FLIGHT CENTRE LIMITED ANNUAL REPORT 2008/09

ABN 25 003 377 188 | Annual Report for the year ended 30 June 2009

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KEY DATES

25 August, 2009	2008/09 full year results released
29 October, 2009	Annual general meeting
25 February, 2010	2009/10 half year results release
12 March, 2010	Interim dividend record date (TBC)
2 April, 2010	Interim dividend payment date (TBC)

BRAND LOGOS

CHAIRMAN'S MESSAGE

By Peter Morahan

WELCOME TO FLIGHT CENTRE LIMITED'S 2008/09 ANNUAL REPORT

The 12 months to June 30, 2009 was a challenging year for our company, as non-recurring factors affected overall results and as turmoil in world financial markets led to a slowdown in demand during the course of the year.

Despite these challenges. FLT traded profitably in most geographies – only North America and Asia recorded losses over the full year – and demonstrated the strength of its sales network by generating an average of almost $1billion per month in total transaction value.

Importantly, FLT reacted positively to the changing environment by cutting costs and rationalising expenditure, while proactively strengthening key foundations.

As a result, our company starts 2009/10 with a solid base built around:

- A diverse stable of global leisure, corporate and wholesale travel brands, including the flagship Flight Centre brand
- A balanced workforce with leaner back office support structures and a front-end sales force that is ready to capitalise on the opportunities that will arise as demand improves
- A stronger balance sheet, with healthy cash reserves and minimal debt
- An ongoing focus on cost control; and
- Proactive strategies in place to improve business performance

Our performance in strengthening our balance sheet in a turbulent trading environment and without turning to the market to raise capital was undoubtedly one of our key achievements. This strength should allow us to capitalise as market conditions gradually improve.

While bottom-line results and overall shareholder wealth creation (see table below) during 2008/09 did not meet expectations, we remain focussed on creating value for shareholders and other stakeholders and are well placed to deliver solid future returns.

As announced previously, FLT's board did not declare a final dividend for 2008/09. The company intends to preserve cash in the short-term, but is likely to restore its policy of returning 50-60% of net profit after tax to shareholders as soon as it is reasonable to do so.

In conclusion, I would like to thank our 12,700 people throughout the world for their efforts during 2008/09 and you, our valued shareholders, for your ongoing support.

RESULTS IN BRIEF

	2008/09	2007/08
Total transaction value (TTV)	**$11.2b**	$10.9b
Gross profit	**$1.5b**	$1.45b
Income margin (gross profit as a percentage of TTV)	**13.49%**	13.34%
EBITDA	**$88.5m**	$231.4m
EBIT	**$28.7m**	$187.4m
Pre-tax profit – trading (includes US)	**$99.8m**	$212.3m
Impairment and write-offs (includes US equities)	**($59.4m)**	($11.3m)
Pre-tax profit – actual	**$40.4m**	$201.0m
Net profit after tax – actual	**$38.2m**	$134.8m

SHAREHOLDER WEALTH

	2008/09	**2007/08**	**2006/07**	**2005/06**	**2004/05**
Dividends					
- Interim	**9.0c**	37.5c	20.0c	20.0c	22.5c
- Final	**N/A**	48.5c	46.0c	32.0c	28.0c
EPS	**38.3c**	138.0c	127.5c	84.6c	81.4c
Share price at 30 June	**$8.65**	$16.67	$19.21	$9.81	$13.84

OUR VISION IS TO BE THE WORLD'S MOST EXCITING TRAVEL COMPANY, DELIVERING AN AMAZING EXPERIENCE TO OUR PEOPLE, CUSTOMERS AND PARTNERS.

GLOBAL REVIEW

AUSTRALIA

Shops and businesses: 1046

TTV: $5.9b, down 7%

Overview:

- 1000th business opened
- Flight Centre judged Australia's 14th most valuable brand at $630m (Source: Interbrand)
- Nationwide Cruiseabout shop network created
- Promising results from cycle and recruitment marketing joint ventures

NEW ZEALAND

Shops and businesses: 156

TTV: $565.9m, down 15% (down 8% in local currency)

Overview:

- Reasonable finish to 2008/09
- Specialist business travel and round-the-world shops launched
- New external wholesale brand, Escape Holidays, introduced

SOUTH AFRICA

Shops and businesses: 152

TTV: $405.7m, down 7% (up 4% in local currency)

Overview:

- Increasing brand diversity – Travel Associates network now has five stores
- 16 new business development managers (BDMs) employed to win leisure and corporate business
- New leadership structure implemented, linked to UK

UNITED KINGDOM

Shops and businesses: 209

TTV: $1.1b, down 8% (down 9% in local currency)

Overview

- Strong growth in BDMs
- New leisure travel service created for existing corporate clients
- Employment Office launched and Back Roads Touring acquired

CANADA

Shops and businesses: 184

TTV: $695.4m, up 4% (up 6% in local currency)

Overview:

- Reasonable corporate profit
- Leisure results down and affected by swine flu
- Employment Office and Stage & Screen introduced
- Infinity wholesale business rebranded GoGo

UNITED STATES

Shops and businesses: 222

TTV: $2.2b (acquired during 2007/08)

Overview:

- Key FLT systems now introduced
- Annualised $US30m in expenses removed
- New revenue streams introduced – Liberty Business Travel and discountcruises.com
- Wholesale expansion – GoGo profitable and a key element in FLT's global product strategy
- Fourth quarter breakeven after $62m in losses, impairment and expenses earlier in the year

ASIA-MIDDLE EAST

Shops and businesses: 26

TTV: $424.5m

Overview:

- Corporate businesses affected by global financial crisis
- BDM numbers doubled in Greater China
- India results deconsolidated

GLOBAL AWARD WINNERS

Trudy Lagerman
Top Retail Consultant

Lena Miller
Top Ticket Centre Consultant

Julie McLean
Top BDM

Katherine Eveleigh
Top Corporate Account Manager

Rananjay Kumar
Top Infinity Consultant

2008/09 REVIEW

By Graham Turner, managing director

2008/09 OVERVIEW

- **Profit**: Actual results affected by $59.4m in impairment and write-downs, plus $38m in US losses and expenses (incurred during first three quarters)
- **Sales:** Underlying sales down but income margin maintained on lower yields
- **Balance sheet:** Strengthened in challenging conditions – $161m in general cash ($125m at Dec 31) and debt down to $128m ($190m at Dec 31)
- **Cash focus:** Cost control focus and conservative capital expenditure management led to significant cash inflow during second half
- **Market conditions**: Conditions stabilising and trading volumes improving, but timing of full recovery uncertain
- **Guidance – 2009/10:** Initially targeting $125m-$135m pre-tax profit after solid start and with reasonable contracts, ongoing focus on cash and costs

THE year to June 30 2009 was a turbulent period for the travel industry, with turmoil on world financial markets, swine flu, short-term unrest in some international markets and unprecedented airline discounting all affecting results.

In these very challenging conditions, FLT improved its income margin slightly and finished the year with a stronger balance sheet. The company proactively cut administrative costs and slowed new store growth, but maintained its investment in advertising, sales staff growth and expansion in specialist areas to create market share opportunities.

In terms of financial results, FLT recorded a $99.8million pre-tax trading profit and a $40.4million actual pre-tax result. Including the significant one-off factors that arose, the company achieved a $38.2million net profit after-tax.

Sales results were affected by a slowdown in global demand during the second and third quarters and lower than normal yields, reflecting unprecedented supplier discounting. Within this challenging climate, income margin increased to 13.49%.

Shop numbers increased marginally as new store growth slowed and 40 US stores were closed.

Within the company's travel businesses, trading highlights included:

- Continued healthy customer enquiry throughout the year
- Some leisure sectors performing well, including online, youth and adventure
- A growing network of business development managers (BDMs) winning new corporate accounts to partially offset client down-trading; and
- Wholesale and global product contracting expansion to create future margin improvement opportunities

Pleasingly, FLT enhanced its traditional balance sheet strength by improving its net debt position. General cash was $161million at June 30 and part of a $786million global cash and investment portfolio.

Operating cash flow was close to break-even, with a large second half inflow offsetting the first half outflow. This reflects the business's seasonality, with funds accumulating during peak booking seasons, predominantly the six months to June 30, ahead of peak travel seasons during the following six months.

As FLT's remuneration strategies link incentives to creation of shareholder wealth (see the remuneration report within this annual report for further details), average earnings decreased in comparison to the record previous year. Excluding Liberty, wages flexed in line with revenue.

OUTLOOK – 2009/10

In addition to its ongoing cost containment initiatives, FLT proactively implemented strategies during 2008/09 to improve performance and future shareholder returns.

These key strategies are again in place during 2009/10 and include:

- **Modest growth:** Increasing market share through same store sales growth, supplemented by modest shop growth, and by recruiting, retaining and developing the right sales people
- **Customer retention:** Building loyalty through ownership at a business and individual level of an effective sales, product and marketing approach
- **Margin:** Increasing the range and available margin for all business units
- **US improvement:** Achieving a break-even result through further BDM growth, improved enquiry and conversion, increased product breadth and depth and ongoing cost control; and
- **Cash generation:** Improving FLT's net cash position to ensure the company has the flexibility to pursue opportunities, respond rapidly to improvements in market conditions and the ability to use cash to fund future initiatives

Flight Centre's focus on market share and customer retention will see it reinforce its commitment to delivering the best airfare prices to customers during 2009/10.

This commitment to beating any airline or web airfare quote has been highlighted by the recent introduction of a new Fly Free promise in Australia, New Zealand and the UK.

This promise means that if a customer happens to find a cheaper available airline or web airfare quote and we don't beat it, we will fly the customer to his or her destination for free. Full details are now included on our website and in our advertising campaigns.

In terms of online sales and development, FLT will continue to enhance its stable of websites in terms of both capability and destinational content.

While the company expects continued growth in online sales, it does not anticipate major shifts in its earnings profile as online air sales are becoming increasingly commoditised in Australia and elsewhere. This mirrors developments in the US, where major online players earn no margin on air sales and, instead, focus on higher margin add-ons, particularly hotel sales.

While airlines generally recognise the value travel agencies create, carriers will rarely pay a margin on the simple point-to-point air sales generated online. The online accommodation sector, while offering lower margins than those available to FLT's wholesale businesses, represents a short-term growth opportunity.

In terms of profit targets for 2009/10, FLT will initially target a pre-tax result between $125million and $135million in an improving but still uncertain trading climate.

While the company has not yet seen conclusive evidence of a full recovery, FLT has started the year with some positive momentum from the fourth quarter of 2008/09 and trading results for July and August are encouraging.

We also have a stronger sales network, following the growth we recorded in specialist areas during 2008/09, the addition of new corporate travel sales people and completion of the shop of the future refurbishment program. While there are certain to be some challenges, FLT is in a very solid position.

OPERATIONAL OVERVIEW

AIR, LAND & IT, BY MELANIE WATERS-RYAN

FLT's air and land businesses perform a variety of functions, from managing supplier contracts and supplier relationships to ticketing and ensuring an attractive product range is delivered to the company's consultants and customers.

During 2008/09, significant enhancements took place in the air and land businesses, particularly in the wholesale and global product areas.

In wholesale, GoGo Worldwide Vacations opened in Canada and took on a broader product range in the US, with its relationship with infinity Holidays allowing it to offer global packages to its North American travel agency clients. A second brand, Escape Holidays, was launched in New Zealand.

All wholesale brands globally now access a central database of content. This database is delivered by Flight Centre Global Product (FCGP), a centralised product contracting and distribution area, which now supplies more than 15,000 land-based products to FLT's wholesale businesses in five countries.

In the IT business, key infrastructure projects for 2008/09 focused on consolidation, reliability improvements and cost reduction.

Major applications included:

- New websites in Australia and New Zealand. Subsequent phases to improve functionality and increase online content are imminent
- Enhancements to core Flight Centre applications for US introduction, vastly decreasing the Liberty and GoGo businesses' IT spend; and
- Continued investment in various shop-based applications to support customer requirements

FINANCE BY ANDREW FLANNERY

FLT's finance areas contributed strongly to the company's results in a year when cash management and balance sheet strength assumed added importance.

In addition to performing their normal business functions, finance teams played a key role in ensuring that costs and capital expenditure were contained in a reduced revenue environment.

Cost containment strategies implemented during the year included:

- A capital expenditure review, which led to reduced second half spending. Expenditure during 2009/10 should be less than $60million as project and building-related spending reduces and new shop growth is more modest.
- A freeze on employing support staff, which led to selling staff numbers increasing to 82% of FLT's total workforce; and
- Implementation of a leaner structure, following redundancies in the US predominantly but also in other operations

This disciplined approach helped ensure the company finished the year with a stronger balance sheet, featuring $161million in company cash and $128million in debt, a significant reduction over the year. To reduce debt, FLT repaid Melbourne and Auckland property loans.

Finance teams also oversaw the introduction of key finance systems in the Liberty business. This included the company's shop-based incentive system in August 2009, which has brought the US business in line with FLT's businesses globally.

FLT's Brisbane-based treasury team again generated solid interest returns, while focussing on reducing risk in the company's global investment portfolio.This saw FLT increase the cash weighting in its $786million portfolio, with cash representing 88% of the portfolio at year-end, compared to 70% one year earlier.

The balance now includes a mix of fixed and floating rate notes (10%), corporate CDOs (2%) and asset or mortgaged backed securities and hybrid products (less than 1% combined).

MARKETING BY COLIN BOWMAN

FLIGHT Centre Limited continued to invest in marketing during 2008/09 to create sales and market share opportunities, at a time when competitors reduced spend in this important area. This led to growth in customer enquiry globally in both leisure and corporate travel and contributed to healthy sales volumes.

Highlights during the year included:

- The relaunch of Flight Centre's websites in Australia and New Zealand, with additional rich media and destinational content added. This has enhanced customers' trip planning, generated enquiry and contributed to strong domestic sales
- Significant improvements in Liberty's branding, advertising and web strategy, which resulted in major improvements in US enquiry levels
- Expansion of the successful travel expo and event program with major events now established and contributing to dominant market shares in Canada-Alaska and Europe sales. Shows are now established in Canada and New Zealand, in addition to Australia; and
- The introduction of new enquiry technologies, including Click to Call and SMS

FLT'S X-TEAM

Melanie Waters-Ryan
executive general manager - air, land and IT

Andrew Flannery
chief financial officer

Shannon O'Brien
executive general manager - corporate

Colin Bowman
executive general manager - marketing

Michael Murphy
executive general manager - Peopleworks

FLT's international marketing teams were also heavily involved in the company's continued brand expansion. This expansion saw Stage and Screen introduced in Canada, a nationwide Cruiseabout network established in Australia, healthy expansion in the Travel Associates brand in South Africa and specialist brands launched in most international markets.

PEOPLEWORKS BY MICHAEL MURPHY

The Peopleworks businesses recruit and present prospective travel consultants and other professionals to the company's managers and, later, train and develop staff.

Businesses that operate in this area include:

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

During 2008/09, the company continued to invest in training and development, with all businesses globally completing a new Visions, Goals and Plans program. Under this program, major performance goals have been set at both an individual and team level for the year ahead.

Pleasingly, FLT was again recognised in Best Employer awards in New Zealand, Canada and South Africa, in addition to the New Zealand Healthwise business winning the country's 2009 Corporate Health Initiative of the Year.

Peopleworks maintains close ties with the Flight Centre Foundation, which has become the company's major corporate social responsibility platform, and the rapidly expanding Employment Office Australia recruitment marketing joint venture which now has offices in Brisbane. Sydney, Melbourne, London and Vancouver.

CORPORATE BY SHANNON O'BRIEN

FLIGHT Centre Limited continues to develop its global corporate travel offerings as part of its ongoing strategy to increase market share in the business travel sector.

Following healthy growth in recent years, the company now has a diverse stable of corporate brands catering for small to medium-sized enterprises (SME), larger business accounts and various specialist sectors.

Brands include:

- FCm Travel Solutions, which has company-owned operations in Australia, the UK, the USA, Canada, New Zealand, South Africa, China, Hong Kong, India, Singapore and Dubai, plus a presence in more than 50 other countries through licensing arrangements
- Corporate Traveller
- CiEvents
- Stage and Screen; and
- Campus Travel

During the past year, the company recorded substantial growth in business development managers (BDMs) in all geographies. While the global corporate travel market was generally affected by downtrading as clients sought to reduce spending, new accounts won by BDMs partially offset the impacts of these reductions.

Other highlights included:

- Consolidation in the US, with FCm USA now managed from Chicago and more closely aligned to the company's leisure and wholesale travel businesses
- Further expansion in Asia, with FCm now owning 95% of its China business and developing new footprints in Singapore and Dubai
- Strong results from Campus Travel, with the specialist academic travel business being one of FLT's best performing operations globally; and
- Continued growth in CiEvents' three core offerings – conference and incentive travel (CiEvents), special event planning and management (CiCreate) and incentive and loyalty marketing (CiLoyalty)

CiLoyalty won a global SITE (Society of Incentive and Travel Executives) award during the year for its IBM Channel incentive program that currently operates in more than 100 countries.

