

# Directors' and Financial Report

for the year ending 30 June 2007



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This financial report covers both Flight Centre Limited as an individual entity and 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:

316 Adelaide Street  
BRISBANE QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the full annual report.

The financial report was authorised for issue by the directors on 31 August 2007. The company has the power to amend and reissue the financial report.

Flight Centre Limited ABN 25 003 377 188

# Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

## Directors

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

B.R.Brown

G.F.Turner

P.F.Barrow

H.L.Stack

G.L.Harris (Alternate for all directors listed above)

## 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

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

	2007 \$'000	2006 \$'000
Final ordinary dividend for the year ended 30 June 2006 of 32cents (2005 – 28cents) per fully paid share paid on 13 October 2006, fully franked	30,231	26,497
Interim ordinary dividend for the year ended 30 June 2007 of 20cents (2006 – 20cents) per fully paid share paid on 16 March 2007, fully franked	18,894	18,894
	49,125	45,391

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$43,456,676 (46cents per fully paid share) to be paid on 12 October 2007 out of retained profits at 30 June 2007.

## Review of operations and significant changes in the state of affairs

A review of the company and its controlled entities and the results of those operations for the year are contained in the Appendix 4E released 23 August 2007.

## Matters subsequent to the end of the financial year

On 30 July 2007, Flight Centre (NZ) Limited entered into a contract to purchase 127 Vincent Street, Auckland, New Zealand for NZ \$12m.

Other than this matter noted above, no circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

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

## Likely developments and expected results of operations

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

## Environmental regulation

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

# Directors' Report continued

## Directors continued

### Information on directors

			Particulars of directors' interests in shares and options of:	
			Flight Centre Limited	
Director	Experience	Special responsibilities	Ordinary shares	Options
<b>B.R.Brown</b> BCom, AAUQ Age: 62	Director of Transpacific Industries Group Ltd and Campbell Brothers Limited. Former managing director and chief executive officer of Campbell Brothers Limited from 1990 to 2005.	Chairman Member of audit committee	5,000	-
<b>G.F.Turner</b> BVSc Age: 58	Founding director of Flight Centre Limited with significant experience in running retail travel businesses in Australia, New Zealand, USA, UK, South Africa and Canada.	Managing director Member of remuneration committee	17,228,687	-
<b>P.F.Barrow</b> FCA, FAICD Age: 56	Director of Flight Centre Limited since 1995. Director of Oaks Hotels and Resorts Limited and Cluff resources Pacific NL. Senior partner of chartered accounting firm MBT. More than 25 years' experience with retail travel companies.	Independent non-executive director Chairman of audit committee	72,085	10,000
<b>H.L.Stack</b> BA, LLB Age: 62	Director of Flight Centre Limited since 1995. Chairman of Magnetica Limited, director of Abney Limited and Brisbane Grammar School Trustees, former director of Data 3 Limited and Voxson Ltd. Former partner of the legal firm, Allens Arthur Robinson.	Independent non-executive director Member of audit committee	42,288	10,000
<b>G.L.Harris</b> Age: 56	Founding director of Flight Centre Limited. More than 25 years' experience in retail travel. Ran his own successful retail travel business before merging it with Flight Centre in 1987. Director of Boost Juice.	Alternate director	16,260,493	-

### Company secretary

The company secretary is Mr G.Pringle BA, LLB MBA (UQ), PG Dip IR. Mr Pringle is also a director of the Travel Compensation Fund. Before joining Flight Centre Limited in 2002, Mr Pringle was a senior risk management advisor with PricewaterhouseCoopers, head of compliance of a large financial institution and a former magistrate and barrister.

### Meetings of directors

The numbers of meetings of the company's Board of directors and of each Board committee held during the year ended 30 June 2007 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
<b>G.F.Turner</b>	11	12	*	*	2	2
<b>P.F.Barrow</b>	11	12	3	3	*	*
<b>H.L.Stack</b>	11	12	3	3	*	*
<b>B.R.Brown</b>	12	12	3	3	*	*
<b>G.L.Harris (Alternate director)</b>	1	12	*	*	*	*

A = Number of meetings attended

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

\* = Not a member of the relevant committee

# Directors' Report continued

## 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 under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 and have not been audited.

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

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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 FLT'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 an executive remuneration framework that is market competitive and complementary to the organisation's reward strategy.

Alignment to shareholders' interests:

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

Alignment to programme 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 with 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 policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on this committee's role.

### **Non-executive directors**

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

### **Directors' fees**

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

# Directors' Report continued

## Remuneration report continued

### **Executive pay**

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- other incentives through participation in the Business Ownership Scheme (BOS) programme, Flight Centre Limited Employee Option Plan, Senior Executive Option Plan and Employee Share Plan, and
- other remuneration such as superannuation contributions

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

### **Base pay**

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

### **Superannuation**

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

### **Short-term incentives**

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

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

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

### **BOS interest**

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

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

### **Share-based compensation**

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

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

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. Details of the plan are contained in note 41.

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

# Directors' Report continued

## Remuneration report continued

### B Details of remuneration (audited)

#### **Amounts of remuneration**

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the company and consolidated entity consisting of Flight Centre Limited and the entities it controlled for the year ending 30 June 2007 are set out in the following tables.

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

#### **Group**

• M.Aponas	Executive General Manager	Franchise and Compliance
• D.Burns	Executive General Manager	FCm Travel Solutions Asia Pacific (resigned 25 August 2006)
• C.Galanty	Executive General Manager	UK
• S.Garrett	Executive General Manager	Australia
• A.Grigson	Executive General Manager	Corporate
• G.Hogan	Executive General Manager	Information Technology
• R.Nath	Executive General Manager	India
• S.O'Brien	Chief Financial Officer	
• A.Slingsby	Executive General Manager	North America (resigned 15 August 2007)
• A.Spence	Executive General Manager	Britannic
• K.Stanley	Executive General Manager	Marketing (resigned 1 September 2006)

#### **Parent Entity**

• M.Aponas	Executive General Manager	Franchise and Compliance
• D.Burns	Executive General Manager	FCm Travel Solutions Asia Pacific (resigned 25 August 2006)
• S.Garrett	Executive General Manager	Australia
• A.Grigson	Executive General Manager	Corporate
• G.Hogan	Executive General Manager	Information Technology
• S.O'Brien	Chief Financial Officer	
• K.Stanley	Executive General Manager	Marketing (resigned 1 September 2006)

In addition, the company secretary, G.Pringle, is a company and group executive whose remuneration must be disclosed under the Corporations Act 2001, as he is one of the five highest remunerated executives.

The following tables set out remuneration details for FLT's directors and other key management personnel. This includes each of the five officers of the company and the consolidated entity consisting of Flight Centre Limited and the entities it controlled who received the highest emoluments for the year ended 30 June 2007, as required under the Corporations Act 2001

# Directors' Report continued

## Key management personnel and other executives of Flight Centre Limited

2007	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
Name	Cash salary and fees	Incentive	BOS Interest	Super-annuation	Termination benefits *	Long service leave **	Share-based payments	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
P.F.Barrow	90,068	-	-	-	-	-	-	90,068
H.L.Stack	87,000	-	-	7,830	-	-	-	94,830
B.R.Brown	126,999	-	-	11,430	-	-	-	138,429
Sub-total non-executive directors	304,067	-	-	19,260	-	-	-	323,327
<b>Executive directors</b>								
G.F.Turner	-	26,395	-	-	-	-	-	26,395
<b>Other key management personnel</b>								
M.Aponas ^	148,951	321,101	-	35,872	-	6,647	43,178	555,749
D.Burns	38,901	35,085	-	4,527	288,932	-	-	367,445
S.Garrett	148,952	266,293	-	14,320	-	1,557	43,178	474,300
A.Grigson ^	129,800	202,915	420,039	18,415	-	24,504	43,178	838,851
G.Hogan ^	139,834	363,948	-	37,010	-	2,330	43,178	586,300
S.O'Brien ^	145,451	442,943	-	44,910	-	16,473	43,178	692,955
K.Stanley	38,313	27,519	-	5,852	54,890	-	43,178	169,752
Total for each component	1,094,269	1,686,199	420,039	180,166	343,822	51,511	259,068	4,035,074
<b>Other company executives</b>								
G.Pringle ^	148,703	359,293	-	36,033	-	7,555	43,178	594,762

\* 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.

^ One of the five highest paid executives of the company, as required to be disclosed under the Corporations Act 2001.

# Directors' Report continued

## Key management personnel and other executives of the group

2007	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
Name	Cash salary and fees	Incentive	BOS Interest	Super-annuation	Termination benefits *	Long service leave **	Share-based payments	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
P.F.Barrow	90,068	-	-	-	-	-	-	90,068
H.L.Stack	87,000	-	-	7,830	-	-	-	94,830
B.R.Brown	126,999	-	-	11,430	-	-	-	138,429
<b>Sub-total non-executive directors</b>	<b>304,067</b>	<b>-</b>	<b>-</b>	<b>19,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>323,327</b>
<b>Executive directors</b>								
G.F.Turner	-	26,395	-	-	-	-	-	26,395
<b>Other key management personnel</b>								
M.Aponas	148,951	321,101	-	35,872	-	6,647	43,178	555,749
D.Burns	38,901	35,085	-	4,527	288,932	-	-	367,445
C.Galanty ^	245,988	246,223	34,478	27,543	-	-	43,178	597,410
S.Garrett	148,952	266,293	-	14,320	-	1,557	43,178	474,300
A.Grigson ^	129,800	202,915	420,039	18,415	-	24,504	43,178	838,851
G.Hogan	139,834	363,948	-	37,010	-	2,330	43,178	586,300
R.Nath	137,998	8,796	-	8,305	-	-	-	155,099
S.O'Brien ^	145,451	442,943	-	44,910	-	16,473	43,178	692,955
A.Slingsby ^	112,365	358,535	-	-	-	87,635	43,178	601,713
A.Spence	421,756	-	-	36,898	-	-	-	458,654
K.Stanley	38,313	27,519	-	5,852	54,890	-	43,178	169,752
<b>Total key management personnel compensation</b>	<b>2,012,376</b>	<b>2,299,753</b>	<b>454,517</b>	<b>252,912</b>	<b>343,822</b>	<b>139,146</b>	<b>345,424</b>	<b>5,847,950</b>
<b>Other group executives</b>								
G.Pringle ^	148,703	359,293	-	36,033	-	7,555	43,178	594,762

\* 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.

^ One of the five highest paid executives of the group, as required to be disclosed under the Corporations Act 2001.



