100
FFA Limited	New Zealand	100	Ordinary	100
Flight Centre (NZ) Limited	New Zealand	100	Ordinary	100
Great Holiday Escape (NZ) Limited	New Zealand	100	Ordinary	100
Travel Money (NZ) Limited	New Zealand	100	Ordinary	-
Flight Centre Property (South Africa) (Proprietary) Limited	Republic of South Africa	100	Ordinary	-
Flight Centre (South Africa) Pty Ltd	Republic of Sth Africa	100	Ordinary	100
Flight Centre Travel Solutions Pty Ltd	Republic of Sth Africa	100	Ordinary	100
FCm Travel Solutions Singapore Pte Ltd	Singapore	100	Ordinary	-
Britannic Travel Limited	United Kingdom	100	Ordinary	100
Britannic Travel Solutions Limited	United Kingdom	-	Ordinary	100
Flight Centre Moneywise Limited	United Kingdom	100	Ordinary	100
Flight Centre (UK) Corporate Limited	United Kingdom	100	Ordinary	100
Flight Centre (UK) Corporate Limited	United Kingdom	100	Preference	100
Flight Centre (UK) Finance Limited	United Kingdom	100	Ordinary	100
Flight Centre (UK) Limited	United Kingdom	100	Ordinary	100
Flight Centre (UK) Operations Limited	United Kingdom	100	Ordinary	100
Student Flights (UK) Limited	United Kingdom	100	Ordinary	100
FCm Bannockburn LLC	USA	100	Ordinary	100
Flight Centre (USA) Inc	USA	100	Ordinary	100
Gogo Tours Inc	USA	100	Ordinary	-
Holiday Vacations Inc	USA	100	Ordinary	-
Liberty Travel Inc	USA	100	Ordinary	-
Lib/Go Travel Inc	USA	100	Ordinary	-
Flight Centre (ME) Limited	Jebel Ali Free Zone	100	Ordinary	100
FCm Travel Solutions (L.L.C)	Dubai	100	Ordinary	100

36 Subsidiaries (continued)

- * These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 43.
- # All entities have a 30 June year-end date except for FCm Travel Solutions (India) Private Limited (31 March), American International Travel Limited (31 December) and Flight Centre - Comfort Business Travel Services Co Ltd (31 December). These entities are required to have these year end dates due to local statutory reporting requirements. These entities are consolidated into the group's 30 June year-end using their monthly figures from July to June.

37 Events occurring after the balance sheet date

On 1 August 2008, Flight Centre Limited formed an adventure travel joint venture with specialist Melbourne-based operator Intrepid. The joint venture will see Flight Centre and Intrepid work together to develop and expand a chain of specialist adventure travel retail stores to capitalise on growing interest in the sector. To secure its 50% holding in the venture, Flight Centre invested \$2.4million.

On 31 August 2008, Flight Centre Limited (FCLT) formalised its agreement with the Turner family in relation to a proposed joint venture cycling business. The agreement, which was foreshadowed during 2007/08, will see FCLT transfer its wholesale cycle business, Advance Traders Australia (ATA), to the joint venture. 99 Bikes, which is partly owned by Graham Turner's family company, will transfer its Brisbane-based chain of bike shops to the joint venture. The Turner family will make an additional cash contribution to secure a 50% holding in the new joint venture. The contribution will be determined following an independent valuation of 99 Bikes' and ATA's stock at 31 August 2008. The transaction was conducted at arm's length and with independent valuations and legal advice.

No other circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

38 Segment information

(a) Description of segments

Business segments

Flight Centre Limited and its controlled entities operate predominantly in one business segment, the sale of travel and travel-related services and products. The group is organised globally into major areas. Its primary reporting format is geographical segments.

(b) Primary reporting format - geographical segments

2008	Australia \$'000	North America \$'000	United Kingdom \$'000	Other \$'000	Total continuing operations \$'000	Inter- segment eliminations/ unallocated \$'000	Consolidated \$'000
Total Transaction Value	6,423,581	1,732,887	1,193,578	1,645,893	10,995,739	(114,010)	10,881,729
Sales to external customers	863,020	203,462	162,521	180,543	1,409,546	-	1,409,546
Intersegment sales (note (ii))	24,094	1,400	14,911	504	30,909	(30,909)	-
Total sales revenue	937,114	204,862	177,432	181,047	1,500,455	(30,909)	1,409,546
Share of net profits of associate (note (iii))	325	224	-	-	549	-	44,685
Unallocated revenue	-	-	-	-	-	-	1,454,780
Total segment revenue/income	139,928	(9,781)	21,628	27,718	179,493	-	179,493
Royalties	20,366	(2,124)	(1,863)	(16,378)	-	-	-
Segment result	160,294	(11,905)	19,785	11,339	179,493	-	179,493
Unallocated revenue less unallocated expenses	-	-	-	-	-	-	33,435
Profit before income tax	139,928	(9,781)	21,628	27,718	179,493	-	179,493
Income tax expense	20,366	(2,124)	(1,863)	(16,378)	-	-	-
Profit for the year	160,294	(11,905)	19,785	11,339	179,493	-	179,493
Segment assets	927,628	515,401	248,040	220,872	1,911,941	-	1,911,941
Unallocated assets	-	-	-	-	-	-	45,110
Total assets	-	-	-	-	-	-	1,957,051
Segment liabilities	610,963	374,055	113,512	119,678	1,218,208	-	1,218,208
Unallocated liabilities	-	-	-	-	-	-	134,007
Total liabilities	-	-	-	-	-	-	1,352,215
Investments in associate and joint venture partnership (note (iii))	1,754	7,831	-	-	9,585	-	9,585
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	84,203	252,092	9,760	19,073	365,128	-	365,128
Depreciation and amortisation expense	22,265	9,654	4,110	8,028	44,057	-	44,057
Impairment of assets (note 17)	-	-	-	-	-	-	-
Other non-cash expenses	11,939	839	1,631	3,651	18,060	-	18,060

38 Segment information (continued)

2007	Australia \$'000	North America \$'000	United Kingdom \$'000	Other \$'000	Total continuing operations \$'000	Inter- segment eliminations/ unallocated \$'000	Consolidated \$'000
Total Transaction Value	5,498,446	821,465	1,155,582	1,494,080	8,969,573	(94,553)	8,875,020
Sales to external customers	708,614	106,010	146,407	161,133	1,122,164	(332)	1,121,832
Intersegment sales (note (ii))	62,240	713	4,050	860	67,663	(67,663)	-
Total sales revenue	770,854	106,723	150,457	161,793	1,189,827	(67,995)	1,121,832
Share of net profits of associate (note (iii))	-	219	-	-	219	-	219
Unallocated revenue	-	-	-	-	-	-	31,824
Total segment revenue/income	101,854	1,729	18,220	21,919	143,722	(157)	143,565
Royalties	14,512	-	-	(14,512)	-	-	-
Segment result	116,366	1,729	18,220	7,407	143,722	(157)	143,565
Unallocated revenue less unallocated expenses	-	-	-	-	-	-	30,456
Profit before income tax	116,366	1,729	18,220	7,407	143,722	(157)	143,565
Income tax expense	-	-	-	-	-	-	174,021
Profit for the year	116,366	1,729	18,220	7,407	143,722	(157)	143,565
Segment assets	680,345	70,500	262,397	216,451	1,229,693	(10)	1,229,683
Unallocated assets	-	-	-	-	-	-	27,903
Total assets	-	-	-	-	-	-	1,257,586
Segment liabilities	412,190	28,003	134,869	148,994	724,056	823	724,879
Unallocated liabilities	-	-	-	-	-	-	50,416
Total liabilities	-	-	-	-	-	-	775,297
Investments in associate and joint venture partnership (note (iii))	-	8,472	-	-	8,472	-	8,472
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	40,487	6,889	4,448	12,401	64,225	-	64,225
Depreciation and amortisation expense	21,515	4,324	4,180	6,143	36,162	-	36,162
Impairment of assets (note 17)	4,643	-	-	243	4,886	-	4,886
Other non-cash expenses	13,561	1,230	1,203	2,794	18,788	-	18,788

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the entity's accounting policies as disclosed in note 1 and accounting standard AASB 114 Segment Reporting.

Segment revenues, expenses, assets and liabilities are directly attributable to a segment and the relevant portion that can be reasonably allocated to the segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.

(iii) Unallocated revenue and expenses

Unallocated revenue and expenses include such items as interest and foreign exchange gains.

39 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000	Parent 30 June 2007 \$'000
Profit for the year	143,154	120,824	140,989
Depreciation and amortisation	44,057	36,162	12,616
Impairment charge	-	4,885	313
Net loss/(gain) on disposal of non-current assets	1,642	(21,280)	(21,832)
Loss on impairment of investments	1,729	-	-
Gain on intercompany debt forgiveness	-	-	(23,934)
Share of profits of associate and joint venture	(387)	(219)	-
Partnership not received as dividends or distributions	1,043	1,431	-
Non cash financing costs	(1,495)	-	-
Net exchange differences	(23,216)	(48,901)	(15,175)
Increase in trade debtors and bills of exchange	(24,960)	(3,815)	(4,917)
Increase in deferred tax assets	197,471	127,461	158,864
Increase in trade creditors and other payables	22,591	11,910	10,027
Increase in provision for income taxes payable	-	-	20,887
Increase / (decrease) in provision for deferred income tax	19,048	(245)	-
Increase in other provisions	10,768	2,285	3,761
Increase in equity	481	113	481
Net cash inflow from operating activities	391,926	230,611	269,370
			184,041

40 Earnings per share

	Consolidated 30 June 2008 Cents	30 June 2007 Cents
(a) Basic earnings per share	146.6	127.5
Profit attributable to the ordinary equity holders of the company		
(b) Diluted earnings per share	146.5	127.5
Profit attributable to the ordinary equity holders of the company		
(c) Reconciliations of earnings used in calculating earnings per share		
	Consolidated 30 June 2008 \$'000	30 June 2007 \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	143,154	120,824

40 Earnings per share (continued)

(d) Weighted average number of shares used as the denominator

	Consolidated 30 June 2008 Number	30 June 2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	97,679,839	94,471,035
Adjustments for calculation of diluted earnings per share:		
Options	30,000	280,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	97,709,839	94,751,035

Options granted to employees under the Flight Centre Limited Senior Executive Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 41.

41 Share-based payments

(a) Employee Option Plan and Senior Executive Option Plan

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

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

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

Challenging performance hurdles are set annually on grant date and options vest upon achieving those hurdles. The performance hurdles are generally two fold:

- (a) The total group profit target to be met; and
- (b) The respective business unit must either meet or improve upon a predetermined profit or budget target.