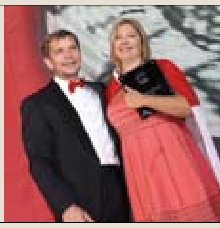
FCm was also recognised in several prestigious awards:

- FCm Travel Solutions was named Europe's Leading Travel Management Company at the Europe and Green 2008 World Travel Awards
- FCm Travel Solutions UK was named best Business Travel Management Company over 250,000 transactions in the prestigious Business Travel World Awards for 2009. The company also won the Business Development Manager category (Fiona Goldsmith) for the fourth year running and Business Development Team (SME sales team) for the third time; and
- The Australian business was a finalist in the 2008 National Travel Industry Awards

GLOBAL AWARD WINNERS

Emma Tustin
Hall of Fame

Mark Stallwood
Hall of Fame



Caroline Everett
Hall of Fame

Nick Lucock
Directors' Award

Nick Sutherland
Directors' Award

CORPORATE GOVERNANCE

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The board's functions include:

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

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

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

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

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

Board and senior executive induction

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

2. STRUCTURE THE BOARD TO ADD VALUE

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

The MD is a board member but is not the board chairman.

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

Directors may seek legal advice, at the company's expense, on any group matter, subject to prior notification to the chairman.

Board composition

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

Remuneration and Nominations Committee Functions

Flight Centre's remuneration committee includes all board members and also serves as the company's nomination committee. As such, the remuneration committee considers (per the charter) board composition to ensure it includes the appropriate blend of skills and competencies to oversee the company. In situations where additional skills may be required, the remuneration committee establishes whether to nominate a further director.

The board evaluates its overall performance and individual directors' performance.

Independence and materiality

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

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

The board believes all current non-executive directors are independent under the definition outlined in ASX Corporate Governance Principles and Recommendations. While businesses which the directors have an interest in supply product to Flight Centre, they are not of a material quantum to those businesses, nor to Flight Centre.

3. PROMOTE ETHICAL & RESPONSIBLE DECISION MAKING

Flight Centre actively promotes a set of values designed to assist employees in their dealings with each other, competitors, customers and the community. Values endorsed include: honesty, integrity, fairness and respect. These values are incorporated into the company core philosophies and are considered the equivalent of a Code of Conduct.

The board endorses Flight Centre's philosophies and they apply to all directors and employees. The philosophies require all company personnel to act with integrity and are supported by numerous policies relating to legal and ethical compliance. The philosophies are included in the annual report.

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

Political contributions

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

Trading policy

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

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

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Audit committee

Audit committee functions include:

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

Committee composition

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

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

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

Refer to www.flightcentre.com for the Audit Committee charter.

Auditor appointment

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

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

Certification of financial reports

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

5. MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

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

Refer to www.flightcentre.com for the Communications and Disclosure Policy.

6. RESPECT RIGHTS OF SHAREHOLDERS

Shareholder communications

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

Shareholders are encouraged to supply, prior to the annual general meeting (AGM), any questions of the board so that these can be addressed at the meeting. Flight Centre's investor relations manager is available at other times to address shareholder, analyst and media queries.

Auditor communication

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

Refer to www.flightcentre.com for the Communications and Disclosure Policy.

7. RECOGNISE AND MANAGE RISK

Flight Centre complies with Australian laws and laws applicable in the jurisdictions in which it operates.

The company continues to develop and improve an integrated business risk management and compliance framework. This provides the board and management with an ongoing program to identify, evaluate, monitor and manage significant risks to enhance, over time, the value of the shareholders' investments and to safeguard assets.

The company secretariat area oversees risk management and compliance matters and includes the regulatory compliance, legal and global risk and audit teams. The global risk and audit team is responsible for ensuring financial and non-financial risk management measures are adopted.

Audit and business reports are regularly provided to the board to ensure prompt action can be taken if any material issues are discovered.

The board regularly evaluates management's performance and requires senior management to formally address it on execution of strategy and associated issues.

To enhance communication, all senior executives have one-on-one meetings with the managing director. The board receives a monthly information pack including:

- Reports from respective executive general managers on financial and operational issues
- Corporate governance reports; and
- Consolidated and divisional accounts

The board requests additional information as required.

CORPORATE GOVERNANCE

The company secretary facilitates corporate governance and distributes agenda items and information papers.

The MD and CFO provide the board with a formal sign-off, in accordance with section 295A of the Corporations Act, regarding the group's financial statements and soundness of the risk management and internal controls.

Refer to www.flightcentre.com for the Internal Audit Charter.

Risk profile

Risks to which Flight Centre is subject to include:

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

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

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

8. REMUNERATE FAIRLY AND RESPONSIBLY

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

The company's fundamental remuneration policy is to link performance and accountability with reward. Accordingly, FLT's overall remuneration framework seeks to align executive reward with achievement of strategic objectives and the creation of shareholder value.

This framework conforms with market practice for reward delivery.

Remuneration committee

FLT's board delegates responsibility for remuneration practices to the remuneration committee. This committee consists of the full board's directors and provides:

- Advice on remuneration and incentive policies and practices; and
- Specific recommendations on remuneration packages and other employment terms for executive directors, senior executives and non-executive directors

Committee members' attendance is disclosed in the annual report.

The MD, CFO, and the HR manager provide operational information to the committee.

Refer to www.flightcentre.com for the Remuneration Charter.

Principles used to determine the nature and amount of remuneration

The remuneration committee ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness: Flight Centre's remuneration framework is market competitive and complements the organisation's reward strategy
- Acceptability to shareholders: Pay structures are aligned to shareholders' interests and have profit as a core component of plan design, focus on sustained growth in shareholder wealth and non-financial value drivers and attract and retain high calibre executives
- Performance linkage / alignment of executive compensation: Pay programs seek to reward capability and experience, encourage growth in shareholder wealth, provide clear structure for earning rewards and recognise executives' contributions
- Transparency
- Capital management

Non-executive directors

Non-executive directors' fees and payments reflect the position's demands and responsibilities and are reviewed annually by the board.

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

The chairman's fees are included in this pool and are determined independently from non-executive directors' fees. The chairman is not involved in the approval of, or discussions relating to, his remuneration package.

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.

Executive pay

Under FLT's remuneration framework, executives receive a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority, the balance of this mix shifts to a higher proportion of at risk rewards.

Executive pay and reward is a combination of four factors:

- 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 Executive Option Plan and Employee Share Plan; and
- Other remuneration such as superannuation contributions

All relevant governance charters and policies are available on www.flightcentre.com.

FLIGHT CENTRE LIMITED FINANCIAL REPORT 2008/09

ABN 25 003 377 188 | Annual Report for the year ended 30 June 2009

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 2, 545 Queen Street
BRISBANE QLD 4000

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

The financial report was authorised for issue by the directors on 25 August 2009. The company has the power to amend and reissue the financial report.

DIRECTORS' REPORT

Flight Centre Limited Directors' Report 30 June 2009

Your directors present their report on the consolidated entity (referred to hereafter as the group or FLT) consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The following persons were Flight Centre Limited directors during the financial year ended 30 June 2009:

G.F. Turner

P.F. Barrow

P.R. Morahan

G.W. Smith

PRINCIPAL ACTIVITIES

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

DIVIDENDS – FLIGHT CENTRE LIMITED

	2009 $'000	2008 $'000
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
Interim ordinary dividend for the year ended 30 June 2009 of 9.0 cents (2008: 37.5 cents) per fully paid share paid on 27 March 2009, fully franked	**8,965**	37,353
	57,275	80,981

The directors have recommended no final ordinary dividend for the year ended 30 June 2009.

REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The review of operations and significant changes in Flight Centre Limited's state of affairs are discussed in detail in the global review, managing director's review and operational overview on pages 4-7 of this annual report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 July 2009, Flight Centre (USA) Inc transferred the Liberty and GoGo brand names to Flight Centre Limited. The transfer of intellectual property is in line with Flight Centre Limited's ownership of all other group brand names and was completed by Flight Centre (USA) Inc declaring a dividend valued at US $35M (AUD $43.5M).

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 will be likely to result in unreasonable prejudice to the group.

ENVIRONMENTAL REGULATIONS

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

INFORMATION ON DIRECTORS

Particulars of directors' interests in shares and options of Flight Centre Limited

Director	Experience and directorships	Special responsibilities	Ordinary shares	Options
P.R. Morahan Age: 48	Executive chairman of the investment company that owns Moreton Hire. Member of Australian Institute of Company Directors and the Australian Institute of Management.	Independent non-executive chairman Remuneration committee member Audit committee member	14,712	-
G.F. Turner BVSc Age: 60	Founding Flight Centre Limited director with significant experience in running retail travel business in Australia, New Zealand, USA, UK, South Africa and Canada. Director of the Australian Federation of Travel Agents Limited.	Managing director Remuneration committee member	15,828,235	-
P.F. Barrow FCA, FAICD Age: 58	Flight Centre Limited director since 1995. Chairman of Oaks Hotels and Resorts Limited and a director of Mosaic Oil NL. Former director of Cluff Resources Pacific NL (2003 to 2008) and NSW Gold NL (2003 to 2008). 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	35,000	-
G.W. Smith BCom, CA, FAICD Age: 49	Managing director of Tourism Leisure Corporation and the Kingfisher Bay Resort Group of companies, Chartered accountant and Queensland Tourism Industry Council board member. Former director of Ecotourism Australia Limited (2006 to 2007) and S8 Limited.	Independent non-executive director Remuneration committee chairman Audit committee member	15,000	-

COMPANY SECRETARY AND GENERAL COUNSEL

The company secretary is Mr D.C. Smith B.Com, LLB. Mr Smith has worked for Flight Centre Limited for seven years in various roles. He was appointed as company secretary on 31 January 2008. The company cosecretary is Mr S.J.P. Kennedy B. Bus, ASIC. Mr Kennedy has worked for Flight Centre Limited for 13 years in various finance roles before moving into the role of assistant company secretary five 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 2009, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of Committees: Audit		Meetings of Committees: Remuneration	
	A	B	A	B	A	B
G.F. Turner	13	18	*	*	2	2
P.F. Barrow	16	18	4	4	1	2
P.R. Morahan	18	18	4	4	2	2
G.W. Smith	18	18	4	4	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 (3c) 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 company's 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 a market competitive executive remuneration framework which complements 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.

The board has established a remuneration committee which provides advice on remuneration and incentive structures policies and practices and specific recommendations on remuneration packages and other employment terms 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 non-executive directors' fees. The chairman is not present at any discussions relating to determination of his 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 $650,000 per annum, as approved by shareholders on 3 November 2008.

EXECUTIVE PAY

The executive pay and reward framework has four components that form the executive's total remuneration package:

- Base pay and benefits
- Short-term performance incentives
- Other incentives through participation in the Business Ownership Scheme (BOS) program, Flight Centre Limited Employee Option Plan, Senior Executive Option Plan and Employee Share Plan; and
- Other remuneration such as superannuation contributions

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

BASE PAY

The remuneration committee offers executives a guaranteed base pay element. In keeping with FLT's philosophy of what gets rewarded gets done, an executive's pay is heavily weighted towards short-term incentives.

SUPERANNUATION

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

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 if they achieve a predescribed profit within their divisions. The remuneration committee sets annual profit targets and incentives are paid monthly. Using a profit target ensures a variable incentive payment award is only available when shareholder value has been created and when returns are consistent with the business plan.

Each executive's short-term incentive target is reviewed frequently during the 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 members to invest directly in their divisions' operations. Under this program, an executive makes a cash investment in his or her business to participate in that business's profit growth as the receipt of an interest return on investment. The executive is exposed to the risks of his or her business, as neither FLT nor any of its group companies guarantees returns.

SHARE-BASED COMPENSATION

Share-based compensation is made available through the FLT 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. Options are not vested unless profit performance conditions are met. In 2009, 75,000 options (exercise price $7.75) were granted on 23 January 2009 to the acting CEO for services rendered. These vested upon grant. On 29 June 2009, 200,000 options (exercise price $10.00) were granted to each of the five senior executives. These options comprise five tranches of 40,000 options each, with each tranch vesting on the annual release of the Flight Centre Limited group audited results to the Australian Securities Exchange, provided predetermined profit targets are met.

Directors have not received any options during the year.

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. Plan details are contained in note 44.

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

B DETAILS OF REMUNERATION (AUDITED)

AMOUNTS OF REMUNERATION

Board and key management personnel (as defined in AASB 124 Related Party Disclosures) remuneration details for the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year-ending 30 June 2009 are set out in the tables below.

The key management personnel of Flight Centre Limited and the group includes the directors as per page 12 and the following executive officers who have authority and responsibility for planning, directing and controlling the entity's activities:

GROUP

• D.W. Smith	executive general manager	USA
• C. Galanty	executive general manager	UK, South Africa
• S.C. O'Brien	executive general manager	global corporate
• A.J. Flannery	chief financial officer	
• C.R. Bowman	executive general manager	global marketing
• M.C. Waters-Ryan	executive general manager	global product and IT
• M.J. Murphy	executive general manager	global human resources

B DETAILS OF REMUNERATION (AUDITED) CONTD.

PARENT ENTITY

- M.J. Murphy executive general manager global human resources
- M.C. Waters-Ryan executive general manager global product and IT
- C.R. Bowman executive general manager global marketing
- S.C. O'Brien executive general manager global corporate
- A.J. Flannery chief financial officer

As required under the Corporations Act 2001, detailed remuneration information for directors, company officers and other key management personnel is set out in the following tables. This includes the five company officers receiving the highest emoluments for the year ended 30 June 2009.

KEY MANAGEMENT PERSONNEL AND OTHER GROUP EXECUTIVES

	Short-term Employee Benefits			Post Employment Benefits		Long-term Benefits	Share-based Payments	
	Cash salary and fees $	Incentive $	BOS Interest $	Super-annuation $	Termination benefits* $	Long service leave** $	Share-based payments $	Total $
Non-executive directors								
P.R. Morahan	155,963	-	-	14,037	-	-	-	170,000
G.W. Smith	105,505	-	-	9,495	-	-	-	115,000
P.F. Barrow	116,250	-	-	5,363	-	-	-	121,613
Subtotal non-executive directors	**377,718**	**-**	**-**	**28,895**	**-**	**-**	**-**	**406,613**
Executive directors								
G.F. Turner	47,401	73,413	-	9,941	-	138,683	-	269,438
Other key management personnel								
D.W. Smith ^	213,030	254,424	6,313	36,665	-	-	-	510,432
C. Galanty ^	324,465	118,787	-	85,750	-	-	-	529,002
A. Grigson (resigned 20 March 2009)	102,881	49,787	-	13,740	261,471	55,961	-	483,840
S.C. O'Brien ^ ~	142,202	221,398	83,544	28,861	-	(14,882)	58,942	520,065
A.J. Flannery	114,679	128,488	-	21,231	-	2,711	-	267,109
C.R. Bowman ^ ~	142,202	150,667	-	28,404	-	510	-	321,783
M.C. Waters-Ryan ^ ~	142,200	210,568	72,855	30,251	-	(30,663)	-	425,211
M.J. Murphy~	142,202	130,867	-	22,695	-	2,346	-	298,110
S. Garrett (resigned 30 September 2008)	35,551	35,747	-	6,417	204,585	-	-	282,300
Total key management personnel compensation	**1,784,531**	**1,374,146**	**162,712**	**312,850**	**466,056**	**154,666**	**58,942**	**4,313,903**
Other group executives								
D.C. Smith~ #	125,000	145,014	-	22,965	-	(703)	-	292,276

* *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 five highest paid group executives, as required to be disclosed under the Corporations Act 2001*

~ *Denotes key management personnel and one of the parent entity's five highest paid executives, as required to be disclosed under the Corporations Act 2001*

\# *Denotes one of the executives of the parent, as required to be disclosed under the Corporations Act 2001*

B DETAILS OF REMUNERATION (AUDITED) CONTD.

KEY MANAGEMENT PERSONNEL AND OTHER GROUP EXECUTIVES OF THE GROUP

	Short-term Employee Benefits			Post Employment Benefits		Long-term Benefits	Share-based Payments	
	Cash salary and fees $	Incentive $	BOS Interest $	Super-annuation $	Termination benefits* $	Long service leave** $	Share-based payments $	Total $
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. Stack (resigned 2 November 2007)	29,659	-	-	2,669	-	-	-	32,328
B.R. Brown (resigned 6 November 2007)	43,295	-	-	3,897	-	-	-	47,192
Subtotal non-executive directors	**315,859**	**-**	**-**	**20,328**	**-**	**-**	**-**	**336,187**
Executive directors								
G.F. Turner	-	30,142	-	-	-	-	-	30,142
Other key management personnel								
G. Dixon ^	176,296	239,558	181,172	4,419	-	-	-	601,445
C. Galanty ^	268,037	480,783	-	36,623	-	-	7,269	792,712
S. Garrett ^ ~ (resigned 30 September 2008)	144,244	446,193	-	51,350	-	1,894	7,269	650,950
A. Grigson ^ ~ (resigned 20 March 2009)	142,202	355,954	701,358	42,526	-	11,592	7,269	1,260,901
S.C. O'Brien ^ ~	142,202	673,759	354,834	51,248	-	26,426	7,269	1,255,738
Total key management personnel compensation	**1,188,840**	**2,226,389**	**1,237,364**	**206,494**	**-**	**39,912**	**29,076**	**4,928,075**
Other group executives								
D.C. Smith #	102,668	300,518	-	40,498	-	9,451	-	453,135

* *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 five highest paid group executives, as required to be disclosed under the Corporations Act 2001*

~ *Denotes key management personnel and one of the parent entity's five highest paid executives, as required to be disclosed under the Corporations Act 2001*

\# *Denotes one of the executives of the parent, as required to be disclosed under the Corporations Act 2001*

B DETAILS OF REMUNERATION (AUDITED) CONTD.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2009 %**	2008 %	**2009 %**	2008 %	**2009 %**	2008 %
Directors of Flight Centre Limited						
P.F. Barrow	**100**	100	**-**	-	**-**	-
G.F. Turner	**73**	-	**27**	100	**-**	-
P.R. Morahan	**100**	100	**-**	-	**-**	-
G.W. Smith	**100**	100	**-**	-	**-**	-
Other key management personnel of group						
A.J. Flannery	**52**	36	**48**	64	**-**	-
C. Galanty	**78**	38	**22**	61	**-**	1
S. Garrett (resigned 30 September 2008)	**87**	30	**13**	69	**-**	1
A. Grigson (resigned 20 March 2009)	**90**	15	**10**	84	**-**	1
D.W. Smith	**49**	39	**51**	61	**-**	-
S.C. O'Brien	**30**	17	**59**	82	**11**	1
C.R. Bowman	**53**	33	**47**	67	**-**	-
M.J. Murphy	**56**	35	**44**	65	**-**	-
M.C. Waters-Ryan	**33**	32	**67**	68	**-**	-
Other company and group executives						
D.C. Smith	**50**	34	**50**	66	**-**	-

C SERVICE AGREEMENTS (AUDITED)

There are no fixed-term service agreements with any directors or the group's key management personnel. Remuneration of the key management personnel is reviewed annually by the remuneration committee. Standard contracts are in place for these employees. The packaged salaries for executive 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 Senior Executive Option Plan (March 2006, January 2009 and June 2009). Options are granted under the plan for no consideration and options are exercisable over the company's fully paid ordinary shares.