# Directors' Report continued

## Key management personnel and other executives of the group continued

2006	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
Name	Cash salary and fees	Incentive	BOS Interest	Super-annuation	Termination Benefits *	Long service leave **	Share-based payments	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
P.F.Barrow	90,000	-	-	8,100	-	-	-	98,100
H.L.Stack	77,000	-	-	6,930	-	-	-	83,930
B.R.Brown(Appointed 20 December 2005)	61,000	-	-	5,490	-	-	-	66,490
Sub-total non-executive directors	228,000	-	-	20,520	-	-	-	248,520
<b>Executive directors</b>								
G.F.Turner	-	29,765	-	-	-	-	-	29,765
S.J.Flynn	50,000	30,837	-	-	550,000	-	-	630,837
<b>Other key management personnel</b>								
M.Aponas	125,000	135,673	-	30,209	-	4,213	26,168	321,263
D.Burns	100,000	317,442	-	37,570	-	-	-	455,012
C.Galanty	142,213	112,150	-	13,014	-	-	-	267,377
S.Garrett	150,000	225,004	-	27,401	-	330	26,168	428,903
A.Grigson	150,000	394,141	443,040	32,768	-	6,678	26,168	1,052,795
R.Hamilton	103,790	445,066	14,751	-	-	-	-	563,607
G.Hogan	125,000	125,977	-	28,198	-	1,060	26,168	306,403
R.Nath	120,256	4,570	-	7,211	-	-	-	132,037
S.O'Brien	150,000	242,244	-	41,983	-	7,618	26,168	468,013
G.Pringle	137,615	150,000	-	26,589	-	5,073	26,168	345,445
A.Slingsby	121,229	876,549	-	-	-	-	26,168	1,023,946
K.Stanley	100,000	200,000	-	24,398	-	-	26,168	350,566
D.White	103,790	392,054	126,157	-	-	-	26,168	648,169
Total key management personnel compensation	1,906,893	3,681,472	583,948	289,861	550,000	24,972	235,512	7,272,658

R.Hamilton and D.White are not considered KMP for 2007.

\* 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.

# Directors' Report continued

## Key management personnel and other executives of the group continued

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2007 %	2006 %	2007 %	2006 %	2007 %	2006 %
<b>Directors of Flight Centre Limited</b>						
P.F.Barrow	100	100	-	-	-	-
H.L.Stack	100	100	-	-	-	-
B.R.Brown	100	100	-	-	-	-
G.F.Turner	-	-	100	100	-	-
<b>Other key management personnel of group</b>						
M.Aponas	26	40	66	52	8	8
D.Burns	79	22	21	78	-	-
C.Galanty	41	53	52	47	7	-
S.Garrett	27	35	64	59	9	6
A.Grigson	16	14	79	83	5	3
R.Nath	94	91	6	9	-	-
S.O'Brien	22	32	72	62	6	6
A.Slingsby	19	11	74	86	7	3
A.Spence	92	100	8	-	-	-
K.Stanley	23	29	52	64	25	7
<b>Other Company and group executives</b>						
G.Pringle	25	40	68	52	7	8

### C Service agreements (audited)

There are no fixed-term service agreements with directors or key management personnel of the consolidated entity. The remuneration committee reviews key management personnel's remuneration annually. No contracts are in place for these employees, only annual renewal letters confirming the packaged salary for the year. The packaged salary of 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 verse variable remuneration components are disclosed in Part B of the remuneration report. Directors and key management personnel may terminate employment with the company in accordance with statutory notice periods.

### D Share-based compensation (audited) Options

Options are granted under the Flight Centre Limited Employee Option Plan (established October 1997 and amended October 2002) and the Senior Executive Option Plan (March 2006). Options are granted for no consideration and are exercisable over fully paid unissued ordinary shares of the company.

Challenging performance hurdles are set annually 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 achieve 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.

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

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

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

# Directors' Report continued

## Key management personnel and other executives of the group continued

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

Name	Number of options granted during the year		Number of options vested during the year	
	2007	2006	2007	2006
<b>Key management personnel of the group</b>				
M.Aponas	-	40,000	10,000	-
C.Galanty	-	40,000	10,000	-
S.Garrett	-	40,000	10,000	-
A.Grigson	-	40,000	10,000	-
G.Hogan	-	40,000	10,000	-
S.O'Brien	-	40,000	10,000	-
G.Pringle	-	40,000	10,000	-
A.Slingsby (resigned 15 August 2007)	-	40,000	10,000	-
K.Stanley (resigned 1 September 2006)	-	40,000	10,000	-
D.White	-	40,000	10,000	-

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 term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

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

### Shares provided on exercise of remuneration options

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

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2007	2006
Other key management personnel of the group			
K.Stanlev (resigned 1 September 2006)	11 December 2006	10.000	-

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

Exercise date	Amount paid per share
11 December 2006	\$10.66

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

### Employee Share Plan

Under the Employee Share Plan, shares are either acquired on market by the Plan Trustee and allocated to the employee or new shares are issued. Shares were allotted to executive G.Pringle in 2006/07.

# Directors' Report continued

## Key management personnel and other executives of the group continued

### E Additional information (unaudited)

#### 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 9-10, the percentage of the available bonus or grant that was paid or that vested in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options vest over two years, provided the vesting conditions are met (see page 9). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Incentives		Options					
	Paid	Forfeited	Year granted	Vested	Forfeited	Financial years in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
	%	%		%	%		\$	\$
M.Aponas	100	-	2006	25	25	2008	-	39,200
D.Burns	100	-	-	-	-	-	-	-
C.Galanty	100	-	2006	25	25	2008	-	39,200
S.Garrett	100	-	2006	25	25	2008	-	39,200
A.Grigson	100	-	2006	25	25	2008	-	39,200
G.Hogan	100	-	2006	25	25	2008	-	39,200
R.Nath	100	-	-	-	-	-	-	-
S.O'Brien	100	-	2006	25	25	2008	-	39,200
A.Slingsby	100	-	2006	25	25	2008	-	39,200
K.Stanley	100	-	2006	25	75	-	-	-
G.Pringle	100	-	2006	25	25	2008	-	39,200
D.White	100	-	2006	25	25	2008	-	39,200

Share-based compensation: Options

Further details relating to options are set out below:

Name	A	B	C	D	E
	Remuneration consisting of options	Value at grant date	Value at exercise date	Value at lapse date	Total of columns B-D
	%	\$	\$	\$	\$
M.Aponas	7.9%	-	-	-	-
C.Galanty	7.2%	-	-	-	-
S.Garrett	9.1%	-	-	-	-
A.Grigson	5.3%	-	-	-	-
G.Hogan	7.4%	-	-	-	-
S.O'Brien	6.4%	-	-	-	-
A.Slingsby	7.2%	-	-	-	-
K.Stanley	25.4%	-	19,600	-	19,600
G.Pringle	7.4%	-	-	-	-

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.

# Directors' Report continued

## Key management personnel and other executives of the group continued

### Loans to directors and executives

There have been no loans entered into with directors and executives during the current reporting period and at 30 June 2007 no loans were in place.

### Shares under option

The following is a summary of the unissued ordinary shares of Flight Centre Limited under option at the date of this report:

Date options granted	Expiry date	Issue price of shares	Number under option
6 September 2002	6 September 2007	\$28.40	9,000
1 November 2002	1 November 2007	\$23.73	20,000
14 July 2003	14 July 2008	\$22.46	10,800
30 March 2006	30 March 2011	\$10.66	280,000
			<b>319,800</b>

### 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 by the insurance policy include the directors and the company secretary. Disclosure of the premiums paid is prohibited by the insurance contract.

### Proceedings on behalf of the company

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

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

### Non-audit services

The company may decide to employ the auditor on assignments additional to 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 31.

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 reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the auditor's impartiality and objectivity
- none of the services undermines the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

### Auditor's independence declaration

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

### Rounding of amounts

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

### Auditor

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

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



**G.F. Turner**  
Director

BRISBANE  
31 August 2007

PricewaterhouseCoopers  
ABN 52 780 433 757

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### Auditor's Independence Declaration

As lead auditor for the audit of Flight Centre Limited for the year ended 30 June 2007, 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  
Partner

BRISBANE  
31 August 2007

*PricewaterhouseCoopers*

PricewaterhouseCoopers

## Financial Report

# Income Statements

		Consolidated		Parent	
	Notes	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Revenue from continuing operations</b>					
Revenue from the sale of travel services	3	1,120,434	973,711	602,044	517,774
Other revenue	3	32,060	24,968	70,415	44,640
Total for Revenue from continuing operations		1,152,494	998,679	672,459	562,414
<b>Other income</b>	4	21,280	4,057	45,766	6,286
<b>Expenses</b>					
Selling expenses		(845,084)	(762,268)	(436,181)	(403,875)
Administration/support expenses		(135,894)	(105,457)	(93,064)	(75,008)
Finance costs	5	(18,994)	(15,143)	(10,735)	(8,917)
Share of profit/(loss) of joint venture and associates accounted for using the equity method	42/18	219	(463)	-	-
<b>Profit before income tax expense</b>		174,021	119,405	178,245	80,900
Income tax expense	6	(53,197)	(39,913)	(37,257)	(23,112)
<b>Profit attributable to members of Flight Centre Limited</b>		120,824	79,492	140,988	57,788
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	40	127.5	84.6		
Diluted earnings per share	40	127.5	84.5		

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



# Balance Sheets

		Consolidated		Parent	
	Notes	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	469,225	293,916	268,351	118,945
Available-for-sale financial assets	11	166,588	185,102	150,600	170,627
Receivables	9	294,991	244,987	102,561	233,241
Current tax receivables	10	9,918	5,596	-	4,291
Non-current assets classified as held-for-sale	12	-	12,179	-	12,179
<b>Total current assets</b>		<b>940,722</b>	<b>741,780</b>	<b>521,512</b>	<b>539,283</b>
<b>Non-current assets</b>					
Property, plant and equipment	15	86,906	78,486	39,751	33,908
Intangible assets	17	203,956	196,086	17,115	8,684
Deferred tax assets	16	17,230	13,415	9,630	5,810
Other financial assets	14	-	-	291,181	154,246
Investments accounted for using the equity method	13	8,472	2,248	-	-
<b>Total non-current assets</b>		<b>316,564</b>	<b>290,235</b>	<b>357,677</b>	<b>202,648</b>
<b>Total assets</b>		<b>1,257,286</b>	<b>1,032,015</b>	<b>879,189</b>	<b>741,931</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	19	646,785	499,824	338,197	262,415
Borrowings	20	48,270	43,662	26,754	75,610
Provisions	21	3,761	3,401	3,641	3,356
Current tax liabilities	22	18,765	2,533	16,596	-
<b>Total current liabilities</b>		<b>717,581</b>	<b>549,420</b>	<b>385,188</b>	<b>341,381</b>
<b>Non-current liabilities</b>					
Payables	23	20,104	38,713	4,821	3,883
Borrowings	24	27,000	27,000	27,000	27,000
Deferred tax liabilities	25	245	378	-	-
Provisions	26	10,367	8,442	9,724	8,342
<b>Total non-current liabilities</b>		<b>57,716</b>	<b>74,533</b>	<b>41,545</b>	<b>39,225</b>
<b>Total liabilities</b>		<b>775,297</b>	<b>623,953</b>	<b>426,733</b>	<b>380,606</b>
<b>Net assets</b>		<b>481,989</b>	<b>408,062</b>	<b>452,456</b>	<b>361,325</b>
<b>EQUITY</b>					
Contributed equity	27	260,828	260,715	260,828	260,715
Reserves	28(a)	(5,655)	(7,770)	(188)	657
Retained profits	28(b)	226,816	155,117	191,816	99,953
<b>Total equity</b>		<b>481,989</b>	<b>408,062</b>	<b>452,456</b>	<b>361,325</b>