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

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

41 Share-based payments (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated and parent - 2008								
06/09/02	06/09/07	\$28.40	9,000	-	-	(9,000)	-	-
31/10/02	31/10/07	\$23.73	20,000	-	-	(20,000)	-	-
14/02/03 #	14/02/08	\$19.70	20,812	(4,089)	(1,940)	(14,783)	-	-
14/07/03	14/07/08	\$22.46	10,800	(3,600)	-	-	7,200	7,200
30/03/06 *	30/03/11	\$10.66	280,000	(240,000)	(10,000)	-	30,000	30,000
Total			340,612	(247,689)	(11,940)	(43,783)	37,200	37,200
Weighted average exercise price			\$12.82	\$10.98	\$12.13	\$23.33	\$12.94	\$12.94

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number
Consolidated and parent - 2007							
01/07/01	01/07/06	\$23.52	8,880	-	(8,880)	-	-
24/08/01	24/08/06	\$28.68	510,070	-	(510,070)	-	-
30/11/01	30/11/06	\$21.98	40,000	-	(40,000)	-	-
06/09/02	06/09/07	\$28.40	12,000	(3,000)	-	9,000	9,000
31/10/02	31/10/07	\$23.73	40,000	(20,000)	-	20,000	20,000
14/02/03 #	14/02/08	\$19.70	22,166	(1,354)	-	20,812	20,812
14/07/03	14/07/08	\$22.46	19,800	(9,000)	-	10,800	10,800
30/03/06 *	30/03/11	\$10.66	400,000	(10,000)	(10,000)	280,000	90,000
Total			1,052,916	(10,000)	(558,950)	340,612	150,612
Weighted average exercise price			\$21.04	\$10.66	\$12.12	\$28.12	\$15.55

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.22 years (2007 3.35 years).

* Senior Executive Option Plan

Longevity Options

Fair value of options granted

There were no options granted for the year ended 30 June 2008. The assessed fair value at grant date of options granted during the year ended 30 June 2006 was \$1.96. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2006 included:

- (a) options are granted for no consideration, each tranche vests and is exercisable on the release of audited accounts for the years ended 30 June 2006 and 30 June 2007 respectively.
- (b) exercise price: \$10.66
- (c) grant date: 30 March 2006
- (d) expiry date: 30 March 2011
- (e) share price at grant date: \$11.03

41 Share-based payments (continued)

- (f) expected price volatility of the company's shares: 27.91%
- (g) expected dividend yield: 5.11%
- (h) risk-free interest rate: 5.25%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses arising from share-based payment transactions

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

	Consolidated		Parent	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Share-based payment expense	66	432	66	432
	<u>66</u>	<u>432</u>	<u>66</u>	<u>432</u>

42 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity		Ownership interest		Consolidated		Parent	
	30 June 2008	30 June 2007	%	%	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$'000	\$'000			\$'000	\$'000	\$'000	\$'000
Unlisted								
Garber's Travel Service, Inc	Travel Services	26	26		7,831	8,472	-	-
					<u>7,831</u>	<u>8,472</u>	-	-

The above associate is incorporated in the United States of America.

Consolidated	
30 June 2008	30 June 2007
\$'000	\$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the financial year	8,472	-
Additions	-	8,253
Share of profits after income tax	224	219
Dividends received	(162)	-
Loss on foreign translation	(703)	-
Carrying amount at the end of the financial year	<u>7,831</u>	<u>8,472</u>

42 Investments in associates (continued)

(c) Share of associates' profits or losses			
Profit before income tax	373	396	
Income tax expense	(149)	(177)	
Profit after income tax	<u>224</u>	<u>219</u>	

(d) Summarised financial information of associates

	Assets \$'000	Group's share of: Liabilities \$'000	Revenues \$'000	Profit \$'000
2008				
Garber's Travel Service, Inc	2,966	773	5,587	224
2007				
Garber's Travel Service, Inc	3,082	696	3,571	219

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

Capital commitments	-	-	-
Lease commitments	1,454	2,051	

(f) Contingent liabilities of associates

Share of contingent liabilities incurred jointly with other investors	-	-	-
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	-	-	-

43 Deed of cross guarantee

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

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

- 1) Flight Centre Limited and Australian OpCo Pty Ltd
- 2) Flight Centre Limited and Flight Centre Technology Pty Ltd

It is a condition of the Class Order that the company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

Set out below are consolidated income statements and summary of movements in consolidated retained profits for the year ended 30 June 2008 comprising the company and the subsidiaries listed above.

43 Deed of cross guarantee (continued)

	Flight Centre Limited & Australian OpCo Pty Ltd 2008 \$'000	2007 \$'000	Flight Centre Limited & Flight Centre Technology Pty Ltd 2008 \$'000	2007 \$'000
Income statement				
Revenue from the sale of travel services	856,272	707,508	733,456	606,384
Other revenue	51,749	70,908	51,718	69,073
Other income	-	46,374	-	70,301
Selling expenses	(583,162)	(537,350)	(488,033)	(436,001)
Administration/support expenses	(125,394)	(142,976)	(124,807)	(93,064)
Finance costs	(20,605)	(12,576)	(17,433)	(10,835)
Foreign exchange losses (net)	(3,444)	-	(3,292)	-
Share of profit from joint venture	325	-	325	-
Profit before income tax expense	<u>175,741</u>	<u>131,888</u>	<u>141,934</u>	<u>205,858</u>
Income tax expense	(51,582)	(44,294)	(41,311)	(37,178)
Profit for the year	<u>124,159</u>	<u>87,594</u>	<u>100,623</u>	<u>168,680</u>
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	190,640	152,171	211,965	92,410
Profit from ordinary activities after income tax expense	124,159	87,594	100,623	168,680
Dividends provided for or paid	(80,981)	(49,125)	(80,981)	(49,125)
Retained profits at the end of the financial year	<u>233,818</u>	<u>190,640</u>	<u>231,607</u>	<u>211,965</u>

Set out below is the consolidated balance sheet as at 30 June 2008 of the company and the subsidiaries listed above.

43 Deed of cross guarantee (continued)

	Flight Centre Limited & Australian OpCo Pty Ltd 2008 \$'000	2007 \$'000	Flight Centre Limited & Flight Centre Technology Pty Ltd 2008 \$'000	2007 \$'000
Current assets				
Cash and cash equivalents	471,545	284,995	439,457	274,711
Available for sale financial assets	112,413	150,599	112,413	150,599
Receivables	204,060	153,520	154,544	109,126
Inventories	1,408	-	1,408	-
Total current assets	789,426	589,114	707,822	534,436
Non-current assets				
Investments acc'd for using the equity method	1,754	-	1,754	-
Property, plant and equipment	53,848	39,950	62,352	47,108
Intangible assets	31,035	21,953	30,976	22,993
Deferred tax assets	23,288	11,080	23,991	11,048
Other financial assets	366,921	265,762	395,246	290,823
Total non-current assets	476,846	338,745	514,319	371,972
Total assets	1,266,272	907,859	1,222,141	906,408
Current liabilities				
Payables	541,471	367,493	496,801	344,886
Borrowings	39,750	26,754	39,750	26,754
Derivative financial instruments	2,342	318	2,342	318
Provisions	6,603	3,641	6,603	3,641
Current tax liabilities	26,623	16,595	26,623	16,595
Total current liabilities	616,789	414,801	572,119	392,194
Non-current liabilities				
Payables	10,814	5,035	11,284	4,821
Borrowings	29,935	27,000	29,935	27,000
Deferred tax liabilities	-	20	-	-
Provisions	10,802	9,724	10,802	9,724
Total non-current liabilities	51,551	41,779	52,021	41,545
Total liabilities	668,340	456,580	624,140	433,739
Net assets	597,932	451,279	598,001	472,669
Equity				
Contributed equity	377,343	260,827	377,343	260,827
Reserves	(13,229)	(186)	(10,949)	(123)
Retained profits	233,818	190,640	231,607	211,965
Total equity	597,932	451,279	598,001	472,669

On the 19th of December 2007 Frequent Flyers Pty Limited and Stage & Screen Travel & Freight Services Pty Limited were deregistered and removed from the deed of cross guarantee.

Directors' declaration

In the directors' opinion:

- the financial statements and notes set out on pages 14 to 93 are in accordance with the *Corporations Act 2001*, including:
 - complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 43 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 43.

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

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



S. O'Brien
Acting CEO
BRISBANE
2 September 2008

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123 Eagle Street
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GPO Box 150
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Australia
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Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

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

Report on the financial report

We have audited the accompanying financial report of Flight Centre Limited (the company), which comprises the statements of financial position as at 30 June 2008, and the income statement, statements of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Flight Centre Limited and the Flight Centre Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures 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.

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

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

Liability limited by a scheme approved under Professional Standards Legislation

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

Auditor's opinion

In our opinion:

- (a) the financial report of Flight Centre Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 4 to 10 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Flight Centre Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



R A Baker
Partner

BRISBANE
2 September 2008

The shareholder information set out below was applicable as at 11 August 2008.

A. Distribution of equity securities

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

1 - 1000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

The voting rights attaching to each class of equity securities are set out below:

(a)	Ordinary shares
	On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Number of Shareholders
7,312
1,969
189
103
33
9,606

There were 787 holders of less than a marketable parcel of ordinary shares.

The percentage of the total holding of the twenty largest shareholders was 84.92%.

B. Equity security holders

Twenty largest quoted equity security holders

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

Gainsdale Pty Ltd	15,646,001	15.71
Gehar Pty Ltd	15,398,302	15.46
James Management Services Pty Ltd	13,039,750	13.09
Lazard (Institutional Group)	10,021,797	10.06
Barclays (Institutional Group)	7,530,078	7.56
Friday Investments Pty Ltd	4,478,394	4.50
Perpetual Investments Ltd	3,056,585	3.07
Paradice Investment Management Pty Ltd	2,438,950	2.45
Vanguard Investment (Institutional Group)	2,188,495	2.20
AMP Capital Investors	2,103,391	2.11
State Steel Global Advisors (Institutional Group)	1,366,964	1.37
Old Mutual (Institutional Group)	1,236,129	1.24
Morgan Stanley (Institutional Group)	1,107,484	1.11
GMO (Institutional Group)	1,010,951	1.01
Elley Griffiths Group	965,427	0.97
Trinity Holding Ltd	750,000	0.75
BlackRock Advisors (Institutional Group)	663,452	0.67
Goldman Sachs (Institutional Group)	580,267	0.58
DFA Australia Ltd	502,740	0.50
Power Financial (Institutional Group)	498,087	0.50
	84,583,244	84.91

C. Substantial holders

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

	Number held	Percentage
Ordinary shares		
Gainsdale Pty Ltd	15,729,535	15.79 %
Gehar Pty Ltd	15,405,020	15.47 %
James Management Services Pty Ltd	13,042,274	13.09 %
Lazard (Institutional Group)	10,021,797	10.06 %
Barclays (Institutional Group)	7,530,078	7.56 %

Trinity Holdings Pty Ltd is potentially a substantial shareholder as it is party to a pre-emptive agreement dated 5 October 1995 between Gainsdale Pty Ltd, Gehar Pty Ltd, James Management Services Pty Ltd and Friday Investments Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Trinity Holdings Pty Ltd held 750,000 shares (0.75%) as at 11 August 2008.