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 all unexercised options does not exceed 5% of the company's then issued capital.

D SHARE-BASED COMPENSATION (AUDITED) – OPTIONS

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 the group's 2006 audited financial statements to the market and 50% on release of the group's 2007 audited financial statements to the market and are granted at no consideration.	30 March 2011	$10.66	$1.96
23 January 2009	23 January 2009	23 January 2014	$7.75	$0.79
29 June 2009	Five vesting tranches of 40,000 each granted at no consideration. Each tranche vesting on annual periods (30 June 2010 - 2014) upon the release of the Flight Centre group audited results to the Australian Securities Exchange, provided pre-determined profit targets are met.	30 June 2015	$10.00	$2.17

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

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

Details of options over ordinary shares in the company provided as remuneration to each FLT director 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 FLT share. Further information on the options is set out in note 44 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2009	**2008**	**2009**	**2008**
Key management personnel of the group				
C. Galanty	**-**	-	**-**	20,000
S. Garrett (resigned 30 September 2008)	**-**	-	**-**	20,000
A. Grigson (resigned 20 March 2009)	**-**	-	**-**	20,000
S.C. O'Brien	**275,000**	-	**75,000**	20,000
A.J. Flannery	**200,000**	-	**-**	-
M.C. Waters-Ryan	**200,000**	-	**-**	-
C.R. Bowman	**200,000**	-	**-**	-
M.J. Murphy	**200,000**	-	**-**	-

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

The model inputs for options granted during the year ended 30 June 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%

D SHARE-BASED COMPENSATION (AUDITED) – OPTIONS

The model inputs for options granted during the year ended 30 June 2009 included:

granted on 23 January 2009

(a) Options are granted for no consideration and are fully vested and exercisable from 23 January 2009
(b) Exercise price: $7.75
(c) Grant date: 23 January 2009
(d) Expiry date: 23 January 2014
(e) Share price at grant date: $6.45
(f) Expected price volatility of the company's shares: 33%
(g) Expected dividend yield: 3.6%
(h) Risk-free interest rate: 2.8%

granted on 29 June 2009

(a) Options are granted for no consideration. Each tranche vests on achievement of certain profit targets at each year-end, from 30 June 2010 to 30 June 2014
(b) Exercise price: $10.00
(c) Grant date: 29 June 2009
(d) Expiry date: 30 June 2015
(e) Share price at grant date: $8.65
(f) Expected price volatility of the company's shares: 40-45%
(g) Expected dividend yield: 3.0-4.8%
(h) Risk-free interest rate: 4.8-5.5%

Shares provided on exercise of remuneration options

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

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2009	2008
Other key management personnel of the group			
C. Galanty	27 September 2007		30,000
S. Garrett (resigned 30 September 2008)	18 September 2007		30,000
S.C. O'Brien	12 September 2007		30,000

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
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.

Employee share plan

Under the new Employee Share Plan, 35,231 shares were issued to the Plan Trustee and allocated to participating employees during the year ended 30 June 2009. The shares were issued as ordinary shares. For every nine shares purchased by employees, FLT issued an additional share. The expense was recognised when the shares were issued.

E ADDITIONAL INFORMATION (AUDITED)

Performance of Flight Centre Limited

The overall level of executive reward takes into account the group's performance 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 16 - 20, 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 five years, provided the vesting conditions are met (see page 18). 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.

	Incentives		Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Non-executive directors								
C. Galanty	34	66						
S. Garrett (resigned 30 September 2008)	71	29						
A. Grigson (resigned 20 March 2009)	33	67						
D.W. Smith	100							
S.C. O'Brien	57	43	2009	27		2010-2014		450,670
A.J. Flannery	56	44	2009			2010-2014		450,670
M.C. Waters-Ryan	81	19	2009			2010-2014		450,670
C.R. Bowman	75	25	2009			2010-2014		450,670
M.C. Murphy	65	35	2009			2010-2014		450,670

Share-based compensation: Options

Further details relating to options are set out below:

	A Renumeration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
S.C. O'Brien	11.0%	58,942			58,942

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

No loans have been entered into with directors or executives during the current reporting period. No loans were in place at 30 June 2009.

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
23 January 2009	23 January 2014	$7.75	75,000

E ADDITIONAL INFORMATION (AUDITED)

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. Company officers covered include the directors, executive officers and the company secretaries. Disclosure of the premiums paid is prohibited under 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 its statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in the financial statements in note 34.

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

None of the services undermines 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 23.

Rounding of amounts

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

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

G.F. Turner
Director
Brisbane
25 August 2009

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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As lead auditor for the audit of Flight Centre Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Robert Baker

R A Baker	BRISBANE
Partner	25 August 2009

PricewaterhouseCoopers

PricewaterhouseCoopers

Liability limited by a scheme approved under Professional Standards Legislation

INCOME STATEMENT

		Consolidated		Parent	
	Notes	**30 June 2009 $'000**	30 June 2008 Restated $'000	**30 June 2009 $'000**	30 June 2008 Restated $'000
Revenue					
Revenue from the sale of travel services	3	**1,446,904**	1,400,327	**694,089**	727,642
Revenue from the sale of travel as principal	3	**225,883**	40,039	**-**	-
Other revenue	3	**41,929**	46,747	**38,063**	51,717
Total revenue		**1,714,716**	1,487,113	**732,152**	779,359
Cost of travel as principal		**(198,615)**	(35,248)	**-**	-
Gross profit		**1,516,101**	1,451,865	**732,152**	779,359
Other income	4	2,799	1,125	**2,602**	89
Expenses					
Selling expenses		**(1,219,567)**	(1,058,458)	**(491,689)**	(483,304)
Administration / support expenses		**(232,739)**	(163,754)	**(186,838)**	(148,381
Finance costs	5	**(25,360)**	(30,359)	**(9,869)**	(17,171)
Share of profit / (loss) of joint venture and associates accounted for using the equity method	21, 45	**(837)**	549	**(522)**	325
Profit before income tax expense		**40,397**	200,968	**45,836**	130,917
Income tax expense	6	**(2,233)**	(66,186)	**(16,722)**	(37,955)
Profit attributable to members of Flight Centre Limited		**38,164**	134,782	**29,114**	92,962
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	43	**38.3**	138.0		
Diluted earnings per share	43	**38.3**	137.9		

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

BALANCE SHEET

		Consolidated		Parent	
	Notes	**30 June 2009 $'000**	30 June 2008 Restated $'000	**30 June 2009 $'000**	30 June 2008 Restated $'000
Assets					
Current assets					
Cash and cash equivalents	8	**692,725**	738,637	**363,453**	439,875
Available-for-sale financial assets	13	**77,880**	228,251	**70,270**	94,203
Receivables	9	**234,029**	340,409	**81,985**	108,236
Current tax receivables	11	**11,321**	3,886	**7,069**	-
Inventories		**105**	1,548	**-**	1,408
Other financial assets at fair value through profit or loss	10	**15,474**	18,210	**15,474**	18,210
Derivative financial instruments	12	**279**	-	**279**	-
Other current assets	14	**3,917**	-	**3,739**	-
Total current assets		**1,035,730**	1,330,941	**542,269**	661,932
Non-current assets					
Property, plant and equipment	17	**177,425**	164,768	**55,557**	53,675
Intangible assets	19	**419,286**	410,408	**22,735**	26,184
Deferred tax assets	18	**68,091**	40,790	**22,823**	23,030
Other financial assets	16	**-**	-	**407,061**	395,603
Investments accounted for using the equity method	15	**26,648**	9,585	**7,750**	1,754
Derivative financial instruments	12	**-**	516	**-**	-
Other non-current assets	20	**-**	-	**4,301**	52,671
Total non-current assets		**691,450**	626,067	**520,227**	552,917
Total assets		**1,727,180**	1,957,008	**1,062,496**	1,214,849
Liabilities					
Current liabilities					
Trade and other payables	22	**908,501**	1,100,416	**402,269**	512,265
Borrowings	23	**51,590**	100,505	**38,797**	39,750
Provisions	24	**6,922**	6,695	**6,864**	6,603
Current tax liabilities	25	**1,702**	35,804	**-**	27,925
Derivative financial instruments	12	**7,366**	2,342	**7,309**	2,342
Total current liabilities		**976,081**	1,245,762	**455,239**	588,885
Non-current liabilities					
Payables	26	**22,668**	19,598	**53,489**	10,601
Borrowings	27	**75,968**	60,114	**-**	29,935
Deferred tax liabilities	28	**28,381**	16,064	**-**	-
Provisions	29	**11,662**	12,291	**10,332**	10,801
Derivative financial instruments	12	**1,731**	-	**-**	-
Total non-current liabilities		**140,410**	108,067	**63,821**	51,337
Total liabilities		**1,116,491**	1,353,829	**519,060**	640,222
Net assets		**610,689**	603,179	**543,436**	574,627
Equity					
Contributed equity	30	**377,602**	377,343	**377,602**	377,343
Reserves	31(a)	**(7,169)**	(43,626)	**(9,168)**	(5,879)
Retained profits	31(b)	**240,256**	269,462	**175,002**	203,163
Total equity		**610,689**	603,179	**543,436**	574,627

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

STATEMENT OF CHANGES IN EQUITY

		Consolidated		Parent	
	Notes	**30 June 2009 $'000**	30 June 2008 Restated $'000	**30 June 2009 $'000**	30 June 2008 Restated $'000
Total equity at the beginning of the financial year		**603,179**	481,994	**574,627**	452,456
Changes in the fair value of available-for-sale financial assets, net of tax	31	**(17,272)**	(11,340)	**(5,636)**	(7,601)
Changes in the fair value of cash flow hedges, net of tax	31	**(2,833)**	516	**-**	-
Impairment of available-for-sale assets, net of tax	31	**18,990**	1,210	**2,288**	1,210
Net exchange differences on translation of foreign operations	31	**27,418**	(39,583)	**-**	-
Net income recognised directly in equity		**26,303**	(49,197)	**(3,348)**	(6,391)
Profit for the year		**38,164**	134,782	**29,114**	92,962
Total recognised income and expense for the year		**64,467**	85,585	**25,766**	86,571
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	30	**259**	116,033	**259**	116,033
Tax effect of equity raising costs		**-**	482	**-**	482
Dividends provided for or paid	7	**(57,275)**	(80,981)	**(57,275)**	(80,981)
Employee share options	31	**59**	66	**59**	66
		(56,957)	35,600	**(56,957)**	35,600
Total equity at the end of the financial year		**610,689**	603,179	**543,436**	574,627
Total recognised income and expense for the year is attributable to:					
Members of Flight Centre Limited		**64,467**	85,585	**25,766**	86,571

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

CASH FLOW STATEMENT

		Consolidated		Parent	
	Notes	**30 June 2009 $'000**	30 June 2008 Restated $'000	**30 June 2009 $'000**	30 June 2008 Restated $'000
Cash flows from operating activities					
Receipts from customers (including GST)		**1,767,324**	1,419,878	**720,943**	747,047
Payments to suppliers and employees (including GST)		**(1,731,591)**	(991,036)	**(640,828)**	(475,534)
Interest received		**36,904**	43,938	**26,742**	30,866
Royalties received		**633**	747	**10,929**	20,366
Interest paid		**(24,943)**	(28,874)	**(12,012)**	(17,171)
Income taxes paid		**(60,823)**	(52,727)	**(53,362)**	(36,204)
Net cash (outflow) / inflow from operating activities	42	**(12,496)**	391,926	**52,412**	269,370
Cash flows from investing activities					
Payment for purchase of businesses and for additional issues of shares in subsidiaries		**(4,550)**	(110,469)	**(6,889)**	(103,382)
Payments for property, plant and equipment	17	**(64,322)**	(97,078)	**(18,413)**	(27,178)
Proceeds from sale of property, plant and equipment		**202**	-	**193**	-
Payments for intangibles		**(14,833)**	(25,060)	**(5,642)**	(11,353)
Payments for investments		**(11,606)**	(41,188)	**(7,000)**	(25,000)
Proceeds from sale of investments		**172,110**	57,895	**34,537**	41,620
Net cash (outflow) / inflow from investing activities		**77,001**	(215,900)	**(3,214)**	(125,293)
Cash flows from financing activities					
Advances / repayments of intercompany loans		**-**	-	**(29,770)**	(23,534)
Proceeds from borrowings		**109,991**	117,055	**14,976**	42,930
Issue of shares		**-**	116,033	**-**	116,033
Repayment of borrowings		**(143,936)**	(27,000)	**(50,681)**	(27,000)
Dividends paid to company's shareholders	7	**(57,275)**	(80,981)	**(57,275)**	(80,981)
Loans advanced to related parties		**(3,048)**	-	**(2,870)**	-
Net cash (outflow) / inflow from financing activities		**(94,268)**	125,107	**(125,620)**	27,448
Net (decrease) / increase in cash held		**(29,763)**	301,133	**(76,422)**	171,525
Cash and cash equivalents at the beginning of the financial year		**727,506**	453,100	**439,875**	268,350
Effects of exchange rate changes on cash and cash equivalents		**(5,770)**	(26,727)	**-**	-
Cash and cash equivalents at end of the year	**8**	**691,973**	727,506	**363,453**	439,875

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 (AIFRS). Compliance with AIFRS ensures that FLT's consolidated financial statements and notes 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 (FVTPL).

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 FLT subsidiaries (company or parent entity) as at 30 June 2009 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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. 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 45).

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 ventures are set out in note 21.

Profits or losses on transactions with the joint ventures 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

(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 FLT'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 is recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as 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.

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

(ii) Total Transaction Value

Total transaction value (TTV) does not represent revenue in accordance with AIFRS. TTV represents the prices 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. FLT'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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

(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 nor 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 standalone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 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. The interest element of the finance cost is charged to the income statement over the lease period 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 CONTD.

(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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use. 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 writedown of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell 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 reevaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

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 FVTPL 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 FVTPL 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 bid 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.

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

(L) DERIVATIVES

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

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 these derivative instruments 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 bid 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 is assumed to approximate their fair values, due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(N) PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings	30 years
Plant and equipment	2-8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each 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 (CGUs) for the purpose of impairment testing and is allocated to the group's CGUs identified according to relevant business and country of operation (note 19).

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

(P) TRADE AND OTHER PAYABLES

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

(Q) EMPLOYEE BENEFITS

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

Liabilities for wages and salaries, including non-monetary benefits and 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 retirement benefits to employees through a defined contribution superannuation fund. Contributions to the defined contribution fund are recognised as expenses as they become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Flight Centre Limited Employee Option Plan, Senior Executive Option Plan and the Employee Share Plan. Information relating to these plans is set out in note 44.

Share options

The fair value of options granted under Flight Centre Limited's option plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which 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, market conditions, the impact of dilution, the nontradable 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 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 and 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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

(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 30).

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

(U) ROUNDING OF AMOUNTS

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

(V) DIVIDENDS

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

(W) CASH AND CASH EQUIVALENTS

For 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.

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

(X) BORROWINGS AND BORROWING COSTS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual drawdown 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:

- 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.

(Y) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published but are not mandatory for the 30 June 2009 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 (effective from 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. The group will adopt AASB 8 from 1 July 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decisionmaker. As goodwill is allocated by management to groups of CGUs on a segment level, the change in reportable segment may also require a reallocation of goodwill. However, this is not expected to result in any additional impairment of goodwill.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 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 group's financial report, as the group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 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, this one being as at the beginning of the comparative period. The group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the group's share-based payments.

(v) 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 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the group's current policy which is set out in note 1(g).

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses (see note 1(b)(i)). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the group's current accounting policy if significant influence is not retained.

The group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2008-7 Amendments to Australian Accounting Standards Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First Time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of preacquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the group's financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTD.

(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.

(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 CGUs have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management and cover a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Refer to note 19 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.