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

# Statements of Changes in Equity

		Consolidated		Parent	
		30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
	Notes				
<b>Total equity at the beginning of the financial year</b>		<b>408,062</b>	372,649	<b>361,325</b>	349,577
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to reserves	28	-	(363)	-	(363)
Adjustment for correction of error	28	-	(2,404)	-	(1,363)
<b>Restated total equity at the beginning of the financial year</b>		<b>408,062</b>	369,882	<b>361,325</b>	347,851
Changes in the fair value of available-for-sale financial assets, net of tax	28	<b>(1,277)</b>	547	<b>(1,277)</b>	547
Net exchange differences on translation of foreign operations	28	<b>2,960</b>	3,002	-	-
<b>Net income recognised directly in equity</b>		<b>1,683</b>	3,549	<b>(1,277)</b>	547
<b>Profit for the year</b>		<b>120,824</b>	79,492	<b>140,988</b>	57,788
<b>Total recognised income and expense for the year</b>		<b>122,507</b>	83,041	<b>139,711</b>	58,335
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	7	<b>(49,125)</b>	(45,391)	<b>(49,125)</b>	(45,391)
Employee share options	28	<b>432</b>	416	<b>432</b>	416
Tax effect of previous share issues	27	<b>113</b>	114	<b>113</b>	114
		<b>(48,580)</b>	(44,861)	<b>(48,580)</b>	(44,861)
<b>Total equity at the end of the financial year</b>		<b>481,989</b>	408,062	<b>452,456</b>	361,325
Total recognised income and expense for the year attributable to:					
<b>Members of Flight Centre Limited</b>		<b>122,507</b>	83,041	<b>139,711</b>	58,335

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

# Cash Flow Statements

		Consolidated		Parent	
	Notes	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (including GST)		1,103,972	1,021,427	603,575	577,540
Payments to suppliers and employees (including GST)		(842,460)	(862,853)	(458,839)	(502,429)
Dividends received		-	-	26,969	5,772
Interest received		31,740	24,078	28,749	25,963
Royalties received		-	-	14,512	12,173
Interest paid		(17,563)	(16,982)	(10,735)	(8,917)
Income taxes paid		(45,078)	(42,696)	(20,190)	(33,391)
<b>Net cash (outflow) inflow from operating activities</b>	39	<b>230,611</b>	<b>122,974</b>	<b>184,041</b>	<b>76,711</b>
<b>Cash flows from investing activities</b>					
Payment for purchase of businesses and for additional issues of shares in subsidiaries	35	(12,919)	(18,965)	(96,786)	(27,020)
Payments for property, plant and equipment	15	(37,154)	(22,827)	(16,406)	(9,199)
Payments for intangibles		(9,775)	(13,228)	(3,036)	(1,179)
Payments for investments		(26,460)	(55,273)	(26,460)	(70,710)
Proceeds from sale of investments		43,150	63,171	44,663	57,448
Proceeds from sale of property, plant and equipment		34,746	4,354	34,606	625
<b>Net cash (outflow) inflow from investing activities</b>		<b>(8,412)</b>	<b>(42,768)</b>	<b>(63,419)</b>	<b>(50,035)</b>
<b>Cash flows from financing activities</b>					
Repayment of intercompany loans		-	-	76,088	-
Proceeds from borrowings		1,673	12,000	-	75,033
Repayment of borrowings		-	(5,600)	1,821	(45,853)
Dividends paid to company's shareholders	7	(49,125)	(45,391)	(49,125)	(45,391)
<b>Net cash inflow (outflow) from financing activities</b>		<b>(47,452)</b>	<b>(38,991)</b>	<b>28,784</b>	<b>(16,211)</b>
<b>Net increase (decrease) in cash held</b>		<b>174,747</b>	<b>41,215</b>	<b>149,406</b>	<b>10,465</b>
Cash and cash equivalents at the beginning of the financial year		281,571	238,727	118,945	106,954
Effects of exchange rate changes on cash and cash equivalents		(3,217)	1,629	-	1,526
<b>Cash and cash equivalents at end of year</b>	8	<b>453,101</b>	<b>281,571</b>	<b>268,351</b>	<b>118,945</b>

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

# Notes to the Financial Statements

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

#### **Historical cost convention**

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

#### **Critical accounting estimates**

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

### (b) Principles of consolidation

---

#### **(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Flight Centre Limited ("company" or "parent entity") as at 30 June 2007 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 over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

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

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid on the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

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

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

#### **(ii) Associates**

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

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.

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

### **(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 joint venture entity's profits or losses is recognised in the income statement and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the joint venture are set out in note 18.

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

### **(c) Foreign currency translation**

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#### **(i) Functional and presentation currency**

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

#### **(ii) Transactions and balances**

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

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

#### **(iii) Foreign operations**

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

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

Exchange differences arising from the translation of any net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold or a borrowing 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.

#### **(ii) Total Transaction Value**

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

#### **(iii) Lease Income**

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

#### **(iv) Interest income**

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

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

### **(v) Dividends**

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

### **(vi) Royalties**

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

### **(e) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for 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 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 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 agreements 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 or 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

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

market price at the date of the exchange unless, in those rare circumstances where 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.

### (h) Impairment of assets

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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 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

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Trade receivables which generally have a term of not greater than 90 days 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

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

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell off 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 in associates

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

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 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 company.



# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

### (I) Investments and other financial assets

#### **Classification**

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

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

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

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

#### **(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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

#### **Recognition and derecognition**

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

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

#### **Subsequent measurement**

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

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

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

#### **Fair value**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (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



# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

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.

### **(m) Derivatives**

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

#### **(i) Fair value hedge**

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

#### **(ii) Cash flow hedge**

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

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

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

#### **(iii) Derivatives that do not qualify for hedge accounting**

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

### **(n) Fair value estimation**

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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 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 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.

### **(o) Property, plant and equipment**

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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.

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

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

- Buildings  
40 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 and are included in the income statements.

### **(p) Intangible assets**

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#### **(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 business acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

#### **(ii) Software**

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

#### **(iii) Other intangible assets**

Other intangible assets, such as brand names, customer contracts and licences, are acquired as part of business combinations. Other intangible assets are recognised initially at fair value and are amortised over their expected useful life, not exceeding five years.

### **(q) Trade and other payables**

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

### **(r) Employee benefits**

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#### **(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 benefits to employees on retirement 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 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 41.

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

### **Share options**

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

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

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

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

### **(v) Profit-sharing and bonus plans**

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

### **(vi) Termination benefits**

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

### **(s) 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.

### **(t) 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 likely that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the 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.

### **(u) Contributed equity**

Ordinary shares are classified as equity (note 27).

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

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

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

### (v) Rounding of amounts

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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.

### (w) Dividends

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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.

### (x) Cash and cash equivalents

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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 with original maturities of three months or less 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.

### (y) Borrowings and borrowing costs

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

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

- 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.

### (z) New accounting standards and interpretations

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Certain new accounting standards and UIG interpretations have been published but are not mandatory for the 30 June 2007 reporting period. The group has assessed the impact of these new standards and no material impacts are expected, apart from the standard discussed below.

#### **(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]**

AASB 7 and AASB 2005-10 apply to annual reporting periods beginning on or after 1 January 2007. AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces AASB 130 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in IAS 32 Financial Instruments: Disclosure and Presentation. It applies to all reporting entities. The amendment to AASB 101 introduces disclosures about the level of an entity’s capital and how it manages capital. The group assessed the impact of AASB 7 and the amendment to AASB 101 and concluded that the main additional disclosures would be the sensitivity analysis to market risk and the capital disclosures required by the amendment of AASB 101. The group will apply the standards from annual reporting periods beginning 1 July 2007.

#### **(ii) Revised AASB 101 Presentation of Financial Statements**

A revised AASB 101 was issued in October 2006 and applies to annual reporting periods beginning on or after 1 January 2007. The group has not adopted the standard early. Application of the revised standard will not impact on the group’s financial statements.

#### **(iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8**

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a “management approach” to reporting on the 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 has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

different types of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

### **(iv) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128]**

AASB 2007-4 and AASB 2007-7 apply to annual reporting periods beginning on or after 1 July 2007. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements

The financial statements may be affected by:

- the ability to use the proportionate consolidation method for interests in joint venture entities
- the ability to use the indirect method for presenting cash flow statements, a possible exemption from the requirement to prepare consolidated financial reports for intermediate parent entities, provided they are wholly-owned or all shareholders agree and they are not the ultimate Australian parent entity in the group
- discount rates for employee benefits obligations to be based on corporate bonds if there is a deep market in Australia (previous guidance mandated the use of government bond rates).

The group will adopt the amendments arising from AASB 2007-4 and AASB 2007-7 for the financial year ending 30 June 2008. However, it does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but may remove some of the disclosures that are currently required. In relation to the discount rates used in the measurement of employee benefit obligations, the group has not yet reached a conclusion as to whether there is a deep market in corporate bonds in Australia and hence has not yet determined the financial effect, if any, on the obligations from the adoption of AASB 2007-4.

### **(v) AASB-I 10 Interim Financial Reporting and Impairment**

AASB-I 10 applies to reporting periods beginning on or after 1 November 2006. The group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in any interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will, therefore, have no impact on the group's or parent entity's financial statements.

### **(vi) AASB-I 13 Customer Loyalty Programmes**

AASB-I 13 applies to annual reporting periods commencing on or after 1 July 2008. It provides guidance on accounting for customer loyalty programmes and requires that the fair value of the consideration received/receivable in respect of a sale transaction is allocated between the award credits and the other components of the sale. The group does not operate any customer loyalty programmes, however has a small loyalty programme that is available to staff only. Therefore, the adoption of AASB-I 13 is not expected to have a material impact on the group financial statements. The group will apply AASB-I 13 from 1 July 2008.

## **(aa) Segment reporting**

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.

## **(ab) Comparative amounts**

Prior year cash has been restated by \$19.728m due to a change in the definition of available-for-sale investments. The amendment has been made to increase cash and cash equivalents and decrease available-for-sale financial assets in the comparative amounts.

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.

## **(ac) Financial guarantee contracts**

A financial guarantee contract is 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 will be required without the guarantee, or the estimated amount that will 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.

# Notes to the Financial Statements continued

## 1 Summary of significant accounting policies continued

### ***Change in accounting policy***

The policy of recognising financial guarantee contracts as financial liabilities was adopted for the first time in the 2007 financial year. In previous reporting periods, a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract.

The change in policy was necessary following the change to AASB 139 Financial Instruments: Recognition and Measurement made by AASB 2005-9 Amendments to Australian Accounting Standards in September 2005. There was no material impact on the financial statements as a result of this change in accounting policy.

### ***(ad) Goods and Services Tax (GST)***

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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***

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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(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use cash flow projections based upon financial budgets approved by management and cover a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. Refer to note 17 for details of these assumptions and the potential impacts of changes to the assumptions.