Directors

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

Secretary

Notice of annual general meeting

The annual general meeting of Flight Centre Limited

will be held at: Novotel Brisbane

time: 10.30am

date: 3 November 2008

A formal notice of meeting is enclosed

Principal registered office in Australia

Level 12, 316 Adelaide Street
Brisbane QLD 4000

Share and debenture register

Computershare Investor Services Pty Ltd

Level 19
307 Queen Street
Brisbane QLD 4000

Auditor

PricewaterhouseCoopers
Riverside Centre
Level 15, 123 Eagle Street
Brisbane QLD 4000

Bankers

Westpac Banking Corporation

260 Queen Street
Brisbane QLD 4000

National Australia Bank

100 Creek Street
Brisbane QLD 4000

Commonwealth Bank of Australia

240 Queen Street
Brisbane Qld 4000

ANZ

324 Queen Street
Brisbane Qld 4000

Stock exchange listings

Website address

Flight Centre Limited shares are listed on the Australian Stock Exchange.

www.flightcentre.com

Attachment B

Full Year Results Announcement



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 26, 2008

2007/08 FULL YEAR RESULTS SUMMARY

(released prior to audit sign-off)

RESULTS IN BRIEF	FULL YEAR ACTUAL		
	2008	2007 (ex. abnormal*)	% variance
TTV			
TOTAL	\$10.9b	\$8.9b	22.6%
TOTAL – ex Liberty	\$10.0b	\$8.9b	13.2%
REVENUE			
TOTAL	\$1.5b	\$1.2b	26.0%
TOTAL – ex Liberty	\$1.4b	\$1.2b	18.4%
EBITDA			
EBITDA	\$244.4m	\$175.0m	39.7%
EBIT	\$200.3m	\$138.8m	44.3%
Profit before Tax	\$212.9m	\$151.6m	40.4%
Profit after Tax	\$143.2m	\$103.5m	38.3%
DIVIDENDS			
Interim (Paid Mar 08)	37.5 c	20.0 c	87.5%
Final (to be paid Oct 08)	48.5 c	46.0 c	5.4%

*Abnormal relates to FLT's gain on the sale of its Brisbane head office during 2006/07

Highlights

- Record results: Strong global sales and profit – TTV now greater than \$10billion and pretax profit surpassed \$200m for first time during 2007/08
- Enhanced shareholder returns: Increased EPS and dividend payments
- Growth and diversity: Largest year of brand and geographic expansion, largest acquisition, strategic joint ventures formed in recruitment and adventure travel

- Building for the future: Continued investment in shops, enhanced IT platform, people and customer initiatives
- Positive outlook: Targeting 10-15% pretax profit growth during 2008/09 with continued expansion focus, particularly in corporate and wholesale travel, and opportunity to capitalise on projected international travel growth globally

FLIGHT CENTRE LIMITED ACHIEVES RECORD RESULTS

FLIGHT Centre Limited (FLT) has announced record results for the 2007/08 financial year.

During the 12 months to June 30 2008, the company recorded 40.4% pretax profit growth to \$212.9million (excluding the one-off \$22.4million gain in 2006/07) and 38.3% after-tax profit growth to \$143.2million (excluding 2006/07 one-off).

The result is in line with FLT's guidance of a \$212million pretax result and includes integration expenses and losses incurred by United States acquisition Liberty

Excluding Liberty's contributions, total transaction value increased 13.2% to \$10billion, while revenue increased 18.4% to \$1.4billion.

Income margin (revenue as a percentage of TTV) increased from 12.98% at June 30 2007 to 13.36% at June 30 2008.

Excluding the abnormal gain in 2006/07, basic earnings per share increased 33.8% to \$1.47.

Within FLT's established business, shop and business numbers increased 9.4% to 1718, while selling staff numbers increased to 8820. With Liberty's addition, shop and business numbers increased to 1950, while selling staff numbers increased to 10343.

At June 30 2008, more than half of FLT's shops and businesses were located outside of Australia, a reflection of the company's increasing geographic diversity.

In addition to acquiring Liberty and entering into new joint ventures, the company invested significantly in its organic businesses and in new growth opportunities during 2007/08 as part of an ongoing four-pronged growth strategy that aims to:

1. Grow FLT's retail and corporate mainstream travel businesses

2. Expand FLT's wholesale travel presence to give the company greater vertical control and margin
3. Develop FLT's presence in travel related businesses where its proven business model can be successfully applied; and
4. Grow FLT's presence in a small number of carefully selected non travel businesses, where the company has clearly identified opportunities to successfully and seamlessly integrate its unique retail and wholesale business model.

This investment led to increased capital expenditure, with FLT building for the future by:

- Fast-tracking the rollout of the shop of the future design
- Developing and launching a series of key projects that will enhance the company's systems and product platforms; and
- Acquiring head office properties in Melbourne and Auckland

During 2007/08, FLT invested \$70.2million in its organic growth and systems and \$42.7million in building acquisitions. Capital expenditure is expected to increase to approximately \$80million during 2008/09, as FLT continues to invest in its shop network and IT platform. The company expects to invest an additional \$25million in building-related capital expenditure during 2009.

At June 30 2008, FLT held \$182.8million in company cash and investments and \$802.3million in client (restricted) cash and investments. The client cash increase reflects the company's strong trading performance during the year and the addition of Liberty's customer funds.

FLT's directors declared a fully franked \$0.485 per share final dividend, payable on October 10, 2008 to shareholders registered on September 18, 2008. This follows the \$0.375 per share interim dividend (paid on March 28) and represents a 60% pay-out of after-tax profit.

Operational Review

Acting chief executive officer Shannon O'Brien said key profit drivers during 2007/08 included:

- Growth: FLT completed its largest year of expansion by opening new shops and businesses, exporting its travel brands to new geographies and completing a series of acquisitions and joint ventures
- Gross margins: FLT generated strong revenue growth by expanding its business and sales force, increasing land, premium air and wholesale product sales and recording an improved sales performance to key land, air and insurance contracts globally

- Online and IT platform: Various projects were completed or significantly advanced during the year, including website upgrades and development of FLT's next generation fares database, consultant desktop and global wholesale product platform
- People: As part of its ongoing focus on attracting and retaining the right people, FLT initiated new programs to improve talent management and identification, in-store training, workplace flexibility and mobility
- Costs: FLT had reasonable success in containing costs in its support areas. This remains an ongoing focus
- Customer experience: To improve its customer offering FLT expanded its product range, continued to improve its shop environment and introduced a more comprehensive range of specialised training modules for its consultants

"Our overall goal was to build a stronger business and to improve shareholder returns by focusing on these key areas," Mr O'Brien said. "In all areas we made significant progress.

"FLT continues to increase its scale in all countries, while also developing a broader foundation.

"In addition to being one of the world's leading leisure travel providers, the company is now a significant and emerging presence in global corporate and wholesale travel.

"We see our diversity – of both brands and geography – as a platform for the future and a real strength."

In Australia, FLT performed strongly in leisure, corporate and wholesale travel. With its ongoing growth, the company is on track to open its 1000th business early in 2008/09.

The New Zealand and South African businesses recorded further profit growth, while continuing to expand organically and through the launch of new brands. Improving performance in New Zealand remains an ongoing priority.

In the United Kingdom, FLT recorded strong leisure travel results and improved corporate travel performance, following full integration of FLT's organic corporate business with Britannic. Further growth is expected as FLT continues to develop scale in this large market.

FLT's corporate travel business in India again performed strongly, while the Dubai corporate business, which was launched during the year, recorded promising early results.

In Greater China, the company continued to move towards its targeted breakeven position, while increasing TTV and expanding its customer offering through the launch of CI Events and FCm Executive Leisure to complement the core FCm brand.

FLT's Canadian businesses improved significantly with strong profit increases from FCm Travel Solutions and reduced leisure travel losses. Within the leisure business, the company widened its brand appeal by targeting higher-end market niches. This has seen FLT upgrade its shops and integrate its on and offline sales strategies to stimulate premium sales growth.

In the United States, the company achieved a small corporate travel profit, while significantly expanding the FCm Travel Solutions business in new locations. The company also reduced losses in its organically grown US leisure travel businesses, which are now being rebranded under the Liberty banner.

As announced previously, comprehensive integration and restructuring projects are underway within Liberty to restructure and reinvigorate the business, following FLT's acquisition on January 31 2008. Initiatives are expected to gain momentum during 2008/09 as FLT seeks to modernise and refresh the 57-year-old family-run business in the short-term and to improve longer term performance.

During the integration's infancy, priorities for Liberty's management team have included:

- **Margin improvement:** Focus on cost control, preferred suppliers, review of IT spend and systems and structural improvement. Some 180 support positions rationalized as part of the implementation of a leaner structure - sales staff now 70% of workforce
- **Shops and new business:** Refresh program launched (50% of shops to be upgraded within 18 months), improved site selection, Flight Centre LA and Chicago shops rebranded as Liberty, business development managers employed to secure new accounts. Introduction of specialist retail teams and a business travel offering to operate alongside Liberty's leisure business
- **Consultant productivity:** Shop-based team leaders restored to hands-on sales roles, centralised ticketing operation to be developed and key FLT systems to be introduced
- **Sales growth:** New advertising systems, window boards incorporated into shops and enquiry measurement systems
- **People:** Improved incentive structures introduced; and

- **Online:** A new Liberty website launched in June 2008 and a new site for wholesale business GoGo to be launched during 2008/09

Liberty's results for the five months to June 30 2008 include non-recurring restructure and integration costs.