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

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

3 REVENUE

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Total transaction value (TTV)	**11,241,846**	10,881,729	**4,470,527**	4,926,435
Revenue from the sale of travel services				
Commission and fees from the provision of travel	**1,096,809**	1,061,277	**505,138**	543,870
Revenue from the provision of travel	**309,237**	312,770	**140,205**	154,718
Other revenue from travel services *	**40,858**	26,280	**48,746**	29,054
	1,446,904	1,400,327	**694,089**	727,642
Revenue from the sale of travel as principal	**225,883**	40,039	**-**	-
Other revenue				
Rents and sub lease rentals	**4,287**	2,062	**573**	465
Interest	**37,009**	43,938	**26,561**	30,886
Royalties	**633**	747	**10,929**	20,366
	41,929	46,747	**38,063**	51,717

TOTAL TRANSACTION VALUE (TTV)

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 derived from TTV.

** Parent includes rent received from related parties of $7.03M (2008: $4.55M).*

4 OTHER INCOME

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Foreign exchange gains	**2,799**	1,125	**2,602**	89

5 EXPENSES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**1,148**	429	**-**	-
Plant and equipment	**46,733**	34,066	**15,188**	12,626
Total depreciation	**47,881**	34,495	**15,188**	12,626
Amortisation				
Brand names	**4,169**	1,441	**-**	-
Other intangibles	**7,721**	8,121	**2,533**	1,993
Total amortisation	**11,890**	9,562	**2,533**	1,993
Other charges against assets				
Impairment charge of buildings	**7,321**	-	**-**	-
Impairment charge of goodwill / investment in subsidiary	**3,806**	-	**3,806**	1,706
Impairment charge of software	**14,509**	-	**-**	-
Loss of control / impairment of associates (note 45)	**3,513**	-	**-**	-
Bad debts	**3,750**	1,939	1,721	92
	32,899	1,939	**5,527**	1,798
Finance costs				
Interest and finance charges paid / payable	**25,196**	30,296	**9,722**	17,137
Unwind of make good provision discount	**164**	63	**147**	34
Defined contribution superannuation expense	**35,653**	36,011	**25,896**	27,138
Net loss on disposal of property, plant and equipment and intangible assets	**2,592**	1,642	**1,092**	628
Fair value losses on financial assets at fair value through profit or loss (note 10)	**2,736**	9,594	**2,736**	9,594
Rental expense relating to operating leases *				
Lease payments	**108,601**	100,209	**44,842**	52,901
Net loss on foreign currency				
Derivatives not qualifying as hedges (note 12)	**5,024**	2,343	**4,967**	2,343
Net loss on sale of available-for-sale financial assets (note 13)	**23,859**	-	**-**	-
Impairment losses - financial assets				
Available-for-sale financial assets	**3,268**	1,729	**3,268**	1,729
Trade receivables	**5,090**	3,835	**1,518**	1,780

* *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 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
(A) INCOME TAX EXPENSE				
Current tax	**15,791**	76,706	**15,176**	49,362
Deferred tax	**(14,324)**	(9,396)	**974**	(7,783)
Under / (over) provision from previous years	**766**	(1,124)	**572**	(3,624)
Income tax expense	**2,233**	66,186	**16,722**	37,955
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets (note 18)	**(26,942)**	(11,193)	**673**	(9,184)
(Decrease) / increase in deferred tax liabilities (note 28)	**12,618**	1,797	**301**	1,401
	(14,324)	(9,396)	**974**	(7,783)
(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE				
Profit before income tax expense	**40,397**	200,968	**45,836**	130,917
Tax at the Australian tax rate of 30% (2008: 30%)	**12,119**	60,290	**13,751**	39,276
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:				
Non deductible / (assessable) amounts	**1,694**	2,051	**456**	450
Intercompany loan forgiveness	**30**	-	**855**	-
Tax losses booked	**(14,500)**	-	**-**	-
Investment writedown	**2,312**	-	**1,142**	-
Other amounts	**318**	(368)	**89**	1,853
	1,973	61,973	**16,293**	41,579
Tax losses not recognised	**1,046**	5,241	**-**	-
Effect of different tax rates on overseas income	**(936)**	96	**-**	-
Under / (over) provision of prior year income tax	**150**	(1,124)	**429**	(3,624)
	260	4,213	**429**	(3,624)
Income tax expense	**2,233**	66,186	**16,722**	37,955
(C) AMOUNTS RECOGNISED DIRECTLY IN EQUITY				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Current tax (credited) directly to equity (note 30)	**-**	(482)	**-**	(482)
Net deferred tax (credited) / debited directly to equity (notes 18 and 28)	**(660)**	(5,756)	**(767)**	(5,617)
(D) TAX LOSSES				
Unused tax losses for which no deferred tax asset has been recognised	**8,630**	32,009	**-**	-
Potential tax benefit @ 30% (2008: 30%)	**2,589**	12,246	**-**	-

All unused tax losses in 2009 were incurred by entities in Singapore, 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, tax consolidated group entities entered into a tax sharing agreement which, in the directors' opinions, 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 installments. The funding amounts are recognised as current intercompany receivables or payables (see note 37(e)).

NOTES TO THE FINANCIAL STATEMENTS

7 DIVIDENDS

	Parent	
	30 June 2009 $'000	30 June 2008 $'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
Interim ordinary dividend for the year ended 30 June 2009 of 9.0 cents (2008: 37.5 cents) per fully paid share, paid on 27 March 2009, fully franked	**8,965**	37,353
	57,275	80,981
(B) DIVIDENDS NOT RECOGNISED AT THE END OF THE YEAR		
Since year-end, the directors have recommended that no final dividend (2008: 48.5 cents) will be paid. The aggregate amount of the dividend paid on 10 October 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year-end was $48.3M.	**-**	48,310
(C) FRANKED DIVIDENDS		
Franking credits available for subsequent financial years based on a tax rate of 30%	**85,652**	74,169

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

(a) Franking credits that will arise from the payment of the current tax liability

(b) Franking debits that will arise from the dividend payments 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 subsidiaries' distributable profits are paid as dividends.

8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Cash at bank and on hand	**160,921**	160,541	**134,845**	126,448
Client account	**531,804**	578,096	**228,608**	313,427
	692,725	738,637	**363,453**	439,875

(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 cash flow statement as follows:

Balances as above	**692,725**	738,637	**363,453**	439,875
Bank overdrafts (note 23)	**(752)**	(11,131)	**-**	-
Balances per cash flow statements	**691,973**	727,506	**363,453**	439,875

(B) CASH AT BANK AND ON HAND

This is bearing interest between 0% and 8.8% (2008: 0% and 12.25%) for an average term of less than 3 months.

(C) CLIENT ACCOUNT

This is bearing interest between 0% and 7% (2008: 0% and 11.25%) for an average term of less than 3 months.

The weighted average interest rate for the year was 3.58% (2008: 6.13%).

9 CURRENT ASSETS - RECEIVABLES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Trade receivables				
Trade receivables	**195,791**	298,002	**65,189**	93,144
Client receivables	**14,181**	21,004	**4,000**	6,196
Less: Provision for impairment of receivables	**(5,843)**	(9,923)	**(1,714)**	(4,836)
	204,129	309,083	**67,475**	94,504
GST receivable	**3,043**	2,389	**704**	-
Prepayments	**22,115**	23,933	**12,670**	12,567
Other receivables	**4,742**	5,004	**1,136**	1,165
	234,029	340,409	**81,985**	108,236

(A) IMPAIRED TRADE RECEIVABLES

As at 30 June 2009, current group trade receivables with a nominal value of $5,843,092 (2008: $9,923,482) were impaired. At 30 June 2009, current parent trade receivables with a nominal value of $1,714,255 (2008: $4,836,321) 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:

At 1 July	**9,923**	7,949	**4,836**	4,118
Bad debts expense for the year	**8,840**	5,774	**3,239**	1,872
Bad debts written off directly to profit and loss	**(3,750)**	(1,939)	**(1,721)**	(92)
Balance acquired / (reduced) through acquisition / deconsolidation	**(3,672)**	397	**-**	-
Provision reversed during the year	**(4,957)**	(2,869)	**(4,640)**	(1,062)
Foreign exchange translation	**(541)**	611	**-**	-
	5,843	9,923	**1,714**	4,836

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

(B) PAST DUE BUT NOT IMPAIRED

As of 30 June 2009, group trade receivables of $6,344,351 (2008: $21,007,759) were past due but not impaired. As of 30 June 2009, parent trade receivables of $2,332,594 (2008: $9,168,084) were past due but not impaired. These receivables are due from a number of large corporate customers and suppliers and full recovery is expected because of contractual agreements. The trade receivables' ageing analysis is as follows:

Up to 9 months	**5,659**	17,395	**2,207**	8,194
Over 9 months	**685**	3,613	**126**	974
	6,344	21,008	**2,333**	9,168

(C) OTHER RECEIVABLES

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

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

All receivables are non-interest bearing with the exception of receivables from controlled entities, which are bearing interest between 2.44% and 10.55% (2008: 1.97% and 12.47%).

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 32.

(E) FAIR VALUE AND CREDIT RISK

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

The maximum exposure to credit risk at the reporting date is each class of receivables' carrying amount as mentioned above. Client receivables' credit risk exposure is mitigated by related client creditor balances. Refer to note 32 for more information on the group's risk management policy and the credit quality of the entity's trade receivables.

10 CURRENT ASSETS - OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Debt securities	**15,474**	18,210	**15,474**	18,210

11 CURRENT ASSETS - CURRENT TAX RECEIVABLES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Income tax receivable	**11,321**	3,886	**7,069**	-

12 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Current assets				
Options ((a)(iii))	**279**	-	**279**	-
Non-current assets				
Interest rate swaps - cash flow hedges ((a)(i))	**-**	516	**-**	-
Total derivative financial instrument assets	**279**	516	**279**	**-**
Current liabilities				
Forward foreign exchange contracts - held for trading ((a)(ii))	**7,366**	2,342	**7,309**	2,342
Non-current liabilities				
Interest rate swaps - cash flow hedges ((a)(i))	**1,731**	-	**-**	-
Total derivative financial instrument liabilities	**9,097**	2,342	**7,309**	2,342

(A) INSTRUMENTS USED BY THE GROUP

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

(i) Interest rate swap contracts - cash flow hedges

The group's bank loans currently bear a 3.37% (2008: 5.80%) average variable interest rate. The group's policy is 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 65% (2008: 49%) of the associated loan principal outstanding. The fixed interest rate is 3.15% (2008: 3.15%) and the variable rate at balance date was 1.07% (2008: 2.91%).

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 2009, no ineffectiveness was recognised.

(ii) Forward exchange contracts

The group has 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 32 for details). However, foreign gains or losses on these contracts are recognised through the income statement.

(iii) Business acquisition option

The group entered into an option contract to acquire the business of Air Services International Pte. Ltd, a travel agency business based in Singapore. The option is exercisable on completion of the business's 31 December 2009 year-end accounts.

(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 32.

13 CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Debt securities	**77,880**	195,202	**70,270**	94,203
Equity securities	**-**	33,049	**-**	-
	77,880	228,251	**70,270**	94,203

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

These are bearing interest between 0% and 10.75% (2008: 2% and 12%).

The weighted average interest rate for the year was 4.44% (2008: 6.50%).

(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 $3.27M has been written off to the income statement in the 2009 year (2008: $1.73M), calculated with reference to market prices in line with Flight Centre Limited's group policy. This impairment was triggered by financial difficulties of the issuer of a fixed rate note held by the parent entity. A loss on sale of actively traded equity securities of $23.9M was incurred by Flight Centre's US subsidiary.

14 CURRENT ASSETS OTHER CURRENT ASSETS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Loans to related parties *	**3,917**	-	**3,739**	-

** See note 37 for terms of the loans*

15 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Shares in associates (note 45)	**18,898**	7,831	**-**	-
Interest in joint ventures (note 21)	**7,750**	1,754	**7,750**	1,754
	26,648	9,585	**7,750**	1,754

(A) SHARES IN ASSOCIATES

The equity method of accounting is used to account for investments in associates (refer to note 45).

(B) INTEREST IN JOINT VENTURES

The equity method of accounting is used to account for interest in joint ventures (refer to note 21).

16 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Units in Flight Centre Office Trust	**-**	-	**19,500**	12,500
Shares in subsidiaries - at cost (note 39)	**-**	-	**387,561**	383,103
	-	-	**407,061**	395,603

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Balance at 1 July	**-**	-	**395,603**	291,181
Acquisitions of subsidiaries	**-**	-	**2,954**	-
Units in unit trust	**-**	-	**7,000**	12,500
Impairment of investments in subsidiaries	**-**	-	**(3,806)**	(1,706)
Share buyback of investment	**-**	-	**(11,899)**	-
Transfer of investment to joint venture	**-**	-	**(1,110)**	-
Additional investments in existing subsidiaries	**-**	-	**18,319**	93,628
	-	-	**407,061**	395,603

17 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2007			
Cost	386	212,974	213,360
Accumulated depreciation	(48)	(126,406)	(126,454)
Net book amount	**338**	**86,568**	**86,906**
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)	(138,985)	(139,453)
Net book amount	**36,555**	**128,213**	**164,768**

Consolidated	Freehold land and buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2009			
Opening net book amount	36,555	128,213	164,768
Exchange differences	280	10,431	10,711
Acquisitions	-	322	322
Additions	11,925	52,397	64,322
Disposals / deconsolidation	-	(7,496)	(7,496)
Impairment of assets	(7,321)	-	(7,321)
Depreciation charge	(1,148)	(46,733)	(47,881)
Closing net book amount	**40,291**	**137,134**	**177,425**
At 30 June 2009			
Cost	49,227	22,852	372,079
Accumulated depreciation	(8,936)	(185,718)	(194,654)
Net book amount	**40,291**	**137,134**	**177,425**

17 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT CONTD.

Parent	Plant and equipment $'000	Total $'000
At 1 July 2007		
Cost	93,462	93,462
Accumulated depreciation	(53,711)	(53,711)
Net book amount	**39,751**	**39,751**
Year ended 30 June 2008		
Opening net book amount	39,751	39,751
Acquisitions	-	-
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**

Parent	Plant and equipment $'000	Total $'000
Year ended 30 June 2009		
Opening net book amount	53,675	53,675
Additions	18,413	18,413
Disposals	(1,343)	(1,343)
Depreciation charge	(15,188)	(15,188)
Closing net book amount	**55,557**	**55,557**
At 30 June 2009		
Cost	130,233	130,233
Accumulated depreciation	(74,676)	(74,676)
Net book amount	**55,557**	**55,557**

(A) IMPAIRMENT CHARGE

The impairment charge to land and buildings in 2009 arose due to the decline in the value of the buildings in Melbourne ($6.5M) and South Africa ($0.8M). This was following management obtaining external market valuations as part of the group's impairment testing.