#### ***(ii) Make-good provision***

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

#### ***(iii) Provision for impairment of receivables***

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



# Notes to the Financial Statements continued

## 3 Revenue

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Total Transaction Value (TTV)</b>	<b>8,873,622</b>	<b>7,809,263</b>	<b>4,320,289</b>	<b>3,860,103</b>
From continuing operations				
Revenue from the sale of travel services				
Commission and fees from the provision of travel	841,290	727,370	465,530	404,104
Revenue from the provision of travel	264,460	230,460	121,888	97,840
Other revenue from travel services	14,684	15,881	14,626	15,830
	1,120,434	973,711	602,044	517,774
Other revenue				
Rents and sub-lease rentals	320	890	185	731
Interest	31,740	24,078	28,749	25,964
Dividends	-	-	26,969	5,772
Royalties	-	-	14,512	12,173
	32,060	24,968	70,415	44,640

### Total Transaction Value (TTV)

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

## 4 Other income

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Net gain on disposal of PPE	21,280	-	21,832	-
Foreign exchange gains (net)	-	4,057	-	6,286
Intercompany loan forgiveness	-	-	23,934	-
	21,280	4,057	45,766	6,286

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

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

# Notes to the Financial Statements continued

## 5 Expenses

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<b>Depreciation</b>				
Buildings	6	730	-	655
Plant and equipment	26,740	24,320	10,259	8,950
Total depreciation	26,746	25,050	10,259	9,605
<b>Amortisation</b>				
Other Intangibles	9,416	11,436	2,357	3,624
<b>Other charges against assets</b>				
Impairment charge of goodwill	313	-	313	-
Impairment charge of software	4,572	-	-	-
Bad and doubtful debts (writebacks)	2,538	(595)	787	(1,872)
<b>Finance costs</b>				
Interest and finance charges paid/payable	16,837	14,043	10,556	8,917
Unwinding of provisions discount	2,157	1,100	179	-
<b>Foreign exchange gains and losses (net gain in 2006 – see note 4)</b>				
Net foreign exchange losses	10,273	-	7,182	-
<b>Defined contribution superannuation expense</b>	<b>30,271</b>	<b>26,551</b>	<b>23,354</b>	<b>19,716</b>
<b>Net loss on disposal of property, plant and equipment and intangible assets (net gain in 2007 – see note 4)</b>	<b>-</b>	<b>1,933</b>	<b>-</b>	<b>473</b>
<b>Rental expense relating to operating leases</b>				
Lease payments	79,561	71,130	44,866	39,201

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.



# Notes to the Financial Statements continued

## 6 Income tax expense

### (a) Income tax expense

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Current tax	57,637	35,992	40,552	17,684
Deferred tax	(3,401)	3,471	(3,273)	5,288
Under (over) provided in prior years	(1,039)	450	(22)	140
<b>Income tax expense in relation to continuing operations</b>	<b>53,197</b>	<b>39,913</b>	<b>37,257</b>	<b>23,112</b>
<b>Deferred income tax (revenue) expense included in income tax expense comprises:</b>				
Decrease (increase) in deferred tax assets (note 16)	(1,166)	1,037	(1,171)	2,037
(Decrease) increase in deferred tax liabilities (note 25)	(2,235)	2,434	(2,102)	3,251
	(3,401)	3,471	(3,273)	5,288

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

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Profit from continuing operations before income tax expense</b>	<b>174,021</b>	<b>119,405</b>	<b>178,245</b>	<b>80,900</b>
Tax at the Australian tax rate of 30% (2006 – 30%)	52,207	35,822	53,473	24,270
<b>Tax effect of amounts which are not deductible (assessable) in calculating taxable income:</b>				
Non deductible (assessable) amounts	1,310	1,655	(923)	432
Intercompany loan forgiveness	-	-	(7,180)	-
Other amounts	(898)	492	-	3
Exempt dividends	-	-	(8,091)	(1,732)
	52,619	37,969	37,279	22,973
Tax losses not recognised	1,077	1,722	-	-
Effect of different tax rates on overseas income	540	(228)	-	-
Under (over) provision in prior years	(1,039)	450	(22)	139
	578	1,944	(22)	139
<b>Income tax expense</b>	<b>53,197</b>	<b>39,913</b>	<b>37,257</b>	<b>23,112</b>

# Notes to the Financial Statements continued

## 6 Income tax expense continued

### (c) Amounts recognised directly in equity

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
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 27)	(113)	(114)	(113)	(114)
<b>Net deferred tax – (credited)/debited directly to equity (notes 16 and 25)</b>	<b>(547)</b>	<b>78</b>	<b>(547)</b>	<b>78</b>

### (d) Tax losses

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Unused tax losses for which no deferred tax asset has been recognised	18,758	18,604	-	-
<b>Potential tax benefit @ 30%</b>	<b>6,327</b>	<b>6,201</b>	<b>-</b>	<b>-</b>

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

### (e) Tax consolidation legislation

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

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

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

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

# Notes to the Financial Statements continued

## 7 Dividends

### (a) Ordinary shares

	Parent	
	30 June 2007 \$'000	30 June 2006 \$'000
Final ordinary dividend for the year ended 30 June 2006 of 32 cents (2005: 28 cents) per fully paid share, paid on 13 October 2006, fully franked	30,231	26,497
Interim ordinary dividend for the year ended 30 June 2007 of 20 cents (2006: 20 cents) per fully paid share, paid on 16 March 2007, fully franked	18,894	18,894
	49,125	45,391

### (b) Dividends not recognised at year-end

	Parent	
	30 June 2007 \$'000	30 June 2006 \$'000
In addition to the above dividends, since year-end the directors have recommended the payment of a final dividend of 46 cents (2006: 32.0 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12 October 2007 out of retained profits at 30 June 2007, but not recognised as a liability at year-end is	43,456	30,231

### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2006 – 30%)	66,029	42,419	66,029	42,419

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

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

Payment of the dividend recommended by the directors since year-end, but not recognised as a liability at year-end, will reduce the franking account by \$18,624,290 (2006: \$12,956,028).

# Notes to the Financial Statements continued

## 8 Current assets – Cash and cash equivalents

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Cash at bank and on hand	165,447	61,815	129,991	34,060
Term deposits	-	51,639	-	-
Client account	303,778	180,462	138,360	84,885
	469,225	293,916	268,351	118,945

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Restricted cash</b>				
Total cash and cash equivalents	469,225	293,916	268,351	118,945
Restricted client funds	(303,778)	(180,462)	(138,360)	(84,885)
Deposits subject to restrictions	-	(19,864)	-	(19,864)
<b>Unrestricted cash</b>	165,447	93,590	129,991	14,196

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

The cash shown as client cash is held on behalf of customers until suppliers are paid on behalf of these customers. Restricted deposits are subject to withdrawal restrictions and set-off arrangements in regard to varying financial arrangements that the company has entered into.

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

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Balances as above	469,225	293,916	268,351	118,945
Bank overdrafts (note 20)	(16,124)	(12,345)	-	-
<b>Balances per statement of cash flows</b>	453,101	281,571	268,351	118,945

### (b) Cash at bank and on hand

These are bearing interest at between 0% and 9.2% (2006: 0% and 7.47%) for an average term of less than 3 months.

### (c) Client account

These are bearing interest at between 0% and 9.00% (2006: 0% and 8.31%) for an average term of less than 3 months.

The weighted average cash fixed interest rate for the year was 7.27% (2006: 5.43%). The weighted average variable interest rate for the year was 6.86% (2006: 5.33%).

# Notes to the Financial Statements continued

## 9 Current assets – Receivables

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Trade receivables</b>				
Trade receivables	262,432	217,575	84,144	69,340
Client receivables	19,080	19,137	6,171	5,867
Less: Provision for impairment of receivables	(7,949)	(8,039)	(4,118)	(4,230)
	273,563	228,673	86,197	70,977
Receivable from controlled entities	-	-	9,269	159,021
GST Receivable	3,379	2,834	-	74
Prepayments	15,097	10,195	5,848	2,453
Other receivables	2,952	3,285	1,247	716
	294,991	244,987	102,561	233,241

### (a) Impaired trade receivables

The group has recognised a loss of \$2,537,654 in respect of impaired receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

### (b) Other receivables

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

### (c) Effective interest rates

All receivables are non-interest bearing with the exception of receivables from controlled entities, which are bearing interest between 6% and 7% (2006: 2% and 8%).

## 10 Current assets – Current tax receivables

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Income tax receivable	9,918	5,596	-	4,291

# Notes to the Financial Statements continued

## 11 Current assets – Available-for-sale financial assets

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
At beginning of year	185,102	-	170,627	-
Reclassified on adoption of AASB 132 and AASB 139	-	172,352	-	157,080
Fair value adjustment on adoption of AASB 132 and AASB 139	-	(363)	-	(363)
Additions	26,460	68,611	26,460	68,611
Disposals	(43,150)	(56,045)	(44,663)	(55,248)
Fair value revaluation surplus/(deficit) transfer to equity	(1,824)	547	(1,824)	547
<b>At end of year</b>	<b>166,588</b>	<b>185,102</b>	<b>150,600</b>	<b>170,627</b>

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Traded securities	166,588	185,102	150,600	170,627
	166,588	185,102	150,600	170,627

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

These are bearing interest at between 6% and 10% (2006: 6% and 15%).

The weighted average interest rate for the year was 7.96% (2006: 7.36%).

## 12 Non-current assets classified as held-for-sale

No non-current assets were classified as held-for-sale in the 2007 year. The land and buildings classified as held-for-sale in 2006 of \$12,179,587 was sold in 2007 (see note 4).