Outlook

Following its strong results in favourable global trading conditions during 2007/08, FLT will seek to improve performance and shareholder returns during 2008/09 by focussing on:

- Attracting and retaining the right people
- Growing its core, specialist and new businesses
- Continuing to develop an integrated and aligned sales, customer and marketing approach
- Expanding its integrated global product and buying system
- Accelerating its global growth in corporate travel; and
- Replicating its success in the North American corporate travel market in leisure travel by capitalising on Liberty's scale and brand presence.

The company sees improvement opportunities in all geographies and expects continued growth in international travel, particularly on short-haul routes. This is in line with projections by various industry bodies, including the International Air Transport Association.

Mr O'Brien said factors that continued to drive growth included:

- Airfares' extreme affordability globally
- Healthy capacity and competition on key international and domestic routes
- Near full employment and the desire to make the most of a limited amount of vacation time; and
- The Australian dollar's strength

"While some retailers in other sectors have reportedly encountered a shift in consumer sentiment, demand for international travel remains buoyant.

"To capitalise on the opportunities we have identified, we will continue to work closely with our global supplier network to develop and promote attractively priced product.

"FLT starts the new financial year with significant momentum from 2007/08, a strong balance sheet and with foundations in place for further growth.

"While we do not expect to replicate the 30-40% increases we have achieved in each of the past two years, we will be disappointed if we do not increase pretax profit by 10-15%."

Mr O'Brien said the company's established markets – the UK, South Africa, Canada and Australia – continued to perform well and were expected to drive profit growth.

He said the company had also identified further growth opportunities within wholesale and corporate travel globally.

Since launching its FCm Travel Solutions corporate travel network four years ago, FLT has emerged as one of the world's largest corporate travel management providers.

During 2007/08, the company invested in the network's future growth by boosting its corporate travel sales force globally. FLT expects this investment to generate significant returns during 2008/09 and beyond, as it seeks to increase its corporate market share.

FLT also boosted its wholesale presence significantly during 2007/08, with GoGo's addition. GoGo's strong Caribbean and Americas product range will be added to FLT's global product powerhouse (GPPH), a wholesale product consolidation area, during 2008/09 and will be available to FLT's retail travel agents and customers throughout the world.

Once complete, the GPPH will give FLT's travel consultants access to more than 15,000 wholesale products worldwide.

FLT will continue to monitor airlines' fuel strategies and will proactively campaign for an end to the misleading and inconsistent practice of charging compulsory additional fuel surcharges.

While Australian-based carriers Qantas and Virgin Blue have recently adjusted base fares to reflect price increases, a number of international carriers have continued to maintain base fares at an artificially low level by increasing fuel surcharges.

"Initially, fuel surcharges were small additional charges that customers were required to pay to airlines to reflect unexpected and temporary fuel price increases," Mr O'Brien said.

"This is clearly no longer the case.

"Following years of accumulated rises, fuel surcharges now amount to hundreds of dollars on most international routes and, in various cases, cost more than the actual airfare.

"Surely the time has come for airlines to follow Emirates' lead by removing fuel surcharges completely and simply returning to the traditional system of incorporating fuel into the cost of the base airfare."

Shop and business growth during 2008/09 will predominantly come from organic expansion of FLT's existing travel brands.

The company will continue to pursue strategic acquisitions and joint ventures if opportunities arise. FLT currently holds 50% interests in two joint ventures, a recruitment venture with Employment Office Australia and an adventure travel operation with wholesale specialist Intrepid. In May 2008, the company also announced preliminary plans to form a joint venture with bicycle retailer 99 Bikes, which is partly owned by Graham Turner's family company.

FLT is on track to implement a new corporate structure during the first half of 2008/09. As disclosed previously, the new structure will provide the company with the flexibility to introduce a moderate level of debt into its business if it chooses to do so at an opportune time in the future, while continuing to comply with complex regulatory requirements relating to travel agencies in Australia and other jurisdictions.

ENDS Media and investor enquiries to Haydn Long 0418 750454

Investor conference call: FLT will conduct an investor conference call at 10am today (Tuesday – August 26). Telephone: 02 9338 7300, ID: 61920893

Attachment C

Half Year Financial Report and Directors' Report for the Half Year Ended 31 December 2008



APPENDIX 4D
FLIGHT CENTRE LIMITED (FLT)
ABN 25 003 377 188

HALF YEAR REPORT
31 DECEMBER 2008

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RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half year ended 31 December 2008

RESULTS IN BRIEF

	Dec 2008	Dec 2007	AMOUNT OF CHANGE	% CHANGE
Total transaction value (TTV) -				
Revenue	\$5.8b	\$4.8b	\$1b	20.8%
Gross profit	\$874.6m	\$642.9m	\$231.7m	38%
Net profit before tax	\$768.9m	\$642.9m	\$126m	19.6%
Net profit after tax	\$34.2m	\$90.9m	(\$56.7m)	(82.4%)
	\$28.1m	\$81.2m	(\$53.1m)	(57.4%)

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

DIVIDENDS

	Amount per Security Cents	100% Franked Amount Cents
Interim Dividend previous corresponding period, paid	37.5	37.5
Final dividend (30 June 2008) paid 10 October 2008	48.5	48.5
* The record date for determining entitlements to the interim dividend is Friday 6 March 2008. The payment date for the interim dividend of 9 cents per share is Friday 27 March 2008.		

NET TANGIBLE ASSETS

	Dec 2008	Dec 2007
Net tangible asset backing per ordinary security	1.12	4.04

COMPLIANCE STATEMENT

The report is based on accounts which have been reviewed by the auditors of Flight Centre Limited. There have been no matters of disagreement and a report of their review appears in the Half Year Financial Report.

Directors' report

Your directors present their report on the consolidated entity consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

Directors

The following persons were directors of Flight Centre Limited for the full half year and up to the date of this report:

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

Review of operations

While overall profit results were below FLT's initial expectations, the company performed reasonably in some market sectors, including corporate travel, online and youth and adventure.

Customer enquiry has also remained at very strong levels in most markets.

This shows that the heavily discounted airfares and holiday offers that are currently available globally are proving attractive, although a general lack of consumer confidence means some travellers are choosing to defer holidays, rather than immediately take advantage of the special offers.

FLT's challenge is to convert this demand into sales, as it has done historically during other downturns in the trading cycle.

To boost sales during the second half, FLT will:

- Continue to aggressively market the outstanding value that is being offered by all suppliers
- Continue to roll out its new sales conversion program globally to capitalise on the opportunities strong customer enquiry creates
- Continue to invest in its global sales force to generate retail and corporate sales growth
- Fill A-grade retail locations that become available as competitors or other retailers fall away in tough conditions
- Ensure its sales force remains focused and motivated (via incentive structures, reward and recognition programs)
- Work with major suppliers to ensure contracts reflect current market conditions and are likely to deliver mutually beneficial outcomes; and
- Roll-out specialist retail shops to increase its marketshare in attractive niches

FLT will also continue its focus on cost reduction. This has already led to:

- A general decrease in wages per person in FLT's established businesses.
- A freeze on employing support staff, along with a round of redundancies (predominantly in the USA). FLT continues to monitor support staff numbers in relation to trading volumes and will realign back office structures as required
- A review of non-performing businesses and, where appropriate, business closure or restructure.
- Discussions with key suppliers, particularly in the advertising and property sectors, to ensure rates reflect current market conditions; and
- Reassessment and prioritisation of capital expenditure

The company will also continue its restructuring efforts within the Liberty business in the United States to improve performance.

While Liberty's results have not been satisfactory to date, FLT's progress in reducing costs and generating strong customer enquiry indicates that the company is having some success in developing the foundations necessary to sustain future profit.

Other key achievements to date include:

- Reduced costs, with an annualized \$USD30million in expenses, predominantly relating to staff and administration, taken out
- Development of a leaner and more effective support structure, with almost 700 support and shop-based sales and administrative positions rationalized in the Liberty and former Flight Centre businesses since acquisition
- Creation of a smaller but stronger shop network, following the rationalization of 40 under performing and poorly located stores. This includes the closure of nine former Flight Centre shops in Los Angeles and Chicago in February 2009
- Introduction of a new revenue stream. Liberty Business Travel. Business development managers have now been employed in Manhattan, Boston, Los Angeles, Chicago, Philadelphia and Rhode Island; and
- Ongoing deployment of the Flight Centre business model, including a small team structure, a focus on cost-of-seat, individual business profit and loss statements and performance handbooks

Review of operations (continued)

In addition, a more effective incentive structure will be in place from July to immediately reward consultants for their sales efforts. This system will bring Liberty into line with FLT's operations elsewhere in the world.

Outlook

The current volatility in world economies continues to affect consumer confidence globally

While demand in some travel sectors has remained healthy, the slowdown in global sales the company experienced in November and December, after a reasonable first quarter, has continued into January and February.

It is impossible to predict when the economic cycle will turn and, consequently, when FLT will benefit from the investments it has made and the initiatives it has put into place.

FLT is, however, well placed to capitalize on opportunities that will arise.

The company has a strong and diversified brand network, vast experience at all levels, a commitment to pursuing growth opportunities to increase marketshare and modest debt.

The ongoing uncertainty that saw sales growth stall during the second quarter after a reasonable first quarter means that FLT is not currently in a position to provide meaningful guidance in relation to its likely full year result at this time.

Dividends - Flight Centre Limited

FLT's directors today declared a \$0.09 per share fully franked interim dividend payable on 27 March 2009 to shareholders registered on 6 March 2009. This represents a 34% return of after-tax profit to shareholders, outside of FLT's current policy of returning 50-60%, subject to the business's needs. The interim dividend paid for the half year ended 31 December 2007 was 37.5 cents per share.

While the company does not currently intend to alter its policy permanently, FLT's board believes the reduced pay-out is prudent in the current climate.

The board will continue to consider FLT's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future returns.

Matters subsequent to the end of the financial year

During January 2009, the group disposed of the Equities and Global blend fund portfolio acquired in the Liberty acquisition in January 2008.

The loss on disposal of these equities was \$2,100k in January 2009.

The financial effects of the above transaction will be brought to account in the 30 June 2009 financial statements.

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the company are included in this half year report on pages 3 and 4.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this half year report because the directors believe it would be likely to result in unreasonable prejudice to the group.