18 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
The balance comprises temporary differences attributable to:				
Doubtful debts	**1,571**	2,820	**723**	1,362
Employee benefits	**11,035**	11,897	**8,186**	8,679
Provision for asset writedown	**4,333**	-	**-**	-
Property, plant and equipment	**8,265**	3,289	**206**	55
Accruals	**7,923**	7,995	**3,125**	3,890
Investment writedown	**9,125**	6,587	**9,017**	6,447
Unearned income	**625**	1,303	**625**	1,302
Other	**7,397**	6,372	**1,798**	2,125
Losses	**15,919**	-	**-**	-
Unrealised foreign exchange	**-**	1,867	**-**	1,866
Leasing	**7,244**	3,705	**4,489**	2,349
	73,437	45,835	**28,169**	28,075
Set-off of deferred tax liabilities pursuant to set-off provisions (note 28)	**(5,346)**	(5,045)	**(5,346)**	(5,045)
Net deferred tax assets	**68,091**	40,790	**22,823**	23,030
Deferred tax assets to be recovered within 12 months	**27,459**	23,867	**10,254**	13,952
Deferred tax assets to be recovered after more than 12 months	**45,978**	21,968	**17,915**	14,123
	73,437	45,835	**28,169**	28,075

Movements - Consolidated	**Financial assets $'000**	**Employee benefits $'000**	**Doubtful debts $'000**	**Depreciation $'000**	**Accurals $'000**	**Leasing $'000**
At 1 July 2007	464	8,328	2,084	2,876	2,691	887
Credited / (charged) to the income statement	367	2,181	736	413	1,914	2,818
Credited / (charged) directly to equity	5,756	-	-	-	-	-
Acquisition of subsidiaries	-	1,388	-	-	3,390	-
At 30 June 2008	6,587	11,897	2,820	3,289	7,995	3,705

Movements - Consolidated	**Other $'000**	**Total $'000**
At 1 July 2007	3,544	20,874
Credited / (charged) to the income statement	2,764	11,193
Credited / (charged) directly to equity	-	5,756
Acquisition of subsidiaries	3,234	8,012
At 30 June 2008	**9,542**	**45,835**

18 NON-CURRENT ASSETS - DEFERRED TAX ASSETS CONTD.

Movements - Consolidated	Financial assets $'000	Employee benefits $'000	Doubtful debts $'000	Depreciation $'000	Accurals $'000	Leasing $'000
At 30 June 2008	6,587	11,897	2,820	3,289	7,995	3,705
Credited / (charged) to the income statement	1,878	(862)	(1,249)	4,976	(72)	3,539
Credited / (charged) directly to equity	660	-	-	-	-	-
At 30 June 2009	9,125	11,035	1,571	8,265	7,923	7,244

Movements - Consolidated	Other $'000	Total $'000
At 30 June 2008	9,542	45,835
Credited / (charged) to the income statement	18,732	26,942
Credited / (charged) directly to equity	-	660
At 30 June 2009	**28,274**	**73,437**

Movements - Parent entity	Financial assets $'000	Employee benefits $'000	Doubtful debts $'000	Depreciation $'000	Accurals $'000	Leasing $'000
At 1 July 2007	464	6,908	1,235	-	1,627	830
Credited / (charged) to the income statement	366	1,771	127	55	2,263	1,519
Credited / (charged) directly to equity	5,617	-	-	-	-	-
At 30 June 2008	6,447	8,679	1,362	55	3,890	2,349

Movements - Parent entity	Other $'000	Total $'000
At 1 July 2007	2,210	13,274
Credited / (charged) to the income statement	3,083	9,184
Credited / (charged) directly to equity	-	5,617
At 30 June 2008	**5,293**	**28,075**

Movements - Parent entity	Financial assets $'000	Employee benefits $'000	Doubtful debts $'000	Depreciation $'000	Accurals $'000	Leasing $'000
At 30 June 2008	6,447	8,679	1,362	55	3,890	2,349
Credited / (charged) to the income statement	1,802	(494)	(640)	151	(765)	2,141
Credited / (charged) directly to equity	767	-	-	-	-	-
At 30 June 2009	9,016	8,185	722	206	3,125	4,490

Movements - Parent entity	Other $'000	Total $'000
At 30 June 2008	5,293	28,075
Credited / (charged) to the income statement	(2,868)	(673)
Credited / (charged) directly to equity	-	767
At 30 June 2009	**2,425**	**28,169**

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Brand names and customer relationships $'000	Other intangible assets $'000	Total $'000
At 1 July 2007				
Cost	183,452	-	55,144	238,596
Accumulated amortisation and impairment	-	-	(34,640)	(34,640)
Net book amount	**183,452**	**-**	**20,504**	**20,956**
Year ended 30 June 2008				
Opening net book amount	183,452	-	20,504	203,956
Exchange differences	(25,145)	(4,941)	(2,343)	(32,429)
Additions	6,174	-	18,886	25,060
Acquisitions	159,574	63,655	2,242	225,471
Disposals	(894)	-	(1,194)	(2,088)
Amortisation charge *	-	(1,441)	(8,121)	(9,562)
Closing net book amount	**323,161**	**57,273**	**29,974**	**410,408**
At 30 June 2008				
Cost	323,161	58,714	70,357	452,232
Accumulated amortisation and impairment	-	(1,441)	(40,383)	(41,824)
Net book amount	**323,161**	**57,273**	**29,974**	**410,408**

Consolidated	Goodwill $'000	Brand names and customer relationships $'000	Other intangible assets $'000	Total $'000
Year ended 30 June 2009				
Opening net book amount	323,161	57,273	29,974	410,408
Exchange differences	28,302	10,631	1,192	40,125
Additions	11,036	-	16,234	27,270
Acquisitions	590	-	-	590
Disposals / Deconsolidation	(28,480)	-	(422)	(28,902)
Impairment ***	(3,806)	-	(14,509)	(18,315)
Amortisation charge *	-	(4,169)	(7,721)	(11,890)
Closing net book amount	**330,803**	**63,735**	**24,748**	**419,286**
At 30 June 2009				
Cost	334,609	69,345	87,361	491,315
Accumulated amortisation and impairment	(3,806)	(5,610)	(62,613)	(72,029)
Net book amount	**30,803**	**63,735**	**24,748**	**419,286**

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS CONTD.

Consolidated	Goodwill $'000	Other intangible assets $'000	Total $'000
At 1 July 2007			
Cost	8,701	21,291	29,992
Accumulated amortisation and impairment	-	(12,877)	(12,877)
Net book amount	**8,701**	**8,414**	**17,115**
Year ended 30 June 2008			
Opening net book amount	8,701	8,414	17,115
Additions	650	10,703	11,353
Transferred to patents	-	(291)	(291)
Amortisation charge **	-	(1,993)	(1,993)
Closing net book amount	**9,351**	**16,833**	**26,184**
At 30 June 2008			
Cost	9,351	30,966	40,317
Accumulated amortisation and impairment	-	(14,133)	(14,133)
Net book amount	**9,351**	**16,833**	**26,184**

Parent	Goodwill $'000	Other intangible assets $'000	Total $'000
Year ended 30 June 2009			
Opening net book amount	9,351	16,832	26,183
Additions	-	6,491	6,491
Disposals	-	(221)	(221)
Intercompany transfers	-	(7,185)	(7,185)
Amortisation charge **	-	(2,533)	(2,533)
Closing net book amount	**9,351**	**13,384**	**22,735**
At 30 June 2009			
Cost	9,351	30,050	39,401
Accumulated amortisation and impairment	-	(16,666)	(16,666)
Net book amount	**9,351**	**13,384**	**22,735**

Other intangible assets predominantly relate to software.

* *Amortisation of $11.9M (2008: $9.6M) is included in depreciation and amortisation expense in the income statement*

** *Amortisation of $2.5M (2008: $2M) is included in depreciation and amortisation expense in the income statement*

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

(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.

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS CONTD.

Goodwill	Australia $'000	UK $'000	North America $'000	Other countries* $'000	Total $'000
2009	51,859	81,234	184,068	13,642	330,803
2008	51,737	81,704	157,082	32,638	323,161

A CGU's recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections based on management approved financial budgets covering a five-year period. The estimated growth rates stated below were used to extrapolate cash flows beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Cash flows beyond five years were not used. No growth rates were used to calculate the CGUs' terminal values.

** Other countries consists of a number of individually insignificant CGUs*

(B) KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

CGU	Gross margin *		Growth rate **		Discount rate ***	
	30 June 2009 %	30 June 2008 %	**30 June 2009 %**	30 June 2008 %	**30 June 2009 %**	30 June 2008 %
Goodwill						
Australia	**8.8**	8.8	**-**	-	**14.1**	16.0
North America	**10.9**	9.9	**-**	-	**14.1**	16.0
UK	**12.4**	12.2	**-**	-	**14.1**	16.0
Other countries	**7.5**	7.6	**-**	-	**14.1**	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.

(C) IMPAIRMENT CHARGE

The impairment charge to goodwill in 2009 arose in relation to Hong Kong ($0.6M) and China ($3.2M). In prior years there have been small losses in both entities and a decision has been made to write-off all goodwill associated with these CGUs.

20 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Loans to subsidiaries	**-**	-	**-**	52,671
Borrowing costs paid on behalf of the group	**-**	-	**4,301**	-
	-	**-**	**4,301**	52,671

21 INTERESTS IN JOINT VENTURES

The group is involved in four joint ventures as follows:

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

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

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

On 31 October 2008 Flight Centre Limited acquired 100% of the equity of Back Roads Touring Co. Ltd, a London-based bus touring company. On 2 February 2009 Back Roads issued shares to a third party in what was deemed to be a dilution of 25% of Flight Centre's shareholding. The third party also obtained an option to purchase a further 25% shareholding. This purchase and option over shares in Back Roads by the third party meant that from 2 February 2009 Flight Centre had joint control over Back Roads and would account for the entity as a joint venture.

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

	Ownership interest		Carrying value of investment Consolidated		Parent	
Name	**2009**	2008	**2009 $'000**	2008 $'000	**2009 $'000**	**2008 $'000**
Employment Office Australia Pty Ltd	**50%**	50%	**2,507**	1,754	**2,507**	1,754
Intrepid Retail Group Pty Ltd	**50%**	%	**2,194**	-	**2,194**	-
Pedal Group Pty Ltd	**50%**	%	**1,939**	-	**1,939**	-
Back Roads Touring Co. Ltd	**75%**	%	**1,110**	-	**1,110**	-
			7,750	1,754	**7,750**	1,754

Share of joint venture revenue, expenses and results

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Revenues	**5,612**	1,730	**5,612**	1,730
Expenses	**(6,134)**	(1,405)	**(6,134)**	(1,405)
Profit / (loss) after income tax	**(522)**	325	**(522)**	325

Movements - Consolidated	**30 June 2009 $'000**	30 June 2008 $'000
Share of joint venture assets and liabilities		
Current assets	**3,991**	904
Non-current assets	**5,738**	28
Total assets	**9,729**	932
Current liabilities	**5,370**	256
Non-current liabilities	**15**	-
Total liabilities	**5,385**	256
Net assets	**4,344**	676
Share of joint venture commitments		
Lease commitments	**558**	58

22 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Trade payables	**183,096**	226,868	**57,674**	69,425
Client creditors	**695,634**	835,053	**307,239**	403,585
Accrued unsecured note interest	**3,488**	5,914	**2,142**	4,147
GST payable	**-**	-	**-**	78
Annual leave	**22,648**	26,107	**12,440**	13,856
Accrual for vouchers	**3,079**	1,778	**1,191**	1,285
Contingent consideration *	**556**	4,696	**500**	-
Loans from subsidiaries **	**-**	-	**21,083**	19,889
	908,501	1,100,416	**402,269**	512,265

* *See note 26 for more information*

** *See note 37 for terms of the loans*

(A) RISK EXPOSURE

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

23 CURRENT LIABILITIES - BORROWINGS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Secured				
Bank overdrafts	**752**	11,131	**-**	-
Bank loan	**9,376**	3,625	**-**	-
Unsecured				
Bank loan	**-**	41,515	**-**	-
Unsecured notes principal	**41,462**	44,234	**38,797**	39,750
Total current borrowings	**51,590**	100,505	**38,797**	39,750

Unsecured notes

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

The weighted average interest rate for the group during the year was 27.06% (2008: 47.92%) and for the parent was 23.61% (2008: 46.09%), calculated on the face value of the unsecured notes' principal.

Bank overdraft

Total secured overdraft facilities available to the group are $1.27M (2008: $12.6M). These bear interest at 5.25% (2008: 12.25%).
No unsecured overdraft facilities are available to the group (2008: $0).

(A) RISK EXPOSURES

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

24 CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Employee benefits - Long service leave	**6,922**	6,695	**6,864**	6,603

25 CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Provision for taxation	**1,702**	35,804	**-**	27,925

26 NON-CURRENT LIABILITIES - PAYABLES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Lease incentive liability	**9,406**	2,761	**6,744**	1,832
Loans from subsidiaries *	**-**	-	**37,941**	-
Contingent consideration	**3,115**	8,210	**2,930**	3,269
Straight-line lease liability	**10,147**	8,627	**5,874**	5,500
	22,668	19,598	**53,489**	10,601

** See note 37 for terms of the loans*

	Consolidated	Parent
Contingent consideration	**30 June 2009 $'000**	30 June 2008 $'000
Current		
As at 1 July 2008	**4,696**	-
Payments	**(59)**	-
Disposals / deconsolidation	**(15,631)**	-
Additions	**10,330**	-
Reclassification from non-current	**1,220**	500
As at 30 June 2009	**556**	500
Non-current		
As at 1 July 2008	**8,210**	3,269
Payments	**(110)**	-
Disposals / deconsolidation	**4,111)**	(37)
Additions	**346**	198
Reclassification to current	**(1,220)**	(500)
As at 30 June 2009	**3,115**	2,930
Total contingent consideration	**3,671**	3,430

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

27 NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Secured				
Bank loan	**6,489**	30,179	**-**	-
Unsecured				
Bank loan	**69,479**	29,935	**-**	29,935
Total non-current borrowings	**75,968**	60,114	**-**	29,935

(A) FINANCING ARRANGEMENTS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Bank loan facilities				
Total facilities	**192,300**	173,295	**20,000**	95,000
Used at balance date	**86,096**	116,385	**-**	29,935
Unused at balance date	**106,204**	56,910	**20,000**	65,065

Bank loan facilities have terms ranging from 2 years to 10 years at floating interest rates.

The current interest rates on bank loan facilities range from 3.37% - 9.9% (2008: 2.77 - 12.25%)

A purchase card facility of $30M is available to the company (2008: $23M).

Bank guarantees / Letter of credit facilities

Letters of credit facilities of $200M are available to the company (2008: $183M). The total letters of credit issued under these facilities was $101M (2008: $106M).

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

(B) FAIR VALUE

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

	30 June 2009		30 June 2008	
	Carrying amount $'000	**Fair Value $'000**	Carrying amount $'000	Fair Value $'000
On balance sheet				
Non-traded financial liabilities				
Bank overdrafts	**752**	**752**	11,131	11,131
Bank loans	**85,344**	**85,344**	105,255	105,255
Unsecured notes principal	**41,462**	**41,462**	44,234	44,234
	127,558	**127,558**	160,620	160,620

27 NON-CURRENT LIABILITIES – BORROWINGS CONTD.

(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 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Current				
Receivables	**-**	33,825	**-**	-
Non-current				
Plant and equipment	**-**	4,198	**-**	-
Buildings	**10,353**	27,155	**-**	-
Total assets pledged as security	**10,353**	65,178	**-**	-

28 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
The balance comprises temporary differences attributable to:				
Receivables	**3,146**	2,836	**2,799**	2,783
Property, plant and equipment	**27,643**	16,708	**1,176**	1,707
Unrealised foreign exchange	**456**	-	**456**	-
Investments	**-**	418	**-**	-
Other	**2,443**	1,129	**915**	555
Prepayments	**39**	18	**-**	-
	33,727	21,109	**5,346**	5,045
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 18)	**(5,346)**	(5,045)	**(5,346)**	(5,045)
Net deferred tax liabilities	**28,381**	16,064	**-**	**-**
Deferred tax liabilities to be settled within 12 months	**3,186**	2,854	**2,799**	2,783
Deferred tax liabilities to be settled after more than 12 months	**30,541**	18,255	**2,547**	2,262
	33,727	21,109	**5,346**	5,045

28 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES CONTD.

Movements - Consolidated	Receiveables $'000	Depreciation $'000	Foreign exchange movements $'000	Other $'000	Total $'000
At 1 July 2007	2,713	774	9	393	3,889
Charged / (credited) to the income statement	123	1,157	(9)	526	1,797
Charged directly to equity	-	-	-	(2,277)	(2,277)
Acquisition of subsidiaries	-	14,777	-	2,923	17,700
At 30 June 2008	**2,836**	**16,708**	**-**	**1,565**	**21,109**

Movements - Consolidated	Receiveables $'000	Depreciation $'000	Foreign exchange movements $'000	Other $'000	Total $'000
At 30 June 2008	2,836	16,708	-	1,565	21,109
Charged / (credited) to the income statement	310	10,935	456	917	12,618
At 30 June 2009	**3,146**	**27,643**	**456**	**2,482**	**33,727**

Movements - Parent	Receiveables $'000	Depreciation $'000	Foreign exchange movements $'000	Other $'000	Total $'000
At 1 July 2007	2,704	588	9	343	3,644
Charged / (credited) to the income statement	80	1,119	(9)	211	1,401
At 30 June 2008	**2,784**	**1,707**	**-**	**554**	**5,045**

Movements - Parent	Receiveables $'000	Depreciation $'000	Foreign exchange movements $'000	Other $'000	Total $'000
At 30 June 2008	2,784	1,707	-	554	5,045
Charged / (credited) to the income statement	15	(531)	456	361	301
At 30 June 2009	**2,799**	**1,176**	**456**	**915**	**5,346**

29 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Employee benefits - Long service leave	**7,984**	8,473	**7,984**	8,473
Make good provision	**3,678**	3,818	**2,348**	2,328
	11,662	12,291	**10,332**	10,801

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 – 2009	
Non-current	
Carrying amount at start of year	3,818
Additional provisions recognised	1,303
Decrease in provision	(1,607)
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	164
Carrying amount at end of year	**3,678**

	Make good provision $'000
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	**3,818**

	Make good provision $'000
Parent – 2009	
Non-current	
Carrying amount at start of year	2,328
Additional provisions recognised	817
Decrease in provision	(944)
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	147
Carrying amount at end of year	**2,348**

	Make good provision $'000
Parent – 2008	
Non-current	
Carrying amount at start of year	2,769
Additional provisions recognised	(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	**2,328**

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

30 CONTRIBUTED EQUITY

		30 June 2009 Shares	30 June 2008 Shares	30 June 2009 $'000	30 June 2008 $'000

(A) SHARE CAPITAL

		30 June 2009 Shares	30 June 2008 Shares	30 June 2009 $'000	30 June 2008 $'000
Fully paid ordinary shares	(b)(c)	**99,644,038**	99,608,807	**377,602**	377,343

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL:

Date	Details	Number of shares	Issue price	$'000
1 July 2007	Opening balance	94,471,035		260,828
6 September 2007	Senior executive option plan	60,000	$10.66	640
12 September 2007	Senior executive option plan	60,000	$10.66	640
19 September 2007	Senior executive option plan	30,000	$10.66	320
20 September 2007	Senior executive option plan	30,000	$10.66	320
20 September 2007	Employee options plan	1,152	$19.70	23
2 October 2007	Senior executive option plan	60,000	$10.66	640
19 November 2007	Share issue	4,255,000	$23.50	99,992
17 December 2007	Share issue	635,083	$23.50	14,924
3 January 2008	Senior executive option plan	1,800	$22.46	40
15 January 2008	Senior executive option plan	1,800	22.46	40
13 February 2008	Employee options plan	2,937	$19.70	58
	Equity raising costs			(1,604)
	Equity raising costs tax adjustment			482
30 June 2008	Balance	99,608,807		377,343
1 July 2008	Opening balance	99,608,807		377,343
30 June 2009	Employee share plan	35,231	$7.35	259
30 June 2009	**Balance**	**99,644,038**		**377,602**

30 CONTRIBUTED EQUITY CONTD.

(C) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds of the company's winding up 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 44.