# Notes to the Financial Statements continued

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

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Shares in associates (note 42)	8,472	-	-	-
Interest in joint venture partnership (note 18)	-	2,248	-	-

### (a) Shares in associates

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

### (b) Interest in joint venture partnership

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

## 14 Non-current assets – Other financial assets

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Shares in subsidiaries - at cost (note 36)	-	-	291,181	154,246
	-	-	291,181	154,246

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Balance at 1 July	-	-	154,246	127,226
Acquisitions of subsidiaries	-	-	3,817	-
Disposals of investments in joint ventures	-	-	(3,025)	-
Additional investments in existing subsidiaries	-	-	136,143	27,020
	-	-	291,181	154,246

# Notes to the Financial Statements continued

## 15 Non-current assets – Property, plant and equipment

Consolidated	Freehold land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>			
Cost	14,195	173,295	187,490
Accumulated depreciation	(1,335)	(94,916)	(96,251)
<b>Net book amount</b>	<b>12,860</b>	<b>78,379</b>	<b>91,239</b>
<b>Year ended 30 June 2006</b>			
Opening net book amount	12,860	78,379	91,239
Exchange differences	(4)	418	414
Acquisition through business combinations	-	3,278	3,278
Additions	403	22,827	23,230
Assets classified as held-for-sale and other disposals	(12,179)	-	(12,179)
Disposals	-	(2,446)	(2,446)
Depreciation charge	(730)	(24,320)	(25,050)
<b>Closing net book amount</b>	<b>350</b>	<b>78,136</b>	<b>78,486</b>
<b>At 30 June 2006</b>			
Cost	392	183,737	184,129
Accumulated depreciation	(42)	(105,601)	(105,643)
<b>Net book amount</b>	<b>350</b>	<b>78,136</b>	<b>78,486</b>
Consolidated	Freehold land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2007</b>			
Opening net book amount	350	78,136	78,486
Exchange differences	(6)	(1,885)	(1,891)
Acquisitions	-	1,190	1,190
Additions	-	37,154	37,154
Disposals	-	(1,287)	(1,287)
Depreciation charge	(6)	(26,740)	(26,746)
<b>Closing net book amount</b>	<b>338</b>	<b>86,568</b>	<b>86,906</b>
<b>At 30 June 2007</b>			
Cost	386	212,974	213,360
Accumulated depreciation	(48)	(126,406)	(126,454)
<b>Net book amount</b>	<b>338</b>	<b>86,568</b>	<b>86,906</b>



# Notes to the Financial Statements continued

## 15 Non-current assets – Property, plant and equipment continued

Parent	Freehold land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>			
Cost	14,164	68,159	82,323
Accumulated depreciation	(1,330)	(34,174)	(35,504)
<b>Net book amount</b>	<b>12,834</b>	<b>33,985</b>	<b>46,819</b>
<b>Year ended 30 June 2006</b>			
Opening net book amount	12,834	33,985	46,819
Assets classified as held-for-sale and other disposals	(12,179)	-	(12,179)
Additions	-	9,199	9,199
Disposals	-	(326)	(326)
Depreciation charge	(655)	(8,950)	(9,605)
Write-down of assets	-	-	-
<b>Closing net book amount</b>	<b>-</b>	<b>33,908</b>	<b>33,908</b>
<b>At 30 June 2006</b>			
Cost	-	76,003	76,003
Accumulated depreciation	-	(42,095)	(42,095)
<b>Net book amount</b>	<b>-</b>	<b>33,908</b>	<b>33,908</b>
Parent	Freehold land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2007</b>			
Opening net book amount	-	33,908	33,908
Acquisitions	-	573	573
Additions	-	16,406	16,406
Intercompany transfer	-	(58)	(58)
Disposals	-	(819)	(819)
Depreciation charge	-	(10,259)	(10,259)
<b>Closing net book amount</b>	<b>-</b>	<b>39,751</b>	<b>39,751</b>
<b>At 30 June 2007</b>			
Cost	-	93,462	93,462
Accumulated depreciation	-	(53,711)	(53,711)
<b>Net book amount</b>	<b>-</b>	<b>39,751</b>	<b>39,751</b>

# Notes to the Financial Statements continued

## 16 Non-current assets – Deferred tax assets

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Doubtful debts	2,083	2,205	1,235	1,269
Employee benefits	8,328	7,205	6,908	5,954
Deferred interest	-	93	-	93
Depreciation	2,876	3,593	-	-
Accruals	2,692	2,371	1,627	1,160
Investment write-down	464	150	464	150
Other	4,075	3,240	2,684	2,626
Loyalty programme	356	304	356	304
Tax losses	-	-	-	-
	20,874	19,161	13,274	11,556
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	(3,644)	(5,746)	(3,644)	(5,746)
<b>Net deferred tax assets</b>	<b>17,230</b>	<b>13,415</b>	<b>9,630</b>	<b>5,810</b>
Deferred tax assets to be recovered within 12 months	11,789	10,820	8,040	7,271
Deferred tax assets to be recovered after more than 12 months	9,085	8,341	5,234	4,285
	20,874	19,161	13,274	11,556

# Notes to the Financial Statements continued

## 16 Non-current assets – Deferred tax assets continued

Movements – Consolidated	Employee benefits	Doubtful debts	Depreciation	Accruals	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>	5,605	2,466	2,045	564	9,518	20,198
(Charged)/credited to the income statement	1,600	(261)	1,548	1,807	(5,731)	(1,037)
<b>At 30 June 2006</b>	<b>7,205</b>	<b>2,205</b>	<b>3,593</b>	<b>2,371</b>	<b>3,787</b>	<b>19,161</b>

Movements – Consolidated	Employee benefits	Doubtful debts	Depreciation	Accruals	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2006</b>	7,205	2,205	3,593	2,371	3,787	19,161
(Charged)/credited to the income statement	1,123	(122)	(717)	321	561	1,166
Charged directly to equity	-	-	-	-	547	547
<b>At 30 June 2007</b>	<b>8,328</b>	<b>2,083</b>	<b>2,876</b>	<b>2,692</b>	<b>4,895</b>	<b>20,874</b>

Movements – Parent	Employee benefits	Doubtful debts	Depreciation	Accruals	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>	5,621	1,830	402	416	5,324	13,593
(Charged)/credited to the income statement	333	(561)	(402)	744	(2,151)	(2,037)
<b>At 30 June 2006</b>	<b>5,954</b>	<b>1,269</b>	<b>-</b>	<b>1,160</b>	<b>3,173</b>	<b>11,556</b>

Movements – Parent	Employee benefits	Doubtful debts	Depreciation	Accruals	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2006</b>	5,954	1,269	-	1,160	3,173	11,556
(Charged)/credited to the income statement	954	(34)	-	467	(216)	1,171
Charged directly to equity	-	-	-	-	547	547
<b>At 30 June 2007</b>	<b>6,908</b>	<b>1,235</b>	<b>-</b>	<b>1,627</b>	<b>3,504</b>	<b>13,274</b>

# Notes to the Financial Statements continued

## 17 Non-current assets – Intangible assets

Consolidated	Goodwill	Other intangible assets	Total
	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>			
Cost	141,045	44,994	186,039
Accumulated amortisation and impairment	-	(20,368)	(20,368)
<b>Net book amount</b>	<b>141,045</b>	<b>24,626</b>	<b>165,671</b>
<b>Year ended 30 June 2006</b>			
Opening net book amount	141,045	24,626	165,671
Exchange differences	4,577	13	4,590
Additions	-	13,228	13,228
Acquisition of subsidiary	26,769	1,105	27,874
Disposals	(1,105)	(2,736)	(3,841)
Amortisation charge *	-	(11,436)	(11,436)
<b>Closing net book amount</b>	<b>171,286</b>	<b>24,800</b>	<b>196,086</b>
<b>At 30 June 2006</b>			
Cost	171,286	52,091	223,377
Accumulated amortisation and impairment	-	(27,291)	(27,291)
<b>Net book amount</b>	<b>171,286</b>	<b>24,800</b>	<b>196,086</b>
Consolidated	Goodwill	Other intangible assets	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2007</b>			
Opening net book amount	171,286	24,800	196,086
Exchange differences	(4,165)	456	(3,709)
Additions	3,014	6,762	9,776
Acquisitions	13,630	2,474	16,104
Impairment charge	(313)	(4,572)	(4,885)
Amortisation charge *	-	(9,416)	(9,416)
<b>Closing net book amount</b>	<b>183,452</b>	<b>20,504</b>	<b>203,956</b>
<b>At 30 June 2007</b>			
Cost	183,452	55,144	238,596
Accumulated amortisation and impairment	-	(34,640)	(34,640)
<b>Net book amount</b>	<b>183,452</b>	<b>20,504</b>	<b>203,956</b>

# Notes to the Financial Statements continued

## 17 Non-current assets – Intangible assets continued

Parent	Goodwill	Other intangible assets	Total
	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>			
Cost	4,860	14,958	19,818
Accumulated amortisation and impairment	-	(6,705)	(6,705)
<b>Net book amount</b>	<b>4,860</b>	<b>8,253</b>	<b>13,113</b>
<b>Year ended 30 June 2006</b>			
Opening net book amount	4,860	8,253	13,113
Intercompany transfer	(1,212)	-	(1,212)
Additions	-	1,179	1,179
Disposals	-	(772)	(772)
Amortisation charge **	-	(3,624)	(3,624)
<b>Closing net book amount</b>	<b>3,648</b>	<b>5,036</b>	<b>8,684</b>
<b>At 30 June 2006</b>			
Cost	3,648	14,581	18,229
Accumulated amortisation and impairment	-	(9,545)	(9,545)
<b>Net book amount</b>	<b>3,648</b>	<b>5,036</b>	<b>8,684</b>
Parent	Goodwill	Other intangible assets	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2007</b>			
Opening net book amount	3,648	5,036	8,684
Additions	-	3,036	3,036
Acquisitions	6,939	2,342	9,281
Intercompany transfers	(1,573)	357	(1,216)
Impairment	(313)	-	(313)
Amortisation charge **	-	(2,357)	(2,357)
<b>Closing net book amount</b>	<b>8,701</b>	<b>8,414</b>	<b>17,115</b>
<b>At 30 June 2007</b>			
Cost	8,701	21,291	29,992
Accumulated amortisation and impairment	-	(12,877)	(12,877)
<b>Net book amount</b>	<b>8,701</b>	<b>8,414</b>	<b>17,115</b>

Other intangible assets predominantly relate to software.

\* Amortisation of \$9,416,000 (2006: \$11,436,000) is included in depreciation and amortisation expense in the income statement.

\*\* Amortisation of \$2,357,000 (2006: \$3,624,000) is included in depreciation and amortisation expense in the income statement.

# Notes to the Financial Statements continued

## 17 Non-current assets – Intangible assets continued

### (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.

2007	Australia	UK	Other countries *	Total
	\$'000	\$'000	\$'000	\$'000
Goodwill	49,224	89,131	45,097	183,452

2006	Australia	UK	Other countries *	Total
	\$'000	\$'000	\$'000	\$'000
Goodwill	43,590	91,165	36,531	171,286

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

\*Other countries consists of a number of non individually significant CGUs.

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

CGU	Gross margin *		Growth rate **		Discount rate ***	
	30 June 2007 %	30 June 2006 %	30 June 2007 %	30 June 2006 %	30 June 2007 %	30 June 2006 %
Goodwill						
Australia	8.8	9.9	-	-	19.5	19.5
UK	12.2	9.1	-	-	19.5	19.5
Other countries	10.8	9.0	0.3	-	19.5	19.5

\* Budgeted gross margin.

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

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

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

### (c) Impairment charge

The impairment charge to goodwill in 2007 arose due to the closing down of two travel companies within Australia (\$71K) and NZ (\$242K). The impairment charge to software in 2007 arose due to the write-off of Lumina software (\$4,572K). The software was deemed to have a nil value because all functions performed by the software are now being carried out by other Flight Centre software.

## 18 Interests in joint ventures

### Joint venture entity

On 1 July 2006 via its Flight Centre China Pty Ltd subsidiary, the group acquired an additional 45% shareholding in Comfort Business Travel Services Company Ltd, a travel agency operating in China (refer note 36). The group previously held an investment in the acquired business as a 50% joint venture partner. The group now holds a 95% controlling interest in the business.