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Rounding of amounts

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

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



G.F. Turner
Director
BRISBANE
24 February 2009

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DX 77 Brisbane
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Telephone +61 7 3257 5000
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Auditors' Independence Declaration

As lead auditor for the review of Flight Centre Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



R A Baker
Partner

BRISBANE
24 February 2009



PricewaterhouseCoopers

Flight Centre Limited
Consolidated Income Statement
31 December 2008

		Half year ended	
		31 December	31 December
		2008	2007
Notes	\$'000	Restated	\$'000
Revenue from continuing operations			
Revenue from the sale of travel services	2	727,810	623,134
Sale of goods	2	120,422	-
Other revenue	2	26,367	19,803
Total for revenue from continuing operations		<u>874,599</u>	<u>642,937</u>
Cost of sales		(105,631)	-
Gross profit		768,968	642,937
Other Income	3	8,242	465
Expenses			
Selling expenses		(611,776)	(473,266)
Administration / support expenses		(116,450)	(65,019)
Finance costs		(14,844)	(14,030)
Share of profit / (loss) of joint venture and associates accounted for using the equity method	4		
Profit before income tax expense	8	<u>74</u>	<u>(101)</u>
Income tax expense		34,214	90,986
Profit attributable to members of Flight Centre Limited		<u>(8,102)</u>	<u>(29,779)</u>

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

Basic earnings per share	14	26.2	64.0
Diluted earnings per share	14	26.2	64.0

The above income statements should be read in conjunction with the accompanying notes.

Flight Centre Limited
Consolidated Balance Sheet
31 December 2008

		Half year ended	
		31 December	30 June
		2008	2008
Notes	\$'000	Restated	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	457,331	738,638
Available-for-sale financial assets		186,894	228,251
Receivables		318,797	340,452
Current tax receivables		-	3,866
Inventories		176	1,548
Other financial assets at fair value through profit or loss	7	15,474	18,210
Total current assets		<u>978,672</u>	<u>1,330,965</u>
Non-current assets			
Property, plant and equipment		193,568	164,768
Intangible assets		511,732	410,408
Deferred tax assets		65,574	40,789
Investments accounted for using the equity method		17,933	9,585
Derivative financial instruments		-	516
Total non-current assets		<u>788,807</u>	<u>626,066</u>
Total assets		<u>1,767,479</u>	<u>1,957,051</u>
LIABILITIES			
Current liabilities			
Trade and other payables		870,181	1,100,417
Borrowings		71,941	100,505
Provisions		6,904	6,695
Current tax liabilities		13,965	35,727
Derivative financial instruments		1,924	2,342
Total current liabilities		<u>964,915</u>	<u>1,245,686</u>
Non-current liabilities			
Payables		22,442	19,598
Borrowings		118,027	60,158
Deferred tax liabilities		22,607	16,063
Provisions		13,481	12,291
Derivative financial instruments		2,477	-
Total non-current liabilities		<u>179,034</u>	<u>108,110</u>
Total liabilities		<u>1,143,949</u>	<u>1,353,796</u>
Net assets		<u>623,530</u>	<u>603,255</u>
EQUITY			
Contributed equity	9	377,343	377,343
Reserves		(1,153)	(43,626)
Retained profits		247,340	269,538
Total equity		<u>623,530</u>	<u>603,255</u>

The above balance sheets should be read in conjunction with the accompanying notes.

Flight Centre Limited
Consolidated Statement of Changes in Equity
31 December 2008

	Half year ended 31 December 2007	
	2008	Restated 2007
Notes	\$'000	\$'000
Total equity at the beginning of the half year	603,255	481,989
Changes in the fair value of available-for-sale financial assets, net of tax	(19)	(7,601)
Changes in the fair value of cash flow hedges, net of tax	(2,727)	-
Net exchange differences on translation of foreign operations	45,219	(5,750)
Net income recognised directly in equity	42,473	(13,351)
Profit for the half-year	26,112	61,209
Total recognised income and expense for the half year	68,585	47,858
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	-	115,895
Tax effect of equity raising costs	-	481
Dividends provided for or paid	(48,310)	(43,628)
Employee share options	-	52
Tax effect of previous employee share issues	-	-
Total equity at the end of the half year	(48,310)	72,800
	623,530	602,647

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Flight Centre Limited
Consolidated Cash Flow Statement
31 December 2008

	Half year ended 31 December 2007	
	2008	Restated 2007
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (including GST)	787,076	633,943
Payments to suppliers and employees (including GST)	(1,040,642)	(584,143)
Interest received	24,040	19,283
Royalties received	382	-
Interest paid	(16,335)	(12,680)
Income taxes paid	(48,214)	(34,612)
Net cash (outflow) inflow from operating activities	(293,693)	21,791
Cash flows from investing activities		
Payment for purchase of businesses, net of cash acquired	(4,197)	(10,787)
Payments for property, plant and equipment	(40,988)	(34,595)
Payments for intangibles	(9,319)	(16,326)
Payments for available-for-sale financial assets	(11,607)	(9,791)
Proceeds from sale of available-for-sale financial assets	63,544	24,820
Net cash outflow from investing activities	(2,567)	(46,873)
Cash flows from financing activities		
Loans advanced	(2,454)	-
Repayment of borrowings	(95,554)	(27,000)
Proceeds from shares issued	-	100,971
Proceeds from borrowings	92,600	8,302
Dividends paid to company's shareholders	(48,310)	(43,628)
Net cash (outflow) inflow from financing activities	(53,718)	38,645
Net (decrease) increase in cash held	(349,978)	13,557
Cash and cash equivalents at the beginning of the half year	727,507	453,101
Effects of exchange rate changes on cash and cash equivalents	57,782	(2,941)
Cash and cash equivalents at end of the half year	435,311	463,717

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Flight Centre Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of matters explained in note 14.

2 Revenue

	Half year ended 31 December 2008	31 December 2007
	\$'000	\$'000

Total Transaction Value (TTV) 5,788,082 4,791,460

From continuing operations

Revenue from the sale of travel services

Commission and fees from the provision of travel 549,826 468,127
Revenue from the provision of travel 156,108 139,000
Other revenue from travel services 21,876 16,007

727,810 623,134

Sale of goods

Sale of goods as principal 120,422

Other revenue

Rents and sub-lease rentals 2,327 520
Interest 24,040 19,283

26,367 19,803

Total Transaction Value (TTV)

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

3 Other income

	Half year ended 31 December 2008	31 December 2007
	\$'000	\$'000

Foreign exchange gains and losses 8,242 465

8,242 465

4 Profit for the half-year

	Half year ended 31 December 2008	31 December 2007
	\$'000	\$'000

Profit before income tax includes the following specific expenses:

Depreciation & Amortisation	28,159	19,562
Impairment charge of Available-for-sale investments	25,027	-
Financial Assets fair valued to the Profit and Loss	2,736	1,955
Impairment of Assets	694	-
Finance costs		
Interest and finance charges paid / payable	14,844	14,030

5 Dividends

	Half year ended 31 December 2008	31 December 2007
	\$'000	\$'000

(a) Ordinary shares

Final ordinary dividend for the year ended 30 June 2008 of 48.5 cents (2007: 46 cents) per fully paid share, paid on 10 October 2008, fully franked

48,310 43,628

48,310 43,628

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

In addition to the above dividends, since half year end the directors have recommended the payment of an interim dividend of 9 cents (2007: 37.5 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 March 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is \$14,941,321 (2007: \$37,353,303).

6 Current assets - Cash and cash equivalents

	Consolidated 31 December 2008	30 June 2008
	\$'000	\$'000

Cash at bank and on hand 124,876 160,542
Client account 332,455 578,096

457,331 738,638

6 Current assets - Cash and cash equivalents (continued)

(a) Reconciliation to cash at the end of the half year

	Consolidated	
	31 December 2007	
	\$'000	
Cash and cash equivalents	457,331	493,337
Bank overdrafts	(22,020)	(29,620)
Balances per statement of cash flows	<u>435,311</u>	<u>463,717</u>

7 Current assets - Other financial assets

	Consolidated	
	31 December 2008	30 June 2008
	\$'000	\$'000
Debt Securities	<u>15,474</u>	<u>18,210</u>
	<u>15,474</u>	<u>18,210</u>

8 Interests in joint ventures and associates

Name	% Interest Held Dec 2008	% Interest Held June 2008
Intrepid Travel Pty Ltd	50	-
Pedal Group Pty Ltd	50	-
Employment Office Australia Pty Ltd	50	50
Garber Travel Service, Inc	26	26

9 Contributed equity

	31 December 2008	30 June 2008
	Shares	Shares
(a) Share capital		
Fully paid ordinary shares	<u>99,608,807</u>	<u>99,608,807</u>
	<u>377,343</u>	<u>377,343</u>

10 Contingencies

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

11 Business combinations

(a) Back Roads Touring Co. Ltd

(i) Summary of acquisition

On 31 October 2008 Flight Centre Limited acquired 100% of the equity of Back Roads Touring Co. Ltd, a bus touring company based in London, United Kingdom.

The acquired business contributed a net loss of \$97k to the group for the period from 1 November to 31 December 2008. If the acquisition had occurred on 1 July 2008, the revenue and profit contribution for the half year ended 31 December would have been \$1,596k and \$133k respectively.

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

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

	2008 \$'000
Purchase consideration	
Cash paid	2,691
Deferred consideration	186
Direct costs relating to the acquisition	77
Total purchase consideration	2,954
Fair value of net identifiable assets acquired	2,364
Goodwill	590

(ii) Purchase consideration

Outflow of cash to acquire subsidiary:
Cash consideration (including acquisition costs)
Less: Cash acquired
Outflow of cash

	2,768
	(2,092)
	<u>676</u>

Deferred consideration is payable to the previous owner of Back Roads Touring Co. Ltd, who has taken up an employment position with the Flight Centre Group. The amount is payable irrespective of whether the previous owner continues employment with the Flight Centre Group.

(iii) Assets and liabilities acquired

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

11 Business combinations (continued)

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	2,092	2,092
Accounts receivable	76	76
Motor vehicles	322	322
Deposits	10	10
Trade creditors	(44)	(44)
Provision for tax	(70)	(70)
Deferred income	(22)	(22)
Net identifiable assets acquired	2,364	2,364

No acquisition provisions were created.

12 Events occurring after the balance sheet date

During January 2009, the group disposed of the Equities and Global blend fund portfolio acquired in the Liberty acquisition in January 2008.

The loss on disposal of these equities was \$2,100k in January 2009.

The financial effects of the above transaction will be brought to account in the 30 June 2009 financial statements.

13 Segment information

(a) Description of segments

Business segments

Flight Centre Limited and its controlled entities operate predominantly in one business segment, the sale of travel and travel-related services and products. The group is organised globally into major areas. Its primary reporting format is geographical segments.