(E) CAPITAL MANAGEMENT

Flight Centre Limited maintains a conservative funding structure that allows the company to meet its operational requirements, while providing sufficient flexibility to fund future strategic opportunities.

The group's capital structure includes a mix of debt (refer to borrowings note 27), general cash (refer cash and cash equivalents note 8) and equity attributable to the parent's equity holders. This comprises issued capital, reserves and retained earnings disclosed in notes 30 and 31.

During 2008/09, the company sought to strengthen its balance sheet in a challenging trading climate by increasing general cash and reducing debt.

As part of this proactive strategy, FLT's board elected to preserve the funds that would have normally been returned to shareholders as a final dividend for 2008/09. The board intends to restore its policy of returning 50-60% of net profit after tax to shareholders as soon as it is reasonable to do so.

	Consolidated		**Parent**	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Total borrowings	**127,558**	160,620	**38,797**	69,685
Total equity	**610,689**	603,179	**543,436**	574,627
Gearing ratio	**21%**	27%	**7%**	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.

31 RESERVES AND RETAINED PROFITS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 Restated $'000	**30 June 2009 $'000**	30 June 2008 Restated $'000
(A) RESERVES				
Available-for-sale investments revaluation reserve	**(8,871)**	(10,589)	**(10,198)**	(6,850)
Share-based payments reserve	**1,030**	971	**1,030**	971
Foreign currency translation reserve	**(17,626)**	(45,044)	**-**	-
Hedging reserve - cash flow hedges	**(2,317)**	516	**-**	-
Capital redemption reserve	**20,615**	10,520	**-**	-
	(7,169)	(43,626)	**(9,168)**	(5,879)

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Movements:				
Available-for-sale investments revaluation reserve				
Balance 1 July	**(10,589)**	(459)	**(6,850)**	(459)
Revaluation gross	**(24,674)**	(17,014)	**(8,052)**	(14,009)
Deferred tax (note 18)	**7,402**	5,674	2,416	6,408
Unrealised loss on sale taken to income statement	**23,859**	-	**-**	-
Deferred tax (note 18)	**(7,157)**	-	**-**	-
Impairment on disposal of equity interest	**3,268**	1,729	**3,268**	1,729
Deferred tax (note 18)	**(980)**	(519)	**(980)**	(519)
Balance 30 June	**(8,871)**	(10,589)	**(10,198)**	(6,850)
Share-based payments reserve				
Balance 1 July	**971**	905	**971**	905
Option expense	**59**	66	**59**	66
Balance 30 June	**1,030**	971	**1,030**	971
Foreign currency translation reserve				
Balance 1 July	**(45,044)**	(5,461)	**-**	-
Net exchange differences on translation of foreign operations	**27,418**	(39,583)	**-**	-
Balance 30 June	**(17,626)**	(45,044)	**-**	**-**
Hedging reserve - cashflow hedges				
Balance 1 July	**516**	-	**-**	-
Fair value adjustments	**(2,833)**	516	**-**	-
Balance 30 June	**(2,317)**	516	**-**	**-**
Capital redemption reserve				
Balance 1 July	**10,520**	-	**-**	-
Share buyback	**10,095**	10,520	**-**	-
Balance 30 June	**20,615**	10,520	**-**	**-**

31 RESERVES AND RETAINED PROFITS CONTD.

(B) RETAINED PROFITS

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Balance 1 July	**269,462**	226,181	**203,163**	191,182
Profit for the year	**38,164**	134,782	**29,114**	92,962
Dividends	**(57,275)**	(80,981)	**(57,275)**	(80,981)
Capital redemption reserve	**(10,095)**	(10,520)	**-**	-
Balance 30 June	**240,256**	269,462	**175,002**	203,163

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

(iv) Hedging reserve - cash flow hedges

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

(v) Capital redemption reserve

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

32 FINANCIAL RISK MANAGEMENT

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

A central treasury department oversees financial risk under board-approved policies that cover specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. Treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

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

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Financial assets				
Cash and cash equivalents	**692,725**	738,637	**363,453**	439,875
Trade and other receivables	**234,029**	340,409	**81,985**	108,236
Financial assets at FVTPL	**15,474**	18,210	**15,474**	18,210
Available-for-sale financial assets	**77,880**	228,251	**70,270**	94,203
Derivative financial instruments	**279**	-	**279**	-
	1,020,387	1,325,507	**531,461**	660,524
Financial liabilities				
Trade and other payables	**908,501**	1,100,416	**402,269**	512,265
Borrowings	**127,558**	160,619	**38,797**	69,685
Derivative financial instruments	**9,097**	2,342	**7,309**	2,342
	1,045,156	1,263,377	**448,375**	584,292

(A) MARKET RISK

(i) Foreign exchange risk

The group operates internationally and is subject to foreign exchange risk arising from exposure to several foreign currencies.

In addition to identifying foreign exchange risk likely to arise from future commercial transactions, group treasury recognises assets and liabilities in foreign currencies and, where appropriate, uses forward foreign currency derivatives to reduce foreign currency risk. Contracts run for three to six months.

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

32 FINANCIAL RISK MANAGEMENT CONTD.

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

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Receivables				
US Dollars	**4,870**	4,586	**4,771**	3,917
Great Britain Pounds	**-**	244	**-**	-
Canadian Dollars	**-**	419	**-**	419
Euro	-	411	**-**	251
Chinese Renminbi	**18**	1,123	**-**	-
Royal Brunei Dollars	**1,442**	289	**1,442**	289
Other	**34**	585	**-**	21
Trade payables				
US Dollars	**7,799**	5,098	**6,421**	3,862
Great Britain Pounds	**926**	1,364	**829**	967
Fijian Dollars	**2,629**	4,067	**2,629**	3,715
Thai Baht	**4,603**	4,254	**4,603**	4,141
Euro	**2,716**	3,036	**1,469**	2,108
Other	**5,285**	5,658	**4,702**	4,513
Bank Loans				
US Dollars	**-**	20,758	**-**	20,758
NZ Dollars	**-**	9,178	**-**	9,178

(ii) Price risk

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

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

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, investment securities and derivative financial instruments, as well as credit exposures to corporate and retail customers, including outstanding receivables and committed transactions.

Credit risk arising from cash and cash equivalents, investment securities and derivative financial instruments is managed in accordance with group treasury policy. Limits are set on credit rating, type of security, counterparty exposure and maturity.

Credit risk management assesses corporate clients' credit quality by analysing external credit ratings, financial position and security available where appropriate. Individual risk limits are established for all corporate customers in accordance with corporate credit policy, with regular monitoring and reporting to management. Sales to retail customers are settled in cash or via major credit cards, mitigating credit risk.

Credit risk on financial guarantees and letters of credit is disclosed in note 27.

(c) Liquidity risk

Prudent liquidity risk management requires the company to maintain sufficient cash and marketable securities, access to additional funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Because of the underlying business's dynamic nature, committed credit lines are available to maintain flexibility relating to funding.

The group and parent's access to undrawn borrowing facilities and the maturities of financial liabilities at the reporting date are disclosed in notes 23 and 27.

32 FINANCIAL RISK MANAGEMENT CONTD.

Maturities of financial liabilities

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

Group - At 30 June 2009	Less than 1 year $'000	Between 1 and 2 years $'000	2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount assets / liabilities $'000
Non-derivatives						
Non-interest bearing	904,563	3,105	19,563	-	927,231	927,231
Variable rate	69,940	2,984	71,594	9,059	153,577	131,146
Total non-derivatives	**974,503**	**6,089**	**91,157**	**9,059**	**1,080,808**	**1,058,377**
Derivatives						
Gross settled						
- (inflow)	(46,116)	-	-	-	(46,116)	-
- outflow	55,214	-	-	-	55,214	9,098
Total derivatives	**9,098**	**-**	**-**	**-**	**9,098**	**9,098**

Group - At 30 June 2008	Less than 1 year $'000	Between 1 and 2 years $'000	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**

32 FINANCIAL RISK MANAGEMENT CONTD.

Parent - At 30 June 2009	Less than 1 year $'000	Between 1 and 2 years $'000	2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount assets / liabilities $'000
Non-derivatives						
Non-interest bearing	400,127	1,341	14,207	-	415,675	415,675
Variable rate	52,561	1,123	3,369	43,556	100,609	78,880
Total non-derivatives	**452,688**	**2,464**	**17,576**	**43,556**	**516,284**	**494,555**
Derivatives						
Gross settled						
- (inflow)	(44,310)	-	-	-	(44,310)	-
- outflow	51,619	-	-	-	51,619	7,309
Total derivatives	**7,309**	**-**	**-**	**-**	**7,309**	**7,309**

Parent - At 30 June 2008	Less than 1 year $'000	Between 1 and 2 years $'000	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	3,897	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**

(D) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

Borrowings issued at variable rates also 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 notes12 and 27.

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

Based on the various scenarios, the group may manage its cash flow interest rate risk by converting borrowings from floating rates to fixed rates (using floating to fixed interest rate swaps). Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(E) FAIR VALUE ESTIMATION

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

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

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

32 FINANCIAL RISK MANAGEMENT CONTD.

Summarised sensitivity analysis

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

Consolidated		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
30 June 2009		**-1%**		**+1%**		**-10%**		**+10%**		**-1%**	**+1%**	**-10%**	**+10%**
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	692,725	(6,927)	-	6,927	-	1,129	-	(1,119)	-	-	-	-	-
Accounts receivable	234,029	-	-	-	-	636	-	(636)	-	-	-	-	-
Financial assets at FVTPL	15,474	(155)	-	155	-	-	-	-	-	-	-	-	-
AFS investments	77,880	(638)	-	638	-	-	-	-	-	-	341	-	(328)
Derivatives - Options	279	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Derivatives - FVTPL	7,366	26	-	(26)	-	5,642	-	(4,747)	-	-	(680)	-	748
Derivatives - interest rate swap	1,731	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables	908,501	-	-	-	-	(2,395)	-	2,395	-	-	-	-	-
Borrowings - current	51,590	101	-	(101)	-	-	-	-	-	-	-	-	-
Borrowings - non-current	75,968	754	-	(754)	-	-	-	-	-	-	-	-	-
Total increase / (decrease)		**(6,839)**	**-**	**6,839**	**-**	**5,012**	**-**	**(4,107)**	**-**	**-**	**(339)**	**-**	**420**

Parent		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
30 June 2009		**-1%**		**+1%**		**-10%**		**+10%**		**-1%**	**+1%**	**-10%**	**+10%**
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	363,453	(3,635)	-	3,635	-	648	-	(530)	-	-	-	-	-
Accounts receivable	81,985	-	-	-	-	621	-	(621)	-	-	-	-	-
Financial assets at FVTPL	15,474	(155)	-	155	-	-	-	-	-	-	178	-	(172)
AFS investments	70,270	(623)	-	623	-	-	-	-	-	-	-	-	-
Derivatives - Options	79	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Derivatives - FVTPL	7,309	-	-	-	-	5,568	-	(4,674)	-	-	-	-	-
Trade payables	402,269	-	-	-	-	(2,065)	-	2,065	-	-	-	-	-
Borrowings - current	38,797	-	-	10	-	-	-	-	-	-	-	-	-
Borrowings - non-current	-	-	-	-	-	(4,227)	-	3,458	-	-	-	-	-
Total increase / (decrease)		**(4,413)**	**-**	**4,423**	**-**	**545**	**-**	**(302)**	**-**	**-**	**178**	**-**	**(172)**

32 FINANCIAL RISK MANAGEMENT CONTD.

Consolidated		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
30 June 2008		**-1%**		**+1%**		**-10%**		**+10%**		**-1%**	**+1%**	**-10%**	**+10%**
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	738,637	(7,386)	-	7,386	-	754	-	(616)	-	-	-	-	-
Accounts receivable	340,409	-	-	-	-	766	-	(766)	-	-	-	-	-
Financial assets at FVTPL	18,210	-	-	-	-	-	-	-	-	-	-	-	-
AFS investments	228,251	(1,127)	-	1,127	-	-	-	-	-	3,155	(3,936)	(3,305)	3,305
Derivatives - interest rate swaps	516	(5)	-	5	-	-	-	-	-	(987)	957	-	-
Financial liabilities													
Derivatives - FVTPL	2,342	-	-	-	-	4,317	-	(3,458)	-	-	-	-	-
Trade payables	1,100,416	-	-	-	-	(2,356)	-	2,356	-	-	-	-	-
Borrowings - current	100,505	563	-	(563)	-	-	-	-	-	-	-	-	-
Borrowings - non-current	60,114	602	-	(602)	-	(3,310)	-	2,708	-	-	-	-	-
Total increase / (decrease)		**(7,353)**	**-**	**7,353**	**-**	**171**	**-**	**224**	**-**	**2,168**	**(2,979)**	**(3,305)**	**3,305**

Parent		**Interest rate risk**				**Foreign exchange risk**				**Other price risk ***			
30 June 2008		**-1%**		**+1%**		**-10%**		**+10%**		**-1%**	**+1%**	**-10%**	**+10%**
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	439,875	(4,399)	-	4,399	-	476	-	(390)	-	-	-	-	-
Accounts receivable	108,236	-	-	-	-	490	-	(490)	-	-	-	-	-
Financial assets at FVTPL	18,210	-	-	-	-	-	-	-	-	-	-	-	-
AFS investments	94,203	(1,127)	-	1,127	-	-	-	-	-	325	(313)	-	-
Financial liabilities													
Derivatives - FVTPL	2,342	-	-	-	-	4,483	-	(3,668)	-	-	-	-	-
Trade payables	512,265	-	-	-	-	(1,930)	-	1,930	-	-	-	-	-
Borrowings - current	39,750	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing - non-current	29,935	299	-	(299)	-	(3,310)	-	2,708	-	-	-	-	-
Total increase / (decrease)		**(5,227)**	**-**	**5,227**	**-**	**209**	**-**	**90**	**-**	**325**	**(313)**	**-**	**-**

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

33 KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated		Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Short-term employee benefits	**3,321,389**	4,652,593	**2,404,365**	3,306,747
Post employment benefits	**778,906**	206,494	**656,489**	165,452
Share-based payments	**58,942**	29,076	**58,942**	21,807
Long-term benefits	**154,666**	39,912	**154,666**	39,912
	4,313,903	4,928,075	**3,274,462**	3,533,918

Detailed remuneration disclosures are provided in sections A - C of the remuneration report on pages 14 to 22.

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 18 - 20.

(ii) Option holdings

The number of options over ordinary FLT shares held during the financial year by FLT directors and other group key management personnel, including their personally related parties, is set out below.

2009	Balance at start of the year	Granted as as comp-ensation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
Name							
Executive and non-executive directors of Flight Centre Limited							
G.F. Turner	-	-	-	-	-	-	-
P.F. Barrow	-	-	-	-	-	-	-
P.R. Morahan	-	-	-	-	-	-	-
G.W. Smith	-	-	-	-	-	-	-
Other key management personnel of the group							
D.W. Smith	-	-	-	-	-	-	-
C. Galanty	-	-	-	-	-	-	-
S.C. O'Brien	-	275,000	-	-	275,000	75,000	200,000
A. J. Flannery	-	200,000	-	-	200,000	-	200,000
C. R. Bowman	-	200,000	-	-	200,000	-	200,000
M.C. Waters-Ryan	-	200,000	-	-	200,000	-	200,000
M.J. Murphy	-	200,000	-	-	200,000	-	200,000
A. Grigson	30,000	-	-	(30,000)	-	-	-

33 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTD.

2008	Balance at start of the year	Granted as as comp-ensation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
Name							
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. Grigson	33,000	-	-	(3,000)	30,000	30,000	-
S.C. O'Brien	30,000	-	(30,000)	-	-	-	-

(iii) Share holdings

The numbers of FLT shares held during the financial year by FLT directors and other key group management personnel, including their personally related parties, are set out below. No shares were granted as compensation during the reporting period.

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

33 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTD.