# Notes to the Financial Statements continued

## 18 Interests in joint ventures continued

Information relating to the joint venture is presented in accordance with the accounting policy described in note 1 and is set out below. From 1 July 2006, the investment is accounted for as a subsidiary (refer to note 36)

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Carrying amount of investment in joint venture	-	2,248	-	-
	-	2,248	-	-

	Consolidated	
	30 June 2007 \$'000	30 June 2006 \$'000
<b>Share of joint venture assets and liabilities</b>		
Current assets	-	2,185
Non-current assets	-	150
<b>Total assets</b>	-	2,335
Current liabilities	-	1,282
<b>Net assets</b>	-	1,053

	Consolidated	
	30 June 2007 \$'000	30 June 2006 \$'000
<b>Share of joint venture's revenue, expenses and results</b>		
Revenues	-	539
Expenses	-	(1,002)
<b>Profit before income tax</b>	-	(463)
<b>Share of joint venture's commitments</b>		
Lease commitments	-	10

## 19 Current liabilities – Trade and other payables

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Trade payables	396,910	312,037	207,235	164,803
Client creditors	203,467	167,846	114,354	84,885
Accrued unsecured note interest	4,367	2,825	2,886	1,721
GST Payable	-	-	82	-
Annual leave	19,528	15,702	12,431	9,565
Accrual for vouchers	1,456	1,414	1,186	1,414
Deferred Consideration **	21,057	-	-	-
Amounts owing to controlled entities	-	-	23	27
	646,785	499,824	338,197	262,415

\*\* See note 23 for more information.

# Notes to the Financial Statements continued

## 20 Current liabilities – Borrowings

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Secured</b>				
Bank overdrafts	3,436	1,502	-	-
<b>Unsecured</b>				
Amounts owing to controlled entities - unsecured	-	-	-	50,677
Unsecured notes principal	32,146	31,317	26,754	24,933
Bank overdraft	12,688	10,843	-	-
<b>Total current borrowings</b>	<b>48,270</b>	<b>43,662</b>	<b>26,754</b>	<b>75,610</b>

### **Controlled entities**

The amounts owing to controlled entities are repayable on demand in accordance with individual loan agreements. Until that time, they incur interest at rates varying between 6.00% and 6.7% (2006: varying amounts between 5.67% and 8.25%).

### **Unsecured notes**

These relate to the group's Business Ownership Scheme and are repayable on demand by either party or upon termination of the note holder's employment. Interest is generally payable monthly, two months in arrears at contracted rates between 0.1% and 25% of the underlying division's profitability.

The weighted average interest rate during the year was 35.99% (2006:31.04%) calculated on the face value of the unsecured note's principal.

### **Bank overdraft**

Total secured overdraft facilities available to the group are \$3.8m (2006: \$3m). These bear interest at 5.85% (2006: 7%).

Total unsecured overdraft facilities available to the group are \$16.0m (2006: \$11.5m). These bear interest between 8% and 11% (2006: 7% and 10%).

The utilised facilities secured by a letter of credit were \$3.4m (2006: \$1.5m).

The utilised unsecured facilities were \$12.7m (2006: \$10.8m).



# Notes to the Financial Statements continued

## 21 Current liabilities – Provisions

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Employee benefits – Long service leave	3,761	3,401	3,641	3,356

## 22 Current liabilities – Current tax liabilities

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Provision for taxation	18,765	2,533	16,596	-

## 23 Non-current liabilities – Payables

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Other payables	3,361	2,852	1,533	1,395
Deferred settlement consideration	12,712	31,830	800	-
Straight-line lease liability	4,031	4,031	2,488	2,488
	20,104	38,713	4,821	3,883

Deferred settlement consideration relates to amounts payable to previous owners of businesses that Flight Centre has purchased. The amounts payable are discounted to their present value as at the date of exchange. A portion of the deferred consideration has been reclassified as current. This relates to the final payment for the purchase of Britannic Travel Limited, as this is due for payment in December 2007 (See note 19).

## 24 Non-current liabilities – Borrowings

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Unsecured</b>				
Bank Loan	27,000	27,000	27,000	27,000

### (a) Financing arrangements

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Bank loan facilities</b>				
Total facilities	50,000	50,000	50,000	50,000
Used at balance date	(27,000)	(27,000)	(27,000)	(27,000)
<b>Unused at balance date</b>	<b>23,000</b>	<b>23,000</b>	<b>23,000</b>	<b>23,000</b>

# Notes to the Financial Statements continued

## 24 Non-current liabilities – Borrowings continued

Bank loan facilities are unsecured, having a revolving term of two years at floating interest rates, and may be drawn down at any time.

The current interest rates are 6.73% on the bank loans (2006: 6.25%)

### **Multi-option facility**

The company is party to a secured multi-option credit facility of \$20,000,000 (2006: \$20,000,000). The facility is secured by a floating charge on the bonds and traded securities held by the parent entity. Amounts may be drawn at any time and may be terminated by the bank without notice. The total letters of credit provided under the facility at balance date were \$4,442,974 (2006: \$7,870,072). The total value of the securities held under charge was \$11,869,813 (2006: \$17,365,433).

### **Letter of credit facilities (unsecured)**

A letter of credit facility of \$98,942,256 is available to the company (2006: \$57,500,000). The total letters of credit issued under this facility were \$88,229,369 (2006: \$56,495,665).

A purchase card facility of \$35,000,000 is available to the company. (2006: \$35,000,000)

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

### **(b) Interest rate risk exposures**

The group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from liabilities bearing variable interest rates, as the group intends to hold fixed rate assets and liabilities to maturity.

	Floating interest rate	Fixed interest rate						Total
		1 year or less	Over 1 to 5 years	Over 2 to 3 years	Over 3 to 4 years	Over 5 years	Non interest bearing	
2007	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdrafts and loans (notes 20 and 24)	43,124	-	-	-	-	-	-	43,124
Unsecured notes principal (notes 20 and 24)	32,146	-	-	-	-	-	-	32,146
Weighted average interest rate	19.6%	-%	-%	-%	-%	-%	-%	

	Floating interest rate	Fixed interest rate						Total
		1 year or less	Over 1 to 5 years	Over 2 to 3 years	Over 3 to 4 years	Over 5 years	Non interest bearing	
2006	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdrafts and loans (notes 20 and 24)	39,345	-	-	-	-	-	-	39,345
Unsecured notes principal (notes 20 and 24)	31,317	-	-	-	-	-	-	31,317
Weighted average interest rate	17.8%	-%	-%	-%	-%	-%	-%	

# Notes to the Financial Statements continued

## 24 Non-current liabilities – Borrowings continued

### (c) Fair value

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

	30 June 2007		30 June 2006	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On-balance sheet</b>				
<b>Non-traded financial liabilities</b>				
Bank overdrafts	16,124	16,124	12,345	12,345
Bank loans	27,000	27,000	27,000	27,000
Unsecured notes principal	32,146	32,146	31,317	31,317
	75,270	75,270	70,662	70,662

## 25 Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Prepayments	16	45	-	-
Receivables	2,714	1,672	2,704	1,672
Depreciation	773	636	588	408
Foreign exchange movements	9	1,258	9	1,258
Other	377	2,513	343	2,408
	3,889	6,124	3,644	5,746
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 16)	(3,644)	(5,746)	(3,644)	(5,746)
<b>Net deferred tax liabilities</b>	245	378	-	-
Deferred tax liabilities to be settled within 12 months	2,722	4,552	2,713	4,403
Deferred tax liabilities to be settled after more than 12 months	1,167	1,572	931	1,343
	3,889	6,124	3,644	5,746

# Notes to the Financial Statements continued

## 25 Non-current liabilities – Deferred tax liabilities continued

Movements – Consolidated	Receivables	Depreciation	Foreign exchange movements	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>	1,972	4,732	-	(3,262)	3,442
Charged/(credited) to the income statement	(300)	(4,096)	1,258	5,572	2,434
Charged directly to equity	-	-	-	78	78
Acquisition of subsidiary	-	-	-	170	170
<b>At 30 June 2006</b>	<b>1,672</b>	<b>636</b>	<b>1,258</b>	<b>2,558</b>	<b>6,124</b>

Movements – Consolidated	Receivables	Depreciation	Foreign exchange movements	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2006</b>	1,672	636	1,258	2,558	6,124
Charged/(credited) to the income statement	1,042	137	(1,249)	(2,165)	(2,235)
<b>At 30 June 2007</b>	<b>2,714</b>	<b>773</b>	<b>9</b>	<b>393</b>	<b>3,889</b>

Movements – Parent	Receivables	Depreciation	Foreign exchange movements	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2005</b>	1,928	143	-	346	2,417
Charged/(credited) to the income statement	(256)	265	1,258	1,984	3,251
Charged directly to equity	-	-	-	78	78
<b>At 30 June 2006</b>	<b>1,672</b>	<b>408</b>	<b>1,258</b>	<b>2,408</b>	<b>5,746</b>

Movements – Parent	Receivables	Depreciation	Foreign exchange movements	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2006</b>	1,672	408	1,258	2,408	5,746
Charged/(credited) to the income statement	1,032	180	(1,249)	(2,065)	(2,102)
<b>At 30 June 2007</b>	<b>2,704</b>	<b>588</b>	<b>9</b>	<b>343</b>	<b>3,644</b>

# Notes to the Financial Statements continued

## 26 Non-current liabilities– Provisions

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Employee benefits – Long service leave	6,955	5,928	6,955	5,928
Make-good provision	3,412	2,514	2,769	2,414
	10,367	8,442	9,724	8,342

### 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
<b>Consolidated – 2007</b>	
<b>Non-current</b>	
Carrying amount at start of year	2,514
Additional provisions recognised	719
Increase in discounted amount arising from passage of time and effect of any change in the discount rate	179
<b>Carrying amount at end of year</b>	<b>3,412</b>

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

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

## 27 Contributed equity

### (a) Share capital

	Notes	Parent		Parent	
		30 June 2007 Shares	30 June 2006 Shares	30 June 2007 \$'000	30 June 2006 \$'000
Fully paid ordinary shares	(b),(c)	94,471,035	94,471,035	260,828	260,715

# Notes to the Financial Statements continued

## 27 Contributed equity continued

### (b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2005	Opening balance	94,471,035	260,602
	Tax effect of previous issue costs		113
<b>30 June 2006</b>	<b>Balance</b>	<b>94,471,035</b>	<b>260,715</b>
1 July 2006	Opening balance	94,471,035	260,715
	Tax effect of previous issue costs		113
<b>30 June 2007</b>	<b>Balance</b>	<b>94,471,035</b>	<b>260,828</b>

### (c) Ordinary shares

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

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

### (d) Employee Option Plan

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

### (e) Employee Share Plan

Information relating to the Flight Centre Limited Employee Share Plan is set out in note 41.

### (f) Senior Executive Option Plan

Information relating to the Flight Centre Limited Senior Executive Option Plan, including details of options issued during the financial year, is set out in note 41.