(b) Primary reporting format - geographical segments

Half year 2008	Australia \$'000	North America \$'000	United Kingdom \$'000	Other \$'000	Total continuing operations \$'000	Inter- segment eliminations/ unallocated \$'000	Total \$'000
Total Transaction Value	3,010,855	1,479,401	585,994	764,512	5,840,762	(52,680)	5,788,082
Sales to external customers	397,781	178,639	189,482	84,057	849,959	-	849,959
Intersegment sales (note (ii))	35,438	479	10,356	705	46,978	(46,978)	-
Total sales revenue	433,219	179,118	199,838	84,762	896,937	(46,978)	849,959
Share of net profits of associate (note (iii))	85	(11)	-	-	74	-	74
Unallocated revenue	-	-	-	-	-	-	-
Total revenue and other income	433,304	179,107	199,838	84,762	897,011	(46,978)	850,033
Segment result pre royalties	40,456	(43,913)	12,251	4,147	12,941	-	12,941
Royalties	4,192	-	1,029	(5,221)	(1,000)	-	(1,000)
Segment result	44,648	(43,913)	13,280	(1,074)	12,941	-	12,941
Unallocated revenue less unallocated expenses	-	-	-	-	-	-	-
Profit before income tax	-	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-
Segment assets	708,019	544,454	221,629	222,447	1,696,549	-	1,696,549
Unallocated assets	-	-	-	-	-	-	-
Total assets	708,019	544,454	221,629	222,447	1,696,549	-	1,696,549
Segment liabilities	447,495	318,825	81,507	131,081	978,908	-	978,908
Unallocated liabilities	-	-	-	-	-	-	-
Total liabilities	447,495	318,825	81,507	131,081	978,908	-	978,908
Investments in associate and joint venture partnership (note (iii))	6,987	10,946	-	-	17,933	-	17,933
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	29,882	7,550	6,561	18,960	62,953	-	62,953
Depreciation and amortisation expense	12,151	10,449	3,013	2,546	28,159	-	28,159
Impairment of assets	3,288	22,453	-	-	25,741	-	25,741
Other non-cash expenses	6,174	287	328	2,704	9,493	-	9,493

13 Segment information (continued)

(a) Description of segments

Business segments

Flight Centre Limited and its controlled entities operate predominantly in one business segment, the sale of travel and travel-related services and products. The group is organised globally into major areas. Its primary reporting format is geographical segments.

(b) Primary reporting format - geographical segments

Half year 2007 Restated	Australia \$'000	North America \$'000	United Kingdom \$'000	Other \$'000	Total continuing operations \$'000	Inter- segment eliminations/ unallocated \$'000	Total \$'000
Total Transaction Value	3,033,759	420,980	619,286	769,474	4,843,509	(52,049)	4,791,460
Sales to external customers	400,445	55,385	78,797	88,507	623,134	-	623,134
Intersegment sales (note (ii))	33,923	431	6,824	(13)	41,165	(41,165)	-
Total sales revenue	434,368	55,816	85,621	88,494	664,299	(41,165)	623,134
Share of net profits of associate (note (iii))	-	(101)	-	-	(101)	-	(101)
Unallocated revenue	-	-	-	-	-	-	-
Total revenue and other income	434,368	55,715	85,621	88,494	664,197	(41,165)	623,032
Segment result pre royalties	61,327	(1,925)	5,661	13,119	78,182	-	78,182
Royalties	7,250	-	(823)	(6,427)	-	-	-
Segment result	68,577	(1,925)	4,838	6,692	78,182	-	78,182
Unallocated revenue less unallocated expenses	-	-	-	-	-	-	-
Profit before income tax	-	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-
Segment assets	740,632	72,300	242,617	230,812	1,286,361	(10)	1,286,351
Unallocated assets	-	-	-	-	-	-	-
Total assets	740,632	72,300	242,617	230,812	1,286,361	(10)	1,286,351
Segment liabilities	403,883	28,589	110,023	148,455	690,950	4,248	695,198
Unallocated liabilities	-	-	-	-	-	-	-
Total liabilities	403,883	28,589	110,023	148,455	690,950	4,248	695,198
Investments in associate and joint venture partnership (note (iii))	-	8,424	-	-	8,424	-	8,424
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	27,675	3,026	5,183	15,057	50,921	-	50,921
Depreciation and amortisation expense	11,256	2,156	2,214	3,936	19,562	-	19,562
Impairment of assets	-	-	-	-	-	-	-
Other non-cash expenses	2,496	623	613	1,951	5,683	-	5,683

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the entity's accounting policies as disclosed in note 1 and accounting standard AASB 114 Segment Reporting.

Segment revenues, expenses, assets and liabilities are directly attributable to a segment and the relevant portion that can be reasonably allocated to the segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(iii) Unallocated revenue and expenses

Unallocated revenue and expenses include such items as interest and foreign exchange gains / losses.

14 Earnings per share

	Half year ended 31 December 2008	Half year ended 31 December 2007
	Cents	Restated Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	26.2	64.0
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	26.2	64.0
(c) Reconciliations of earnings used in calculating earnings per share		
	Half year ended 31 December 2008	Half year ended 31 December 2007
	\$'000	Restated \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	26,112	61,207
(d) Weighted average number of shares used as the denominator		
	Half year ended 31 December 2008	Half year ended 31 December 2007
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	99,608,807	95,634,033
Adjustments for calculation of diluted earnings per share:		
Options	30,000	55,667
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>99,638,807</u>	<u>95,689,700</u>

15 Correction of error

(a) Correction of error in recording revenue when acting as principal

In April 2008, new legislation in the United Kingdom modified the contractual terms of certain transactions between customers and Travel Agents. The impact of these changes is that Flight Centre UK is now considered to be acting as a principal in these transactions rather than as an agent. This means that the gross amount of sales and cost of sales is recognised in the profit and loss for transactions as principal. In addition, the legislative changes have impacted the timing of revenue recognition such that income is recognised on a flown basis as opposed to when ticketed. These changes were not reflected in the financial report at 30 June 2008.

At 30 June 2008, this misstatement had the effect of understating consolidated deferred income by \$2,370k, overstating the consolidated provision for tax by \$787k, and overstating consolidated retained earnings and consolidated total equity by \$1,583k. Sales and Cost of Sales was also understated by \$40,039k and \$35,248k respectively for the financial year ending 30 June 2008. There is no impact on sales and cost of sales for the 6 month period to 31 December 2007.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

There is no impact on basic or diluted earnings per share presented in the financial statements.

(b) Correction of error in the treatment of Collateralised Debt Obligation (CDO) financial instruments

In prior reporting periods, Flight Centre has accounted for synthetic collateralised debt obligations (CDOs) as available for sale financial instruments and recognised fair value changes in equity. A synthetic CDO is considered to contain an embedded credit derivative that should be separated from the host debt contract and recognised at fair value through the profit and loss. In the circumstances where the fair value of the embedded derivative cannot be reliably determined (such as in current market conditions), the entire contract (ie both the embedded credit derivative and the host debt contract) should be recognised at fair value through the profit and loss. Flight Centre has restated their financial statements to account for CDOs at fair value through the profit and loss after recent clarification from the IASB regarding the accounting treatment of CDOs.

The impact of this change in accounting treatment at 30 June 2008 is to reclassify CDOs of \$18,209 k from available for sale financial instruments to financial assets at fair value through the profit and loss. In addition, all previous fair value gains and losses that were recognised directly in equity have been restated to be recognised directly within the income statement. At 30 June 2008, reserves were understated, and retained profits overstated by \$10,500 k (before tax of \$3,150k).

At 31 December 2008, a loss of \$2,735k was recognised through profit and loss for the period (after tax \$1,915k). Market value of the CDOs of \$15,936k has been classified as financial assets at fair value through the profit and loss. For the six month period to 31 December 2007, profit before tax was overstated, and reserves were understated by \$1,955k (after tax \$1,369).

These changes has been corrected by restating each of the effected financial statement line items for the prior year, as described above.

Directors' declaration

In the directors' opinion:

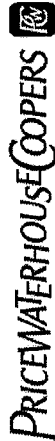
- (a) the financial statements and notes set out on pages 7 to 20 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that Flight Centre Limited will be able to pay its debts as and when they become due and payable.

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

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



G.F. Turner
Director
BRISBANE
24 February 2009



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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Flight Centre Limited, which comprises the statement of financial position as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Flight Centre Limited Group (the consolidated entity). The consolidated entity comprises both Flight Centre Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Flight Centre Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

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

Matters relating to the electronic presentation of the audited financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2008 included on Flight Centre Limited web site. The company's directors are responsible for the integrity of the Flight Centre Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Flight Centre Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

R A Baker
Partner

BRISBANE
24 February 2009

Attachment D

Half Year Results Announcement



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 24, 2009
Flight Centre Limited Releases 2009 Half Year Accounts

Results Summary

RESULTS	2008/09	2007/08	Variance
TTV			
Established businesses	\$4.8b	\$4.8b	0%
Trading result (established business and Liberty)	\$5.8b		20.8%
GROSS PROFIT**			
Established businesses	\$648.1m	\$642.9m	0.8%
Trading result (established business and Liberty)	\$768.4m		19.5%
EBITDA			
Established businesses	\$89.5m	\$105.2m	(14.9%)
Trading result (established business and Liberty)	\$82.0m		(22.1%)
FLT actual (trading result and abnormals*)	\$54.2m		(48.5%)
EBIT			
Established businesses	\$69.5m	\$85.7m	(18.9%)
Trading result (established business and Liberty)	\$52.8		(38.4%)
FLT actual (trading result and abnormals*)	\$25.0m		(70.8%)
PBT			
Established businesses	\$77.7m	\$90.9m	(14.5%)
Trading result (established business and Liberty)	\$62.0m		(31.8%)
FLT actual (trading result and abnormals*)	\$34.2m		(62.4%)
NPAT			
Established businesses	\$52.7m	\$61.2m	(13.9%)
Trading result (established business and Liberty)	\$55.8m		(8.8%)
FLT actual (trading result and abnormals*)	\$26.1m		(57.4%)
DIVIDENDS			
	\$0.09	\$0.375	(76%)

*Abnormals are FLT's one-off investment portfolio losses of \$29.9million before tax

**FLT's statutory accounts show first half revenue as \$874m, following a change in UK reporting

requirements. For comparative purposes, gross profit amounts are included above to remove any distortion when comparing revenue between periods

Result Summary

FLIGHT Centre Limited (FLT) today released its accounts for the first half of 2008/09.

In a challenging global trading cycle during the six months to December 31, 2008, the company's established businesses (excluding United States acquisition Liberty) achieved a \$77.7million pretax trading profit.