2008	Balance at start of the year	Received during this year on the exercise of options	Other changes the year	Balance at end of the year
Name				
Directors of Flight Centre Limited				
Ordinary shares				
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.C. O'Brien	3,000	30,000	(5,788)	27,212

(C) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

34 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 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
(A) AUDIT SERVICES				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports	**764,900**	742,200	**764,900**	742,200
Other audit work under the Corporations Act 2001	**-**	759	**-**	759
Related practices of PricewaterhouseCoopers Australian firm	**1,136,329**	1,222,571	**-**	-
Total remuneration for audit services	**1,901,229**	1,965,530	**764,900**	742,959
(B) NON-AUDIT SERVICES				
Audit-related services				
PricewaterhouseCoopers Australian firm				
Audit of regulatory returns	**-**	-	**-**	-
Other services	**9,419**	55,800	**7,048**	55,800
Related practices of PricewaterhouseCoopers Australian firm				
Audit of regulatory returns	**32,446**	15,358	**-**	-
IFRS accounting services	**-**	11,991	**-**	-
Due diligence services	**-**	685,046	**-**	-
Total remuneration for audit-related services	**41,865**	768,195	**7,048**	55,800
Taxation services				
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services	**111,307**	176,071	**-**	-
Total remuneration for taxation services	**111,307**	176,071	**-**	-
Total remuneration for non-audit services	**153,172**	944,266	**7,048**	55,800
Total remuneration for audit and non-audit services	**2,054,401**	2,909,796	**771,948**	798,759

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

35 CONTINGENCIES

(A) CONTINGENT LIABILITIES

Legal Dispute

As part of the acquisition of FCm Travel Solutions (India) Private Limited in 2005, Flight Centre Limited was required to acquire the outstanding interests under an agreement with the former owner. Flight Centre Limited has commenced legal action to dispute the contingent consideration to purchase a further 20% interest of FCm Travel Solutions (India) Private Limited under the agreement, at a cost that currently cannot be estimated reliably. Legal advice to date has indicated that it is possible, but not probable, that contingent consideration may be payable and accordingly no provision for any liability has been recognised in these financial statements. Flight Centre Limited has given notification of the termination of the shareholders' agreement it has in relation to FCm Travel Solutions (India) Private Limited. As a consequence, Flight Centre Limited is of the view that it has no further obligations to acquire more equity in FCm Travel Solutions (India) Private Limited.

36 COMMITMENTS

(i) Operating leases

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**96,628**	87,975	**52,566**	50,984
Later than one year but not later than five years	**246,032**	224,940	**133,161**	123,402
Later than five years	**74,155**	44,460	**27,401**	10,594
	416,815	357,375	**213,128**	184,980

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

(ii) Land and buildings

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Commitments for payments in relation to non-cancellable capital commitment are payable as follows:				
Within one year	**-**	7,297	**-**	-

37 RELATED PARTY TRANSACTIONS

(A) PARENT ENTITIES

The parent entity within the group is Flight Centre Limited.

(B) SUBSIDIARIES AND JOINT VENTURES

Interests in subsidiaries are set out in note 39 and interests in joint ventures are set out in note 21.

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

(C) KEY MANAGEMENT AND PERSONNEL COMPENSATION

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

(D) TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Income from related subsidiaries				
Royalties	**-**	-	**9,926**	20,366
Rent	**-**	-	**7,027**	4,552
Interest	**-**	-	**1,658**	1,487
Expenses to related subsidiaries				
Management fees	**-**	-	**47,182**	69,762
Payments to subsidiaries	**-**	-	**52,327**	-
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	**-**	-	**3,402**	11,711

(E) OUTSTANDING BALANCES

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

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Current receivables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**29,344**	25,941

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

37 RELATED PARTY TRANSACTIONS CONTD.

(F) LOANS TO / FROM RELATED PARTIES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Loans to subsidiaries				
Beginning of the year	**-**	-	**32,804**	9,269
Loans advanced	**-**	-	**325,279**	304,736
Loan repayments received	**-**	-	**(345,829)**	(283,066)
Loan forgiveness	**-**	-	**2,851**	378
Loans from subsidiaries	**-**	-	**(68,766)**	-
Investment in existing subsidiaries	**-**	-	**(7,000)**	-
Interest charged	**-**	-	**1,660**	1,487
End of year	**-**	**-**	**(59,001)**	32,804
Loans to other related parties				
Loans advanced	**3,772**	-	**3,594**	-
Interest charged	**145**	-	**145**	-
End of year	**3,917**	**-**	**3,739**	-

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

The current amounts owing to subsidiaries / owed from related parties (note 14 and 22) are repayable on demand in accordance with individual loan agreements. The non-current amounts owing to subsidiaries (note 26) are repayable in July 2015 in accordance with individual loan agreements. Current and non-current loans incur interest at rates varying between 2.44% and 10.55% (2008: varying amounts between 1.97% and 12.47%).

(G) GUARANTEES

The following guarantees have been given by Flight Centre Limited:

	Consolidated		Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Unsecured				
North America	**-**	-	**3,392,813**	2,864,740
United Kingdom	**-**	-	**16,426,467**	16,225,567
Australia	**-**	-	**8,596,327**	10,406,471
Other	**-**	-	**40,930,073**	41,267,229
	-	**-**	**69,345,680**	70,764,007

(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.

38 BUSINESS COMBINATIONS

Current year acquisitions

(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 London-based bus touring company. On 2 February 2009, Back Roads issued shares to a third party in what was deemed to be a dilution of 25% of Flight Centre's shareholding. The third party also obtained an option to purchase a further 25% shareholding. This purchase and option over shares in Back Roads by the third party meant that from 2 February 2009 Flight Centre had joint control over Back Roads and would account for the entity as a joint venture.

The acquired business contributed a net loss of $161k to the group for the period from 1 November to 1 February 2009. Had the acquisition occurred on 1 July 2008, the revenue and profit contribution for the seven months to 1 February would have been $1.6M and $69k respectively. Details of the trading as a joint venture can be found in note 21.

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

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

	2009 $'000
Purchase consideration	
Cash paid	2,691
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 (note 19)	**590**

(ii) Purchase consideration

	$'000
Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	2,768
Less: Cash acquired	(2,092)
	676

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

38 BUSINESS COMBINATIONS CONTD.

(iii) Assets and liabilities acquired

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

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	2,092	2,092
Accounts receivable	76	76
Motor vehicles	322	322
Deposits	10	10
Trade creditors	(44)	(44)
Provision for tax	(70)	(70)
Deferred income	(22)	(22)
Net identifiable assets acquired	**2,364**	**2,364**

No acquisition provisions were created.

Prior 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 30 June 2008, Liberty Travel Inc. contributed a net loss of $10.9M to the Flight Centre Limited consolidated group. Had the acquisition 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 acquisition's results 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	147,406
Direct costs relating to the acquisition	6,853
Total purchase consideration	**154,259**
Fair value of net identifiable assets acquired (refer to (iii) below)	(3,590)
Goodwill arising on acquisition (refer to (iii) below and note 17)	**157,849**

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

38 BUSINESS COMBINATIONS CONTD.

(ii) Purchase consideration

	$'000
Outflow of cash to acquire subsidiary:	
Cash consideration (including acquisition costs)	154,259
Less: Cash acquired	50,581
Outflow of cash	**103,678**

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
Cash and cash equivalents	50,715	50,581
Available-for-sale assets	137,854	135,380
Accounts receivable	10,954	10,774
Other assets	13,053	11,097
Tangible fixed assets	16,266	16,980
Trade names	-	38,258
Developed technology	71,988	2,242
Customer relationships	-	24,755
Favourable lease asset	-	643
Deferred tax asset	-	6,930
Accounts payable	(83,795)	(87,835)
Customer deposits for future tours	(160,895)	(161,234)
Accrued expenses and other liabilities	(43,956)	(35,842)
Deferred tax liability	(33)	(16,319)
Net identifiable assets acquired	**12,151**	**(3,590)**

The fair value of assets and liabilities acquired is 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 provisional acquisition figures previously disclosed have been finalised. The consideration paid has been adjusted for $4M received in escrow funds from the previous owners and an increase in accrued expenses and other liabilities of $3M.

38 BUSINESS COMBINATIONS CONTD.

(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 bike products wholesaler operating out of Brisbane.

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

	2008 $'000
Purchase consideration	
Cash paid	1,148
Direct costs relating to the acquisition	22
Total purchase consideration	**1,170**
Fair value of net identifiable assets acquired	1,129
Goodwill (note 19)	**41**

(ii) Purchase consideration

	$'000
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 is 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.

39 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 2009 %	Equity Holding 2008 %
Advance Traders (Australia) Pty Ltd	Australia	Ordinary	**-**	100
Australian AssetCo Pty Ltd	Australia	Ordinary	**100**	100
Australian OpCo Pty Ltd *	Australia	Ordinary	**100**	100
Escape Travel Franchising Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre (China) Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Foundation Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Property Pty Ltd	Australia	Ordinary	**100**	100
Flight Centre Technology Pty Ltd *	Australia	Ordinary	**100**	100
Flight Centre Office Trust	Australia	Ordinary	**100**	100
Pedal Group Pty Ltd	Australia	Ordinary	**50**	100
A.I.T International Ticketing (Beijing) Limited #	China	Ordinary	**100**	-
Shanghai Journey Pty Ltd	China	Ordinary	**100**	100
Travel Money (AUS) Pty Ltd	Australia	Ordinary	**100**	100
Travel Money Holdings Pty Ltd	Australia	Ordinary	**100**	100
Travel Services Corporation Pty Ltd	Australia	Ordinary	**100**	100
The Flight Shops Inc	Canada	Ordinary	**100**	100
The Flight Shops Inc	Canada	Preference	**100**	100
Flight Centre - Comfort Business Travel Services Co Ltd #	China	Ordinary	**95**	95
Shanghai CiEvents Business Consulting Co Ltd	China	Ordinary	**100**	100
American International Travel Limited #	Hong Kong	Ordinary	**100**	100
CH Services Limited	Hong Kong	Ordinary	**100**	100
GCH Services Limited	Hong Kong	Ordinary	**100**	100
FCm Travel Solutions (India) Private Limited # (refer note 45)	Republic of India	Ordinary	**-**	100
Flight Centre (Mauritius) Limited	Mauritius	Ordinary	**100**	100
Escape Travel Limited	New Zealand	Ordinary	**-**	100
FFA Limited	New Zealand	Ordinary	**100**	100
Flight Centre (NZ) Limited	New Zealand	Ordinary	**100**	100
Great Holiday Escape (NZ) Limited	New Zealand	Ordinary	**-**	100
Travel Money (NZ) Limited	New Zealand	Ordinary	**100**	100
Flight Centre Property (South Africa) (Proprietary) Limited	Republic of South Africa	Ordinary	**100**	100
Flight Centre (South Africa) Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
Flight Centre Travel Solutions Pty Ltd	Republic of Sth Africa	Ordinary	**100**	100
FCm Travel Solutions Singapore Pte Ltd	Singapore	Ordinary	**100**	100
Britannic Travel Limited	United Kingdom	Ordinary	**100**	100
Britannic Travel Wholesale Limited (UK)	United Kingdom	Ordinary	**100**	-
Flight Centre Moneywise Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Wholesale Limited	United Kingdom	Ordinary	**100**	-
Flight Centre (UK) Corporate Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Corporate Limited	United Kingdom	Preference	**100**	100
Flight Centre (UK) Finance Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Limited	United Kingdom	Ordinary	**100**	100
Flight Centre (UK) Operations Limited	United Kingdom	Ordinary	**100**	100
Student Flights (UK) Limited	United Kingdom	Ordinary	**-**	100
FCm Bannockburn LLC	USA	Ordinary	**100**	100
Flight Centre (USA) Inc.	USA	Ordinary	**100**	100
Gogo Tours Inc	USA	Ordinary	**100**	100
Holiday Vacations Inc	USA	Ordinary	**100**	100
Liberty Travel Inc	USA	Ordinary	**100**	100
Lib/Go Travel Inc	USA	Ordinary	**100**	100
Flight Centre (ME) Limited	Jebel Ali Free Zone	Ordinary	**100**	100
FCm Travel Solutions (L.L.C)	Dubai	Ordinary	**49**	49

* *These controlled entities are not required to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 46.*

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

40 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 3 July 2009, Flight Centre (USA) Inc. transferred the Liberty and GoGo brand names to Flight Centre Limited. The transfer of intellectual property is in line with Flight Centre Limited's ownership of all other group brand names and was completed by Flight Centre (USA) Inc. declaring a dividend valued at US $35M (AUD $43.5M).

41 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

2009	Australia $'000	North America $'000	United Kingdom $'000	Other $'000	Total operations $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Total Transaction Value	**5,908,981**	**2,989,549**	**1,102,028**	**1,396,072**	**11,396,630**	**(154,784)**	**11,241,846**
Sales to external customers	805,734	354,750	357,269	159,320	1,677,073	-	1,677,07
Intersegment sales (note (ii))	70,031	700	20,172	1,690	92,593	(92,593)	-
Total sales revenue	875,765	355,450	377,441	161,010	1,769,666	(92,593)	1,677,073
Share of net profits of associate (note (iii))	(522)	(491)	-	176	(837)	-	(837)
Unallocated revenue							40,441
Total segment revenue / income							**1,716,677**
Segment result pre-royalties and payment to subsidiaries	66,295	(65,577)	18,087	(4,004)	14,801	-	14,801
Payment to subsdiaries	(53,327)	53,327	-	-	-	-	-
Royalties	11,008	-	(2,056)	(8,952)	-	-	-
Segment result	23,976	(12,250)	16,031	(12,956)	14,801	-	14,801
Unallocated revenue less unallocated expenses							25,596
Profit before income tax							40,397
Income tax expense							(2,233)
Profit for the year							**38,164**
Segment assets	772,401	466,418	236,743	175,238	1,650,800	-	1,650,800
Unallocated assets							76,380
Total assets							1,727,180
Segment liabilities	508,085	291,481	109,636	95,550	1,004,752	-	1,004,752
Unallocated liabilities							111,739
Total liabilities							**1,116,491**
Investments in associate and joint venture partnership (note (iii))	7,750	8,895	-	10,003	26,648	-	26,648
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	43,099	11,195	5,368	32,842	92,504	-	92,504
Depreciation and amortisation expense	26,540	21,627	5,149	6,455	59,771	-	59,771
Impairment of assets	6,511	-	-	8,131	14,642	-	14,642
Other non-cash expenses	31,440	26,015	942	3,946	62,343	-	62,343

41 SEGMENT INFORMATION CONTD.

2008	Australia $'000	North America $'000	United Kingdom $'000	Other $'000	Total operations $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Total Transaction Value	**6,423,581**	**1,732,887**	**1,193,578**	**1,645,693**	**10,995,739**	**(114,010)**	**10,881,729**
Sales to external customers	863,020	203,462	195,401	180,543	1,442,426	-	1,442,426
Intersegment sales (note (ii))	74,094	1,400	14,911	504	90,909	(90,909)	-
Total sales revenue	937,114	204,862	210,312	181,047	1,533,335	(90,909)	1,442,426
Share of net profits of associate (note (iii))	325	224	-	-	549	-	549
Unallocated revenue							44,68
Total segment revenue / income							**1,487,660**
Segment result pre-royalties	135,274	(9,781)	16,510	29,142	171,145	-	171,145
Royalties	20,366	(2,124)	(1,863)	(16,379)	-	-	-
Segment result	155,640	(11,905)	14,647	12,763	171,145	-	171,145
Unallocated revenue less unallocated expenses							29,823
Profit before income tax							200,968
Income tax expense							(66,186)
Profit for the year							**134,782**
Segment assets	927,468	515,401	251,960	220,703	1,915,532	-	1,915,532
Unallocated assets							41,476
Total assets							1,957,008
Segment liabilities	613,504	374,055	119,056	116,841	1,223,456	-	1,223,45
Unallocated liabilities							130,373
Total liabilities							**1,353,829**
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	19,070	365,125	-	365,125
Depreciation and amortisation expense	22,267	9,654	4,110	8,026	44,057	-	44,057
Impairment of assets	-	-	-	-	-	-	-
Other non-cash expenses	14,948	839	2,342	3,909	22,038	-	22,038

(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 and employee benefits. 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.

42 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Profit for the year	**38,164**	134,782	**29,114**	92,962
Depreciation and amortisation	**59,771**	44,057	**17,721**	14,619
Impairment charges against assets	**29,149**	-	**-**	-
Net loss on disposal of non-current assets	**2,592**	1,642	**1,093**	628
Loss on impairment of investments	**29,863**	11,323	**9,810**	11,323
Share of (profits) / losses of associate and joint venture partnership not received as dividends or distributions	**837**	(387)	**522**	(325)
Non-cash financing costs	**723**	1,043	**(248)**	34
Net exchange differences	**(2,884)**	(1,495)	**-**	-
(Increase) / decrease in trade debtors	**64,484**	(23,216)	**26,214**	(15,175)
Increase in deferred tax assets	**(27,955)**	(24,960)	**(207)**	(4,917)
Decrease in inventories	**1,454**	-	**1,408**	-
Decrease / (increase) in related party loans	**-**	-	**108,172**	23,535
Increase / (decrease) in trade creditors and other payables	**(181,088)**	199,052	**(111,190)**	135,295
Increase / (decrease) in provision for income taxes payable	**(41,804)**	19,788	**(34,994)**	7,149
Increase / (decrease) in provision for deferred income tax	**11,401**	19,048	**-**	-
Increase / (decrease) in other provisions	**2,538**	10,768	**4,738**	3,761
Increase in equity	**259**	481	**259**	481
Net cash (outflow) / inflow from operating activities	**(12,496)**	391,926	**52,412**	269,370

43 EARNINGS PER SHARE

	Consolidated	
	30 June 2009 Cents	30 June 2008 Restated Cents

(A) BASIC EARNINGS PER SHARE

Profit attributable to the ordinary equity holders of the company	**38.3**	138.0

(B) DILUTED EARNINGS PER SHARE

Profit attributable to the ordinary equity holders of the company	**38.3**	137.9

(C) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	Consolidated	
	30 June 2009 $'000	30 June 2008 Restated $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**38,164**	134,782

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Consolidated	
	30 June 2009 Number	30 June 2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**99,608,904**	97,679,839
Adjustments for calculation of diluted earnings per share:		
Options	**75,000**	30,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**99,683,904**	97,709,839

44 SHARE-BASED PAYMENTS

(A) EMPLOYEE OPTION PLAN AND SENIOR EXECUTIVE OPTION PLAN

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

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

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

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

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

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

Grant date	Expiry date	Exercise price	Balance at start of the year	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 – 2009								
14/07/03	14/07/08	$22.46	7,200	-	-	(7,200)	-	-
30/03/06 *	30/03/11	$10.66	30,000	-	(30,000)	-	-	-
23/01/09 *	23/01/14	$7.75	-	75,000	-	-	75,000	75,000
29/06/09 *	30/06/15	$10.00		1,000,000	-	-	1,000,000	-
			37,200	**1,075,000**	**(30,000)**	**(7,200)**	**1,075,000**	**75,000**
Weighted average exercise price			$12.94	$9.84	$10.66	$22.46	$9.84	$7.75

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

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.90 years (2008 2.22 years).