## 28 Reserves and retained profits

### (a) Reserves

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Available-for-sale investments revaluation reserve	(1,093)	184	(1,093)	184
Share-based payments reserve	905	473	905	473
Foreign currency translation reserve	(5,467)	(8,427)	-	-
	(5,655)	(7,770)	(188)	657

# Notes to the Financial Statements continued

## 28 Reserves and retained profits continued

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>MOVEMENTS:</b>				
<b>Available-for-sale investments revaluation reserve</b>				
Balance 1 July	184	-	184	-
Adjustment on adoption of AASB 132 and AASB 139	-	(363)	-	(363)
Fair value adjustments; net of tax	(1,277)	547	(1,277)	547
<b>Balance 30 June</b>	<b>(1,093)</b>	<b>184</b>	<b>(1,093)</b>	<b>184</b>
<b>Share-based payments reserve</b>				
Balance 1 July	473	57	473	57
Option expense	432	416	432	416
<b>Balance 30 June</b>	<b>905</b>	<b>473</b>	<b>905</b>	<b>473</b>
<b>Foreign currency translation reserve</b>				
Balance 1 July	(8,427)	(11,430)	-	-
Net exchange differences on translation of foreign operations	2,960	3,003	-	-
<b>Balance 30 June</b>	<b>(5,467)</b>	<b>(8,427)</b>	<b>-</b>	<b>-</b>

### (b) Retained profits

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Balance 1 July	155,117	123,420	99,953	88,919
Profit for the year	120,824	79,492	140,988	57,788
Dividends	(49,125)	(45,391)	(49,125)	(45,391)
Adjustment on correction of error (note 44)	-	(2,404)	-	(1,363)
<b>Balance 30 June</b>	<b>226,816</b>	<b>155,117</b>	<b>191,816</b>	<b>99,953</b>

### (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(l). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

#### (ii) Share-based payments reserve

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

#### (iii) Foreign currency translation reserve

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

# Notes to the Financial Statements continued

## 29 Financial risk management

The group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses foreign exchange contracts to hedge certain risk exposures.

These areas of risk management are carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

### (a) Market risk

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#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

Forward contracts are used to manage foreign exchange risk. Group Treasury manages exposures in each foreign currency by using external forward currency contracts (see note 1 (i)).

#### (ii) Price risk

The group is exposed to traded securities price risk. This arises from investments held by the group and classified on the balance sheet as available-for-sale. The group is not exposed to commodity price risk.

### (b) Credit risk

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The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

### (c) Liquidity risk

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Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

### (d) Cash flow and fair value interest rate risk

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

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

## 30 Key management personnel disclosures

### (a) Directors

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Refer to page 1 of the Directors' Report.

#### (i) Chairman

B.R.Brown

#### (ii) Executive director

G.F.Turner

#### (iii) Non-executive directors

P.F.Barrow

H.L.Stack

G.L.Harris (Alternate for directors listed above)



# Notes to the Financial Statements continued

## 30 Key management personnel disclosures continued

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the group's activities, directly or indirectly, during the financial year:

Refer to page 5 of the Directors' Report.

Name	Position	Employer
M.Aponas	Executive General Manager - Franchise and Compliance	Flight Centre Limited
D.Burns	Executive General Manager - FCm Asia Pacific	Flight Centre Limited
C.Galanty	Executive General Manager - UK	Flight Centre (UK) Ltd
S.Garrett	Executive General Manager - Australia	Flight Centre Limited
A.Grigson	Executive General Manager - Corporate	Flight Centre Limited
G.Hogan	Executive General Manager - Information Technology	Flight Centre Limited
R.Nath	Executive General Manager - India	FCm Travel Solutions India Ltd
S.O'Brien	Chief Financial Officer	Flight Centre Limited
G.Pringle	Company Secretary	Flight Centre Limited
A.Slingsby	Executive General Manager - North America	The Flight Shops Inc
K.Stanley	Executive General Manager - Marketing	Flight Centre Limited

All of the above were key management personnel during the year ended 30 June 2006. R.Hamilton and D.White were also key management personnel in the year ended 30 June 2006.

### (c) Key management personnel compensation

	Consolidated		Parent	
	30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
Short-term employee benefits	4,766,646	6,172,313	3,200,507	3,609,738
Post-employment benefits	596,734	839,861	523,988	819,636
Share-based payments	345,424	235,512	259,068	183,176
Long-term benefits	139,146	24,972	51,511	24,972
	5,847,950	7,272,658	4,035,074	4,637,522

The company has taken advantage of the relief provided by *ASIC Information Release 06-03* 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report on pages 3 to 9.

### (d) 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 9-10.

#### (ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Flight Centre Limited and other key management personnel of the group, including their personally related parties, are set out below.

# Notes to the Financial Statements continued

## 30 Key management personnel disclosures continued

2007	Balance at start of the year	Granted as compensation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
Name							
<b>Executive and Non-Executive Directors of Flight Centre Limited</b>							
G.F.Turner	-	-	-	-	-	-	-
P.F.Barrow	20,000	-	-	(10,000)	10,000	10,000	-
G.L.Harris	-	-	-	-	-	-	-
H.L.Stack	20,000	-	-	(10,000)	10,000	10,000	-
B.R.Brown	-	-	-	-	-	-	-
<b>Other key management personnel of the group</b>							
M.Aponas	40,000	-	-	(10,000)	30,000	10,000	20,000
D.Burns	-	-	-	-	-	-	-
C.Galanty	41,500	-	-	(11,500)	30,000	10,000	20,000
S.Garrett	40,000	-	-	(10,000)	30,000	10,000	20,000
A.Grigson	52,500	-	-	(19,500)	33,000	13,000	20,000
G.Hogan	40,000	-	-	(10,000)	30,000	10,000	20,000
R.Nath	-	-	-	-	-	-	-
S.O'Brien	43,000	-	-	(13,000)	30,000	10,000	20,000
G.Pringle	40,000	-	-	(10,000)	30,000	10,000	20,000
A.Slingsby	50,500	-	-	(20,500)	30,000	10,000	20,000
K.Stanley	53,500	-	(10,000)	(43,500)	-	-	-
A.Spence	-	-	-	-	-	-	-
2006	Balance at start of the year	Granted as compensation	Exercised	Expired or forfeited	Balance at end of the year	Vested and exercisable	Unvested
Name							
<b>Executive and Non-Executive Directors of Flight Centre Limited</b>							
G.F.Turner	-	-	-	-	-	-	-
P.F.Barrow	30,000	-	-	(10,000)	20,000	20,000	-
H.L.Stack	30,000	-	-	(10,000)	20,000	20,000	-
S.J.Flynn	800	-	-	(800)	-	-	-
B.R.Brown	-	-	-	-	-	-	-
<b>Other key management personnel of the group</b>							
M.Aponas	-	40,000	-	-	40,000	-	40,000
D.Burns	2,210	-	-	(2,210)	-	-	-
C.Galanty	1,800	40,000	-	(300)	41,500	1,500	40,000
S.Garrett	-	40,000	-	-	40,000	-	40,000
A.Grigson	14,900	40,000	-	(2,400)	52,500	12,500	40,000
R.Hamilton	600	-	-	-	600	-	600
G.Hogan	3,000	40,000	-	(3,000)	40,000	-	40,000
R.Nath	-	-	-	-	-	-	-
S.O'Brien	3,000	40,000	-	-	43,000	3,000	40,000
G.Pringle	-	40,000	-	-	40,000	-	40,000
A.Slingsby	10,500	40,000	-	-	50,500	10,500	40,000
K.Stanley	16,500	40,000	-	(3,000)	53,500	13,500	40,000
D.White	200	40,000	-	(200)	40,000	-	40,000

### (iii) Share holdings

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

# Notes to the Financial Statements continued

## 30 Key management personnel disclosures continued

2007				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Flight Centre Limited</b>				
<b>Ordinary shares</b>				
G.F.Turner	17,228,687	-	-	17,228,687
P.F.Barrow	80,800	-	(8,715)	72,085
H.L.Stack	42,288	-	-	42,288
G.L.Harris	16,262,357	-	(1,864)	16,260,493
B.R.Brown	5,000	-	-	5,000
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
M.Aponas	892	-	-	892
D.Burns	785	-	(785)	-
C.Galanty	2,002	-	-	2,002
S.Garrett	3,142	-	-	3,142
A.Grigson	2,928	-	-	2,928
G.Hogan	30,000	-	-	30,000
R.Nath	-	-	-	-
S.O'Brien	3,000	-	-	3,000
G.Pringle	2,451	-	77	2,528
A.Slingsby	1,857	-	-	1,857
K.Stanley	8,955	10,000	(18,955)	-
2006				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Flight Centre Limited</b>				
<b>Ordinary shares</b>				
G.F.Turner	17,232,362	-	(3,675)	17,228,687
P.F.Barrow	80,800	-	-	80,800
H.L.Stack	42,288	-	-	42,288
G.L.Harris	16,257,130	-	5,227	16,262,357
B.R.Brown	-	-	5,000	5,000
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
M.Aponas	250	-	642	892
D.Burns	785	-	-	785
C.Galanty	2,002	-	-	2,002
S.Garrett	3,142	-	-	3,142
A.Grigson	2,928	-	-	2,928
R.Hamilton	232	-	-	232
G.Hogan	30,000	-	-	30,000
R.Nath	-	-	-	-
S.O'Brien	3,000	-	-	3,000
G.Pringle	2,356	-	95	2,451
A.Slingsby	1,857	-	-	1,857
K.Stanley	20,155	-	(11,200)	8,955

# Notes to the Financial Statements continued

## 30 Key management personnel disclosures continued

### (e) Other transactions with key management personnel

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

The company has entered into a lease agreement with Four Direct Properties Pty Ltd, of which Messrs Turner and Harris are directors. The lease agreement, which was signed in 2003, is for the rental of the premises at 181 George Street, Brisbane to Flight Centre Limited. Independent advice was sought as to the monthly rentals to be paid. Rental paid during the year was \$77,000 (2006: \$78,740).

## 31 Remuneration of auditors

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

### (a) Audit services

	Consolidated		Parent	
	30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
<b>PricewaterhouseCoopers Australian firm</b>				
Audit and review of financial reports	878,000	597,759	878,000	597,759
Other audit work under the Corporations Act 2001	21,928	-	21,928	-
Related practices of PricewaterhouseCoopers Australian firm	917,769	662,251	-	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the group	4,885	4,227	-	-
<b>Total remuneration for audit services</b>	<b>1,822,582</b>	<b>1,264,237</b>	<b>899,928</b>	<b>597,759</b>

### (b) Non-audit services

	Consolidated		Parent	
	30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
<b>Audit-related services</b>				
PricewaterhouseCoopers Australian firm				
Audit of regulatory returns	-	17,301	-	-
IFRS accounting services	68,077	155,000	33,200	155,000
Related practices of PricewaterhouseCoopers				
Audit of regulatory returns	17,372	-	-	-
Due diligence services	50,962	394,890	-	-
<b>Total remuneration for audit-related services</b>	<b>136,411</b>	<b>567,191</b>	<b>33,200</b>	<b>155,000</b>
<b>Taxation services</b>				
PricewaterhouseCoopers Australian firm				
Tax compliance services	-	16,000	-	16,000
International tax consulting and tax advice on mergers and acquisitions	-	9,832	-	-
Related practices of PricewaterhouseCoopers Australia				
Tax compliance services	294,261	119,571	108,560	-
International tax consulting and tax advice on mergers and acquisitions	21,484	-	-	-
<b>Total remuneration for taxation services</b>	<b>315,745</b>	<b>145,403</b>	<b>108,560</b>	<b>16,000</b>
<b>Total remuneration for non-audit services</b>	<b>452,156</b>	<b>712,594</b>	<b>141,760</b>	<b>171,000</b>
<b>Total remuneration for audit and non-audit services</b>	<b>2,274,738</b>	<b>1,976,831</b>	<b>1,041,688</b>	<b>768,759</b>

# Notes to the Financial Statements continued

## 31 Remuneration of auditors continued

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. It is the group's policy to seek competitive tenders for all major consulting projects.