This compares to a record \$90.9million pretax profit in superior trading conditions during the previous corresponding period and a \$53m trading result two years ago.

As announced previously, losses and non recurring restructuring expenses within Liberty, which was acquired during the second half of 2007/08, and one-off losses within FLT's global investment portfolio significantly affected FLT's overall performance during the first half. These combined losses amounted to \$43.5million, giving FLT an actual pre-tax result of \$34.2million, in line with recent guidance.

The investment losses of \$27.8million consisted of:

- \$21.8million in impaired US equities, which were secured as part of the Liberty acquisition and sold early in the second half
- \$3.3million relating to an impaired Australian note, which the company elected to write-off; and
- A \$2.7million impairment writedown within the company's small structured products portfolio

Liberty's losses of \$15.7million included:

- An estimated \$6.7million in non recurring restructuring expenses; and
- \$9million in ongoing trading losses

Overall, the company's after tax profit result was \$26.1million. FLT has recognised some of the losses incurred by Liberty, which has reduced the company's effective tax rate.

Sluggish sales globally during the second quarter impacted on FLT's results, following a reasonable first quarter of profit and total transaction value (TTV) growth.

TTV in FLT's established businesses (excluding Liberty) was flat at \$4.8billion, while revenue increased marginally to \$648.1million.

Excluding Liberty, shop numbers increased 9% year-on-year, while selling staff numbers increased 8.6%. At December 31, sales staff represented 80.4% of the fulltime workforce in FLT's established business.

The company's cash and investment portfolio was \$657million, compared to \$631.9million last year.

Currently, about 78% of the overall portfolio is cash, 19% is in fixed income investments and 3% is in corporate collateralized debt obligations (CDOs), half of which are due to mature late in 2010. The CDOs relate to blue-chip US corporations and are not directly exposed to subprime mortgage products.

While significant impairment issues arose during the first half, FLT's fixed income and CDO portfolio has historically generated strong returns. FLT intends to hold these securities in the short-term, given the prevailing market conditions.

FLT's directors today declared a \$0.09 per share fully franked interim dividend payable on March 27 2009 to shareholders registered on March 6 2009. This represents a 34% return of after-tax profit to shareholders, outside of FLT's current policy of returning 50-60%, subject to the business's needs.

While the company does not currently intend to alter its policy permanently, FLT's board believes the reduced pay-out is prudent in the current climate.

The board will continue to consider FLT's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future returns.

Operational review

While overall profit results were below FLT's initial expectations, the company performed reasonably in some market sectors.

FLT acting chief executive officer Shannon O'Brien said the global corporate travel businesses had recorded solid overall profit growth during the first half, along with the online leisure business and youth and adventure brand Student Flights.

"Overall, the strong growth the company experienced during the second half of 2006/07 and throughout 2007/08 has slowed during a more challenging phase of the trading cycle," Mr O'Brien said.

"Customer enquiry has, however, remained at very strong levels in most markets.

"The heavily discounted offers that are currently available globally are proving attractive, although a general lack of consumer confidence means some travellers are choosing to defer holidays, rather than immediately take advantage of the special offers.

"Our challenge is to convert this demand into sales, as we have done historically during other downturns in the trading cycle."

Mr O'Brien said the company made reasonable progress in addressing its strategic priorities of:

- Attracting and retaining the right people: A new global recruitment system was deployed, along with new instore training workshops for all sales staff
- Growing its core, specialist and new businesses: FLT opened new shops, acquired Back Roads Touring (UK), formed an adventure travel joint venture with Intrepid and expanded Cruiseabout nationwide
- Continuing to develop and integrated and aligned sales, customer and marketing approach: FLT's key marketing system was deployed internationally, creating increased ownership at all levels. New sales conversion programs and global marketing workshops were also introduced
- Expanding its integrated global product and buying system: FLT's global product platform is now live in Australia, New Zealand, Canada and the UK, with the USA launch set for the fourth quarter. Major direct contracting hubs are now in place
- Accelerating its global growth in corporate travel: The FCM and Flight Centre Business Travel brands were significantly expanded globally, while Liberty

Business Travel was launched in the United States. More than 100 new business development managers (BDMs) were employed globally to secure new accounts.

- Replicating its success in the North American corporate travel market in leisure travel: Comprehensive improvement initiatives are underway within Liberty and have led to strong customer enquiry growth and significant cost reduction

To improve results, FLT also continued its focus on cost reduction throughout its global operations.

This led to:

- A general decrease in wages per person in FLT's established businesses. While staff numbers increased 9%, the overall wage bill in FLT's established business was flat. This reflects the company's highly incentivised pay structure, with wages increasing or contracting with revenue
- A freeze on employing support staff, along with a round of redundancies (predominantly in the USA). FLT continues to monitor support staff numbers in relation to trading volumes and will realign back office structures as required
- A review of non-performing businesses and, where appropriate, business closure or restructure
- Reassessment and prioritization of capital expenditure; and
- Discussions with key suppliers, particularly in the advertising and property sectors, to ensure rates reflect current market conditions. In the property sector, FLT has had some success in negotiating more realistic rents in previously expensive shopping centres and other locations

Within FLT's international operations, the Australian leisure business was again the major individual contributor to group profit, although overall results were down in comparison to 2007/08.

In corporate travel, the FCm Travel Solutions and Campus Travel businesses performed strongly, with the expanded network of business development managers winning new accounts to offset reductions in spend from existing clients.

In New Zealand, results were below expectations. Healthy growth in corporate sales staff should generate future returns, along with the recent introduction of the Flight Centre Business Travel brand and specialist First and Business Class shops.

In the United Kingdom, the specialist leisure businesses – Round-the-World, First and Business Class and Flight Centre Business Travel – performed well in a challenging economic climate.

FLT also developed and launched a leisure travel superstore in Kensington High Street. The store houses five specialist sales teams and has been consistently profitable.

In corporate travel, the FCm Travel Solutions business again generated good results, highlighted by improved margins and a focus on increasing sales. Throughout the UK, more than 50 business development managers are now in place and are actively targeting and winning new accounts.

After four years of record growth in South Africa, leisure sales increased marginally in the Flight Centre, Student Flights and Travel Associates brands. The company is investigating new opportunities to increase sales by developing specialist shops in various market niches including cruising, round-the-world and first and business class.

To increase corporate sales in South Africa, the company invested significantly in FCm and Flight Centre Business Travel (mixed retail and corporate model).

In Canada, the leisure business achieved an encouraging reduction in first half losses and a record monthly profit in January 2009. The Flight Centre Business Travel brand grew solidly, with 10 shops now open in Vancouver, Toronto, Calgary and Ottawa.

The corporate business achieved continued profitable growth, with the Vancouver-based West Canada FCm Travel Solutions businesses again performing strongly.

To increase wholesale sales in Canada, the GOGO Worldwide Vacations brand was introduced in February 2009. GOGO will continue to provide wholesale product to FLT's Canadian shops, in addition to selling its product range through other travel groups.

In India and Dubai, sales increased strongly but profit was down on the previous corresponding period. In China and Hong Kong, a modest increase in losses coincided with further restructuring and sales force expansion.

In the USA, FLT has consolidated its overall businesses by shifting oversight of the FCM Travel Solutions corporate travel operation from Canada to Chicago.

With this change, the US business now includes:

- FCM offices in Seattle, San Francisco, Los Angeles, Phoenix, Dallas, Boston and Chicago
- Wholesaler GOGO; and
- The Liberty Travel retail network

FCM generated healthy TTV growth during the first half, while expanding into a new location, San Francisco.

GOGO, which was secured as part of the Liberty acquisition, traded profitably, while significantly expanding the range of product available to its 12,000 United States travel agency partners. GOGO's relationship with Flight Centre's global product area means its product range now covers Australia, New Zealand, Fiji, Thailand, South-east Asia and Dubai, in addition to the Americas, Mexico, Europe and the Caribbean.

In leisure travel, the former Flight Centre-branded shops in LA and Chicago, which are now partly of Liberty, lost \$2.9million during the first half and the acquired Liberty business lost \$15.7million, including one-off restructuring costs.

While Liberty's results have been unsatisfactory to date, FLT's progress in reducing costs and generating strong customer enquiry indicates that the company is developing the foundations necessary to sustain future profit.

During 2008/09, TTV in the Liberty leisure business decreased marginally in local currency in comparison to the previous corresponding period, at a time when sharp declines were recorded in overall US retail sales.

New customer enquiry records were established in January 2009.

Other key achievements to date include:

- Reduced costs, with an annualized \$USD30million in expenses, predominantly relating to staff and administration, taken out
- Development of a leaner and more effective support structure, with almost 700 support and shop-based sales and administrative positions rationalised in the Liberty and former Flight Centre businesses since acquisition
- Creation of a smaller but stronger shop network, following the closure of 40 under performing and poorly located stores. This includes nine former Flight Centre shops in Los Angeles and Chicago in February 2009
- Introduction of a new revenue stream, Liberty Business Travel. Business development managers have now been employed in Manhattan, Boston, Los Angeles, Chicago, Philadelphia and Rhode Island; and
- Ongoing deployment of the Flight Centre business model, including a small team structure, a focus on cost-of-seat, individual business profit and loss statements and performance handbooks

In addition, a more effective incentive structure will be in place from July to immediately reward consultants for their sales efforts. This will bring Liberty into line with FLT's operations elsewhere in the world.

FLT expects further overall improvement during the second half as initiatives gain traction, further cost reduction takes place and as key systems are introduced.

Outlook

FLT managing director Graham Turner has returned to lead the business after a period of long service leave. This has allowed Mr O'Brien, who led FLT during Mr Turner's absence, to take on a new operational role as executive general manager responsible for FLT's Australia, New Zealand and Canada businesses. Andrew Flannery, previously FLT's acting chief financial officer, has taken on the CFO role permanently.

Mr Turner said the company would seek to increase sales during the second half by:

- Continuing to aggressively market the outstanding value that is being offered by all suppliers
- Continuing to roll out its new sales conversion program globally to capitalise on the opportunities strong customer enquiry creates
- Continuing to invest in its corporate sales network to generate retail and corporate sales growth
- Filling A-grade retail locations that become available as competitors or other retailers fall away in tough conditions
- Ensuring its sales force remains focused and motivated (via incentive structures, reward and recognition programs)
- Working with major suppliers to ensure contracts reflect current market conditions and are likely to deliver mutually beneficial outcomes; and
- Rolling-out specialist retail shops to increase its marketshare in attractive niches

"The current volatility in world economies continues to affect consumer confidence globally," he said.