* *Senior Executive Option Plan*

44 SHARE-BASED PAYMENTS CONTD.

Fair value of options granted

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

The model inputs for options granted on 23 January 2009 included:

(a) Options were granted for no consideration and immediately vested.

(b) Exercise price: $7.75

(c) Grant date: 23 January 2009

(d) Expiry date: 23 January 2014

(e) Share price at grant date: $6.45

(f) Expected price volatility of the company's shares: 33%

(g) Expected dividend yield: 3.6%

(h) Risk-free interest rate: 2.8%

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

(a) Options were granted for no consideration. Each tranche vests on achievement of certain profit targets at each year-end, from 30 June 2010 to 30 June 2014.

(b Exercise price: $10.00

(c) Grant date: 29 June 2009

(d) Expiry date: 30 June 2015

(e) Share price at grant date: $8.65

(f) Expected price volatility of the company's shares: 40 - 45%

(g) Expected dividend yield: 3.0 - 4.8%

(h) Risk-free interest rate: 4.8 - 5.5%

(B) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	Consolidated		Parent	
	30 June 2009 $'000	30 June 2008 $'000	**30 June 2009 $'000**	30 June 2008 $'000
Share-based payment expense	**59**	66	**59**	66

45 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 2009 %	30 June 2008 %	30 June 2009 $'000	30 June 2008 $'000	30 June 2009 $'000	30 June 2008 $'000
Unlisted							
Garber's Travel Service, Inc	Travel Services	**26**	26	**8,894**	7,831	**-**	-
FCm Travel Solutions (India) Private Limited	Travel Services	**56**	56	**10,004**	-	**-**	-
				18,898	7,831	**-**	-

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

FCm Travel Solutions (India) Private Limited is incorporated in India. From 15 March 2009 Flight Centre Limited no longer had the practical ability to control FCm Travel Solutions (India) Private Limited. Flight Centre Limited maintains 56% ownership of FCm Travel Solutions (India) Private Limited and accordingly accounts for the investment as an associate. A loss of $3.5M has been recorded (refer note 5) upon loss of control and impairment of investment in FCm Travel Solutions (India) Private Limited.

	Consolidated	Parent
	30 June 2009 $'000	30 June 2008 $'000
(B) MOVEMENTS IN CARRYING AMOUNTS		
Carrying amount at the beginning of the financial year	**7,831**	8,472
Additions	**9,828**	-
Share of profits / (losses) after income tax	**(315)**	224
Dividends received	**-**	(162)
Gain / (loss) on foreign translation	**1,554**	(703)
Carrying amount at the end of the financial year	**18,898**	7,831
(C) SHARE OF ASSOCIATES' PROFITS OR LOSSES		
Profit / (loss) before income tax	**(225)**	373
Income tax expense	**(90)**	(149)
Profit / (loss) after income tax	**(315)**	224

45 INVESTMENTS IN ASSOCIATES CONTD.

(D) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

Information relating to associates is set out below.

	Group's share of:			
	Assets $'000	**Liabilities $'000**	**Revenues $'000**	**Profit $'000**
2009				
Garber's Travel Service, Inc	2,502	473	8,341	(491)
FCm Travel Solutions (India) Private Limited	26,050	23,534	3,490	176
	28,552	**24,007**	**11,831**	**(315)**
2008				
Garber's Travel Service, Inc	2,966	773	5,587	224
	2,966	**773**	**5,587**	**224**

	Consolidated	
	30 June 2009 $'000	30 June 2008 $'000
(E) SHARE OF ASSOCIATES' EXPENDITURE COMMITMENTS, OTHER THAN FOR THE SUPPLY OF INVENTORIES		
Lease commitments	**968**	1,454

46 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 lodgment of financial reports and directors' report.

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

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

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

The above companies represent a Closed Group for the purposes of the Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by Flight Centre Limited, they also represent the Extended Closed Group.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 for the company and the subsidiaries listed above.

46 DEED OF CROSS GUARANTEE CONTD.

	Flight Centre Limited & Australian OpCo Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2009 **$'000**	2008 Restated $'000	**2009** **$'000**	2008 Restated $'000
Income statement				
Revenue from the sale of travel services	**802,051**	856,501	**697,116**	733,473
Other revenue	**38,063**	51,749	**38,063**	51,718
Other income	**-**	89	**-**	89
Selling expenses	**(572,869)**	(572,581)	**(509,632)**	(487,451)
Administration / support expenses	**(188,142)**	(149,008)	**(187,123)**	(148,211)
Finance costs	**(12,009)**	(20,605)	**(9,741)**	(17,433)
Foreign exchange losses (net)	**2,683**	(152)	**2,511**	-
Share of profit from joint venture	**(522)**	325	**(522)**	325
Profit before income tax expense	**69,255**	166,318	**30,672**	132,510
Income tax expense	**(24,060)**	(48,704)	**(12,151)**	(38,433)
Profit for the year	**45,195**	117,614	**18,521**	94,077
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	**226,640**	190,007	**224,428**	211,332
Profit from ordinary activities after income tax expense	**45,195**	117,614	**18,521**	94,077
Dividends provided for or paid	**(57,275)**	(80,981)	**(57,275)**	(80,981)
Retained profits at the end of the financial year	**214,560**	226,640	**185,674**	224,428

Set out below is the consolidated balance sheet as at 30 June 2009 of the company and the subsidiaries listed above.

46 DEED OF CROSS GUARANTEE CONTD.

	Flight Centre Limited & Australian OpCo Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2009 **$'000**	2008 Restated $'000	**2009** **$'000**	2008 Restated $'000
Current assets				
Cash and cash equivalents	**399,183**	471,545	**344,594**	439,458
Available-for-sale financial assets	**70,270**	94,203	**70,270**	94,203
Receivables	**88,312**	171,428	**45,406**	121,911
Inventories	**-**	1,408	**-**	1,408
Other financial assets at fair value through profit or loss	**15,474**	18,210	**15,474**	18,210
Current tax receivables	**7,068**	-	**7,068**	-
Total current assets	**580,307**	756,794	**482,812**	675,190
Non-current assets				
Investments acc'd for using the equity method	**1,754**	1,754	**1,754**	1,754
Property, plant and equipment	**55,719**	53,848	**67,587**	62,351
Intangible assets	**27,394**	31,035	**26,574**	30,966
Deferred tax assets	**29,877**	24,590	**33,127**	25,293
Other financial assets	**384,375**	366,921	**412,700**	395,246
Other non-current assets	**4,301**	52,671	**4,301**	52,671
Total non-current assets	**503,420**	530,819	**546,043**	568,281
Total assets	**1,083,727**	1,287,613	**1,028,855**	1,243,471
Current liabilities				
Payables	**416,573**	561,337	**387,522**	516,667
Borrowings	**38,797**	39,750	**38,797**	39,750
Derivative financial instruments	**7,308**	2,342	**7,308**	2,342
Provisions	**6,864**	6,603	**6,864**	6,603
Current tax liabilities	**-**	27,926	**-**	27,925
Total current liabilities	**469,542**	637,958	**440,491**	593,287
Non-current liabilities				
Payables	**15,695**	10,814	**15,547**	11,275
Borrowings	**-**	29,935	**-**	29,935
Deferred tax liabilities	**5,346**	-	**6,278**	-
Provisions	**10,332**	10,802	**10,332**	10,802
Total non-current liabilities	**31,373**	51,551	**32,157**	52,012
Total liabilities	**500,915**	689,509	**472,648**	645,299
Net assets	**582,812**	598,104	**556,207**	598,172
Equity				
Contributed equity	**377,602**	377,343	**377,602**	377,343
Reserves	**(9,350)**	(5,879)	**(7,069)**	(3,599)
Retained profits	**214,560**	226,640	**185,674**	224,428
Total equity	**582,812**	598,104	**556,207**	598,172

47 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 some 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 $2.4M, overstating the consolidated provision for tax by $0.7M and overstating consolidated retained earnings and consolidated total equity by $1.7M. Sales and Cost of Sales were also understated by $40M and $35.2M respectively for the financial year-ending 30 June 2008.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

(B) CORRECTION OF ERROR IN THE TREATMENT OF COLLATERALISED DEBT OBLIGATION (CDO) FINANCIAL INSTRUMENTS

In prior reporting periods, Flight Centre Limited has accounted for synthetic 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 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 Limited has restated its 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 $18.2M 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 $7.4M (after tax of $3.2M). $6.7M has been recognised in the income statement for the year ended 30 June 2008 and $0.6M relates to the income statement for the year ended 30 June 2007 and has been recognised in the opening retained profits balance.

These changes have been corrected by restating each of the affected 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 24 to 94 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and

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

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
25 August 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLIGHT CENTRE LIMITED

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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Flight Centre Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement 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 controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLIGHT CENTRE LIMITED CONTD.

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 2009 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 in pages 14 to 22 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the Corporations Act 2001.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Flight Centre Limited (the company) for the year ended 30 June 2009 included on Flight Centre Limited's web site. The company's directors are responsible for the integrity of the Flight Centre Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

Robert Baker

R A Baker	BRISBANE
Partner	25 August 2009

PricewaterhouseCoopers

PricewaterhouseCoopers

The shareholder information set out below was applicable at 17 August 2009.

(A) DISTRIBUTION OF EQUITY SECURITIES

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

	Number of Shareholders
1 - 1000	8,590
1,001 - 5,000	2,705
5,001 - 10,000	277
10,001 - 100,000	165
100,001 and over	29
	11,766

There were 1,168 holders of less than a marketable parcel of ordinary shares.

(B) EQUITY SECURITY HOLDER

Twenty largest quoted equity security holders

The 20 largest holders of quoted equity securities held 82.99% of the company's shares as listed below:

	Shares	%
Gehar Pty Ltd	16,135,819	16.19
Gainsdale Pty Ltd	15,746,001	15.80
James Management Services Pty Ltd	13,039,750	13.08
Lazard Asset Management Pacific Co	11,117,858	11.15
Perpetual Investments	5,826,806	5.85
Friday Investments Pty Ltd	4,478,394	4.49
Vanguard Investments Australia	3,749,927	3.76
Paradice Investment Management Pty Ltd	2,522,673	2.53
Dimensional Fund Advisors	1,809,913	1.82
AusBil Dexia	1,289,968	1.29
Acadian Asset Management	1,062,223	1.07
Fidelity Management & Research	1,020,000	1.02
Putnam Investment Management	834,154	0.84
Trinity Holdings	750,000	0.75
Citigroup Global Markets	743,952	0.75
State Street Global Advisors	740,006	0.74
Legal & General Investment Management	520,564	0.52
K2 Asset Management	479,042	0.48
AMP Capital Investors	428,787	0.43
Norges Bank Investment Management	425,869	0.43
	82,721,706	**82.99**

(C) SUBSTANTIAL HOLDERS

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

Ordinary shares

	Shares	%
Gehar Pty Ltd	16,142,537	16.19%
Gainsdale Pty Ltd	15,828,535	15.88%
James Management Services Pty Ltd	13,042,274	13.08%
Lazard Asset Management Pacific Co	11,117,858	11.15%
Perpetual Investments	5,826,806	5.85%

Friday Investments Pty Ltd and Trinity Holdings Pty Ltd are potentially substantial holders as they are party to a pre-emptive agreement dated 5 October 1995 that also includes Gainsdale Pty Ltd, Gehar Pty Ltd and James Management Services Pty Ltd. This agreement binds each party to offer the other parties first right of refusal in the event of a share sale. Friday Investments Pty Ltd and Trinity Holdings Pty Ltd held 4,478, 494 and 750,000 FLT shares respectively at 17 August 2009.

CORPORATE DIRECTORY

DIRECTORS

G.F. Turner

P.F. Barrow

P.R. Morahan

G.W. Smith

SECRETARY

D.C.Smith

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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Company secretariat:
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Investor and media relations:
Haydn Long, haydn_long@flightcentre.com

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 19
307 Queen Street
Brisbane QLD 4000

AUDITOR

PricewaterhouseCoopers
Riverside Centre
Brisbane QLD 4000

STOCK EXCHANGE LISTINGS

Flight Centre Limited shares are listed on the Australian Securities Exchange

WEBSITE ADDRESS

www.flightcentre.com

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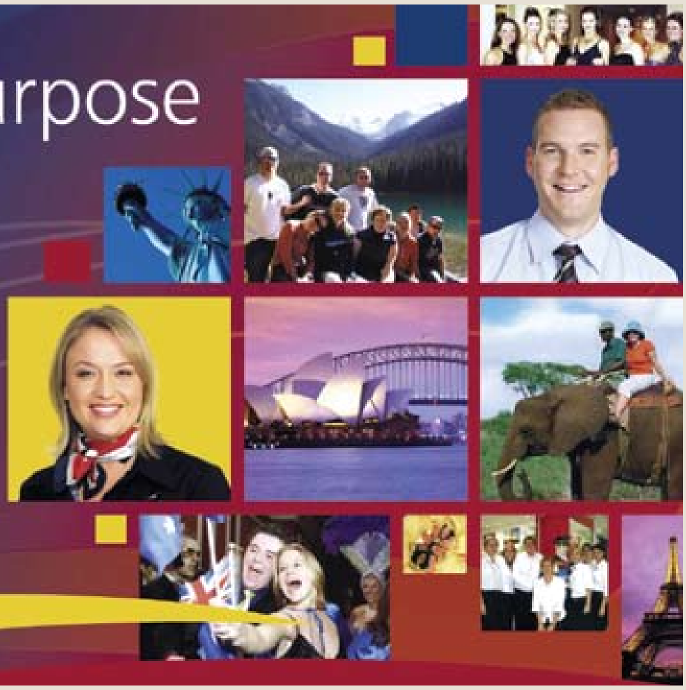
Company vision, purpose and philosophies

For our company to survive, grow and prosper for the next 100 years and beyond, we must clearly define and live by our vision, purpose and philosophies. We must protect and further develop our company culture and philosophies. Our culture must be robust and independent, with the ability to outlive our current and future leaders.



OUR VISION

"To be the world's most exciting travel company, delivering an amazing experience to our people, customers and partners."

OUR PURPOSE

"To open up the world for those who want to see."

For our people this means our purpose is to open up their world by helping them develop professionally and personally.

For our customers this means opening up their world through the exciting medium of well-organised, targeted and great value travel experiences.

For our shareholders it is giving them a magnificent return on their investment.

OUR PHILOSOPHIES

1. Our People

Our company is our people. We care for our colleagues' health and wellbeing, their personal and professional development and their financial security. We believe that work should be challenging and fun for everyone and through work we contribute to our community.

2. Our Customer

We recognise that our customers always have a choice. Therefore, a superior customer service experience, provided with honesty, integrity and a great attitude, is key to our company's success, as is the travel experience we provide.

3. Profit

A fair margin resulting in a business profit is the key measure of whether we are providing our customers with a product and service they value.

4. Ownership

We believe each individual in our company should have the opportunity to share in the company's success through outcome-based incentives, profit share, BOS (franchises) and Employee Share plans. It is important that business leaders and business team members see the business they run as their business.

5. Incentives

Incentives are based on measurable and reliable outcome-based KPIs. We believe that what gets rewarded gets done. If the right outcomes are rewarded, our company and our people will prosper.

6. Brightness Of Future

We believe our people have the right to belong to a Team (family), a Village, an Area (tribe) and Nation (hierarchy) that will provide them with an exciting future and a supportive working community. They also have the right to see a clear pathway to achieving their career goals. Promotion and transfers from within will always be our first choice.

7. Our Standard Systems – One Best Way

In our business there is always one best way to operate. These are standard systems employed universally until a better way is shown. This improved way becomes the one best way system. We value common sense over conventional wisdom.

8. Family, Village, Tribe

Our structure is simple, lean and transparent, with accessible leaders. There is a maximum of 4 and sometimes 5 layers. The village is an unfunded, self-help support group that forms an integral part of our structure.

1. Teams (the family) (minimum 3, maximum 7 members)
   Villages (minimum 3, maximum 7 teams)
2. Areas (tribe) (minimum 10, maximum 20 teams)
3. Nations (minimum 8, maximum 15 areas)
4. Regions/States/Countries (minimum 4, maximum 8 nations)
5. Global Executive Team/Board.

9. Taking Responsibility

We take full responsibility for our own success or failure. We do not externalise. We accept that we have total ownership and responsibility, but not always control. As a company we recognise and celebrate our individual and collective successes.

10. Egalitarianism And Unity

In our company, we believe that each individual should have equal privileges and rights. In leisure and corporate, in Australia and overseas, and in organically grown and acquired businesses, there should be no them and us.