"While demand in some travel sectors has remained healthy, the slowdown in global sales the company experienced in November and December, after a reasonable first quarter, has continued into January and February.

"It is impossible to predict when the economic cycle will turn and, consequently, when FLT will benefit from the investments it has made and the initiatives it has put into place.

"FLT is, however, well placed to capitalize on opportunities that will arise.

"The company has a strong and diversified brand network, vast experience at all levels, a commitment to pursuing growth opportunities to increase marketshare and modest debt."

The ongoing uncertainty that saw sales growth stall during the second quarter after a reasonable first quarter means that FLT is not currently in a position to provide meaningful guidance in relation to its likely full year result at this time.

During the second half, the company will continue to focus on cashflow improvement opportunities by reducing costs and enhancing working capital management.

The company is likely to remain modestly geared, with a medium term plan to hold or reduce overall debt levels.

ENDS: Media and investor enquiries to Haydn Long 0418 750454

Investor conference call
FLT will hold its result conference call at 3pm Queensland time (4pm NSW and Victoria) today. Participants phone 1800 098754 from within Australia or +61 293387300 from overseas. The conference ID is 87277237.

Annexure E

Application Form Unsecured Notes

UNSECURED NOTE AGREEMENT

THIS AGREEMENT is made the _____ day of _____ 20____
BETWEEN Flight Centre Limited (ACN 003 377 188) (hereinafter called the ***Company***) of Level 2, 545
Queen Street, Brisbane, Queensland.
AND the person referred to in Schedule 1 (hereinafter called the ***Unsecured Noteholder***).

Acquisition of Unsecured Note

1. The Unsecured Noteholder agrees to take and the Company agrees to issue an Unsecured Note to the Unsecured Noteholder in relation to the business referred to in Schedule 2 (the **Business**) on the terms and conditions as herein set out and as set out in the Deed described in clause 11.
2. The face value of the Unsecured Note is to be as set out in Schedule 4.
3. The Unsecured Noteholder must be, at the date of this Agreement, either the manager (referred to in Schedule 3 and hereinafter called the **Manager**) of the Business or any legal entity of which the Manager has effective control, nominated in writing by the Manager. A copy of such nomination must be given to the Company prior to execution of this Agreement. However, the Manager is not entitled to be issued an Unsecured Note other than in relation to the Business of which he is the Manager.
4.
 - (a) Within 31 days after the date of this Agreement, the Unsecured Noteholder must pay to the Company an amount equal to the face value of the Unsecured Note set out in Schedule 4 in a manner acceptable to the Company (cash or cheque) as consideration for the acquisition of the Unsecured Note.
 - (b) As soon as is practicable after receiving this amount, the Company shall provide the Unsecured Noteholder with a Certificate evidencing the Unsecured Noteholder's ownership of the Unsecured Note stating the face value applicable to the Unsecured Note for distributions during the term of this Agreement and upon termination of this Agreement.
 - (c) If payment is not received by the Company within the required time, the Unsecured Noteholder will be deemed not to have been issued the Unsecured Note or any rights relating thereto, and this Agreement shall be voidable at the option of the Company.

Redemption of Unsecured Note

5. In addition to the circumstances referred to in Clause 10, the Unsecured Note shall be redeemed for its face value together with all other Moneys Owning in accordance with this Agreement, which shall be paid by the Company to the Unsecured Noteholder within 30 days or as otherwise specified in this Agreement, upon:
- (a) termination of the Manager's employment with the Company for any reason; or
 - (b) notice in writing from the Unsecured Noteholder requesting redemption or repayment of the Unsecured Note; or
 - (c) notice in writing from the Issuer advising that redemption or repayment of the Unsecured Note will occur on a certain date; or
 - (d) the 10th anniversary of the date of issue of the Unsecured Note,
- whichever occurs first.

Interest Distribution on Unsecured Note

6. (a) Subject to clause 6(c) below, the Unsecured Noteholder will be entitled to an interest distribution by reference to the Business in respect of the Unsecured Note held by the Unsecured Noteholder on the following basis:
- (i) the percentage in Schedule 5 of the management profits, or profit improvement of the Business, after accounting for the liabilities of or within the Business, will be paid to the Unsecured Noteholder;

- (ii) Schedule 6 sets out the period and circumstances in which an interest payment will be made where there is profit or profit improvement of the relevant Business where Schedule 6 applies;
 - (iii) For the avoidance of doubt, a profit improvement of the Business for a given period includes a reduced loss position, or a return to profit position, for that period. For the purposes of this clause 6(a), profit, or loss, for a period shall be determined as the management profit or loss for the relevant period, after accounting for the liabilities of or within the Business for that period. The accounting policies used in determining the management profit or loss will be determined by the Finance Director or Chief Financial Officer of the Company, but will be consistent with the policies used for all businesses in the Flight Centre Group. The Company will notify the Unsecured Noteholder of any major change in its accounting policies.
- (b) For a Business to which Schedule 5 applies, the frequency of these interest payments will be no less frequently than quarterly, in arrears, so long as the Unsecured Note continues. No payments will be required in relation to the quarter in which the Unsecured Note is redeemed.
 - (c) For a Business to which Schedule 6, applies, details of how interest payments will be calculated and the frequency of such payments is set out in Schedule 6.
 - (d) Unless approved by the Issuer, the distribution payable in respect of any Unsecured Note from time to time will not exceed 35% of the face value of the Unsecured Note in any twelve month period commencing on the Amendment Date.

General

- 7. The Unsecured Noteholder shall not be entitled to voting rights, bonus shares, rights issues or any other rights enjoyed by shareholders of the Company.
- 8. The Unsecured Noteholder is prohibited from assigning, mortgaging or otherwise dealing in the Unsecured Note, without the consent of the Company.
- 9.
 - (a) The Company may determine from time to time that further funds are required for the purposes of the Business.
 - (b) In such a case, the amount of funds which will be required to be advanced by the Unsecured Noteholder will be obtained by multiplying the percentage set out in Schedule 5 by the total amount of capital required as determined by the Company. The Unsecured Noteholder may arrange for the relevant funds to be advanced by the Manager or a nominee of the Manager who would qualify as a holder of the Unsecured Note under clause 3 with the consent of the Company.
 - (c) The advance of such further funds will be made by way of a further loan to the Company. If such moneys are not paid to the Company within one month of its request, the Unsecured Note will be redeemed as per clause 5 of this Agreement and any obligation to advance the further funds will be extinguished.
 - (d) This further loan will not bear interest and is repayable, by the Company:
 - (ii) when it determines that there is cash surplus to the needs of the Business within the Business; or
 - (iii) by applying any amounts which would otherwise be payable as an interest distribution under clause 6 to repayment of the further loan before any further interest distributions are made so that the Unsecured Noteholder does not acquire any entitlement to such interest distributions but the period for the calculation of cumulative profitability is restarted as if an entitlement to an interest distribution had accrued.
 - (e) Upon redemption of the Unsecured Note as per clause 5 of this Agreement, if such further loans have not been repaid in full, the Noteholder shall forgive any balance of the loans remaining owing by the Company.
 - (f) Any such further loans shall not be taken to be made under the Deed referred to in clause 11 or to be Unsecured Notes for the purposes of that Deed.
- 10. The Company may at its discretion once the Manager is no longer the Manager of the Business:

- (a) require the Unsecured Noteholder to redeem all or part of any Unsecured Note it already holds relating to the Business in accordance with clause 5; or
 - (b) amend the terms of this Agreement by substituting a new business in Schedule 2; or
 - (c) when the Manager is managing another Company business, allow the Unsecured Noteholder to maintain all or part of the Unsecured Note in the Business under the following conditions:
 - (i) up to 20% (or such higher percentage to a maximum 35% as may be approved by the board of the Company) of management profit, or profit improvement, of the Business may be paid out as interest distributions in relation to all Unsecured Notes attaching to that Business;
 - (ii) the Manager must not hold more than 3 Unsecured Notes at any time;
 - (iii) where a new manager of the Business is appointed, any existing Unsecured Noteholder with respect to that Business may then be required to redeem all or part of his Unsecured Note in accordance with Clause 5; and
 - (iv) where there is more than 1 Unsecured Noteholder in the Business, the order of redemption will be, first made in time will be first redeemed or repaid.
11. This Agreement and the Unsecured Note to which it relates are entered into and made respectively subject and pursuant to the Deed dated 12 December 1997 (as amended) between the Company and Permanent Nominees (Aust.) Limited and the provisions of that Deed are incorporated into this Agreement and shall be complied with by the Company and the Unsecured Noteholder. Any terms used in this Agreement which are defined in that Deed have the same meaning here and the terms of this Agreement are Special Conditions under that Deed.
12. Any moneys which are not paid by the Company when due under this Agreement or the Deed referred to in clause 11 shall bear interest at the rate which is 3% greater than the base lending rate offered by the Company's principal banker from time to time in respect of loans of \$100,000 and over calculated on a daily basis and a year of 365 days from the date due until paid subject to the terms of that Deed.
13. The Manager of a business unit must notify the Company of any change in control of the legal entity which is registered as being the Unsecured Noteholder. In such a case the Company may require either:
- (a) the Unsecured Note to be transferred to a legal entity of which the manager has effective control; or
 - (b) that the Manager resume effective control of the legal entity registered as being the Unsecured Noteholder,
- within 14 days of being required to do so.
- If the Manager does not comply with the Company's requirement, the Company may redeem the Unsecured Note immediately.
14. The Manager warrants to the Company that any nominated Unsecured Noteholder which is a non-natural person (for example, a company, family trust or superannuation fund trustee of the Manager):
- has not contracted with Flight Centre to provide the management services (such as by being "*independent contractor*") to a Flight Centre business in Queensland; and
 - is not engaged in the business of holding or dealing in debt securities.

SCHEDULE 1.

The Unsecured Noteholder is _____

SCHEDULE 2.

The Business is [Flight Centre] *or* [other] _____

SCHEDULE 3.
The Manager is

SCHEDULE 4.
The face value of the Unsecured Note is \$

SCHEDULE 5.

[Specify if not applicable]

[Relevant details to be inserted here]

SCHEDULE 6.

[Specify if not applicable]

[Relevant details to be inserted here]

Execution by Applicant:

Signature of Applicant

or*

EXECUTED by _____)

Signature

Signature

Print name

Print name

Office held

Office held

*where Item B is completed

Execution by Company:

EXECUTED by **FLIGHT CENTRE LIMITED**

Signature

Signature

Print name

Print name

Office held

Office held