## 32 Contingencies

### (a) Contingent liabilities

The parent entity and group had contingent liabilities at 30 June 2007 in respect of:

#### (i) Guarantees

The parent entity has guaranteed leases of other related entities. Bank guarantees in respect of shop lease obligations are secured by a mortgage of marketable securities amounting to \$3,000,000. No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees as the fair value of the guarantees is immaterial.

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

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

## 33 Commitments

### (i) Operating leases

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>				
Within one year	<b>70,305</b>	61,495	<b>44,374</b>	38,230
Later than one year but not later than five years	<b>192,128</b>	148,755	<b>109,357</b>	81,283
Later than five years	<b>71,008</b>	35,233	<b>12,697</b>	3,863
	<b>333,441</b>	245,483	<b>166,428</b>	123,376

The operating leases above relate primarily to occupancy leases of varying terms, generally between 5 and 7 years, and have escalation clauses and renewal rights. Not included in the above are contingent rental payments which generally represent rental escalation based on CPI.

## 34 Related party transactions

### (a) Parent entities

The parent entity within the group is Flight Centre Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 36.

### (c) Key management and personnel compensation

Disclosures relating to key management personnel are set out in the Directors' Report and note 30.

# Notes to the Financial Statements continued

## 34 Related party transactions continued

### (d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Income from related subsidiaries</b>				
Royalties	-	-	14,512	12,172
Rent	-	-	4,397	3,912
Interest	-	-	6,784	8,702
<b>Expenses to related subsidiaries</b>				
Management fees	-	-	48,293	42,656
<b>Tax consolidation legislation</b>				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	7,974	8,512
<b>Dividend revenue</b>				
Subsidiaries	-	-	26,969	5,772

### (e) Outstanding balances

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

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Current receivables (tax funding agreement)</b>				
Wholly-owned tax consolidated entities	-	-	14,230	10,007

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

### (f) Loans to/from related parties

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>Loans to subsidiaries</b>				
Beginning of the year	-	-	108,344	102,343
Loans advanced	-	-	845,836	510,944
Loan repayments received	-	-	(791,618)	(513,645)
Loan forgiveness	-	-	(23,934)	-
Investment in existing subsidiaries	-	-	(136,143)	-
Interest	-	-	6,784	8,702
<b>End of year</b>	-	-	9,269	108,344

No provisions for doubtful debts have been raised in relation to any outstanding balances. Throughout the year, intercompany loan balances between the parent entity and other Australian subsidiaries within the group were forgiven. This resulted in \$23,933,531 being taken to income in the profit and loss of the parent entity. Offsetting this was the associated expense in the profit and loss of subsidiaries of the parent entity.

# Notes to the Financial Statements continued

## 34 Related party transactions continued

### (g) Guarantees

The following guarantees have been given by the parent entity:

	Consolidated		Parent	
	30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
<b>Secured</b>				
North America	-	-	3,344,855	5,381,217
Republic of South Africa	-	-	-	1,384,990
United Kingdom	-	-	35,419	975,633
Australia	-	-	1,062,699	-
<b>Unsecured</b>				
North America	-	-	6,552,354	2,464,178
Republic of South Africa	-	-	-	1,099,722
United Kingdom	-	-	67,522,749	42,864,210
Hong Kong	-	-	3,400,230	1,813,027
China	-	-	4,398,394	1,808,496
New Zealand	-	-	4,162,896	4,224,058
Australia	-	-	1,526,424	-
	-	-	92,006,020	62,015,531

These guarantees comprise of both the letter of credit facility and the multi-option facility. No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as the fair value of the guarantees is immaterial.

### (h) Terms and conditions

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

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

Outstanding balances are unsecured and are repayable in cash.

## 35 Business combinations

### Current year acquisitions

#### (a) Nationwide Currency Services Pty Limited

##### (i) Summary of acquisition

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

The acquired business contributed net profit before tax of \$413,000 from 20 November 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006, the revenue and profit contribution for the year ended 30 June 2007 would have been \$2,504,000 and \$682,000 respectively.

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

# Notes to the Financial Statements continued

## 35 Business combinations continued

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

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

### (ii) Purchase consideration

	2007 \$'000
<b>Outflow of cash to acquire subsidiary:</b>	
Cash consideration (including acquisition costs)	2,911
Less: Cash acquired	722
<b>Outflow of cash</b>	<b>2,189</b>

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

### (iii) Assets and liabilities acquired

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

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

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

The accounting for this business has been determined only provisionally as additional consideration may be payable based on forecasted EBIT results. At the date of this financial report, the amount of additional consideration cannot be measured reliably and is not probable of payment, hence has not been brought to account as deferred consideration.

### (b) Travel Spirit Group Pty Limited

#### (i) Summary of acquisition

On 3 March 2007, the parent acquired Travel Spirit Group Pty Limited, a travel wholesaler based in Sydney.



# Notes to the Financial Statements continued

## 35 Business combinations continued

The acquired business contributed net profit of \$243,000 to the group for the period from 3 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, the revenue and loss contributed for the year ended 30 June 2007 would have been \$58,796,000 and \$1,642,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the acquisition to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2006, together with the consequential tax effects.

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

	\$'000
<b>Purchase consideration (refer to (ii) below):</b>	
Cash paid	10,000
Direct costs relating to the acquisition	131
<b>Total purchase consideration</b>	<b>10,131</b>
Fair value of net identifiable assets acquired (refer to (iii) below)	3,192
<b>Goodwill (refer to (iii) below and note 17)</b>	<b>6,939</b>

### (ii) Purchase consideration

	2007 \$'000
<b>Outflow of cash to acquire subsidiary:</b>	
Cash consideration (including acquisition costs)	10,131
Less: Cash acquired	9,169
<b>Outflow of cash</b>	<b>962</b>

There was no deferred consideration in this acquisition.

### (iii) Assets and liabilities acquired

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

The goodwill is attributable to potential synergies in wholesale product and benefits associated with the Calypso system's integration. The fair value of assets and liabilities acquired are based on book values with adjustments for intangible assets and plant and equipment where the fair value can be measured. No acquisition provisions were created.

# Notes to the Financial Statements continued

## 35 Business combinations continued

### (c) Comfort Business Travel Services Co.

#### (i) Summary of acquisition

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

The acquired business contributed revenues of \$1,633,000 and net loss before tax of \$1,335,000 to the group for the period from 1 July 2006 to 30 June 2007.

This acquisition has been 100% consolidated with no accounting for the 5% minority interest, as the group has an option to purchase the final 5% at a fixed price (\$252,000) and this has been adjusted in goodwill and deferred consideration at 30 June 2007.

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

	\$'000
<b>Purchase consideration</b> (refer to (ii) below):	
Cash paid	1,253
Deferred consideration	252
Direct costs relating to the acquisition	204
<b>Total purchase consideration</b>	<b>1,709</b>
Fair value of net identifiable assets acquired	336
<b>Goodwill</b>	<b>1,373</b>
Goodwill 50% interest	1,875
<b>Total Goodwill</b>	<b>3,248</b>

#### (ii) Purchase consideration

	2007 \$'000
<b>Outflow of cash to acquire subsidiary:</b>	
Cash consideration (including acquisition costs)	1,457
Less: Cash acquired	622
<b>Outflow of cash</b>	<b>835</b>

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

#### (iii) Assets and liabilities acquired

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

# Notes to the Financial Statements continued

## 35 Business combinations continued

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

### (d) Toni Brasch Event Management Pty Limited

#### (i) Summary of acquisition

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

The acquired business contributed a net loss of \$26,000 from 28 February 2007 until 30 June 2007. If the acquisition had occurred on 1 July 2006, the revenue and loss contributed for the year ended 30 June 2007 would have been \$568,000 and \$89,000 respectively.

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

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

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

#### (ii) Purchase consideration

	2007 \$'000
<b>Outflow of cash to acquire subsidiary:</b>	
Cash consideration (including acquisition costs)	680
Less: Cash acquired	-
<b>Outflow of cash</b>	<b>680</b>

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

# Notes to the Financial Statements continued

## 35 Business combinations continued

### (iii) Assets and liabilities acquired

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

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

The goodwill is attributable to TBEM's network of customers and suppliers and the synergy that is expected to contribute to the future profitability of the CiEvents business. The fair value of assets and liabilities acquired is based on discounted cash flow models. No acquisition provisions were created.

### Prior year acquisitions

#### (a) FCm Travel Solutions India Ltd (formerly known as Friends Globe Travels Ltd)

##### (i) Summary of acquisition

On 1 July 2005, the group acquired Friends Globe Travels Ltd, a corporate travel agency located in India.

The acquired business contributed revenues of \$14,500,000 and net profit of \$2,400,000 to the group for the period from 1 July 2005 to 30 June 2006.

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

	\$'000
<b>Purchase consideration</b> (refer to (ii) below):	
Cash paid	7,056
Deferred consideration	10,806
Direct costs relating to the acquisition	890
<b>Total purchase consideration</b>	<b>18,752</b>
Fair value of net identifiable assets acquired (refer to (iii) below)	3,562
<b>Goodwill</b> (refer to (iii) below and note 17)	<b>15,190</b>

Deferred consideration is payable to the previous owners of Friends Globe Travels Ltd. Payments are calculated based upon compound annual growth rates of earnings of the business acquired. Estimates of future payments are recognised as liabilities and have been discounted to their present values.

##### (ii) Purchase consideration

	2006 \$'000
<b>Outflow of cash to acquired subsidiaries:</b>	
Cash consideration (including acquisition costs)	7,946
Less: Cash acquired	1,047
<b>Outflow of cash</b>	<b>6,899</b>

# Notes to the Financial Statements continued

## 35 Business combinations continued

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

### (iii) Assets and liabilities acquired

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

	Acquiree's carrying amount	Fair value
	\$'000	\$'000
Cash	1,047	1,047
Trade receivables	10,399	10,399
Available-for-sale assets	612	612
Plant and Equipment	2,845	2,845
Intangible assets	-	388
Trade payables	(6,193)	(6,193)
Interest bearing liabilities	(4,142)	(4,142)
Provision for employee benefits	(1,224)	(1,224)
Deferred tax liability	(170)	(170)
<b>Net identifiable assets acquired</b>	<b>3,174</b>	<b>3,562</b>

### (b) Bannockburn Travel Management

#### (i) Summary of acquisition

On 1 March 2006, the group acquired Bannockburn Travel Management, a corporate travel agency located in the United States.

The acquired business contributed revenues of \$2,600,000 and net profit of \$30,000 to the group for the period from 1 March 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, revenue and profit contributed for the year ended 30 June 2006 would have been \$8,814,000 and \$1,422,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2005, together with the consequential tax effects.

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

	\$'000
<b>Purchase consideration</b> (refer to (ii) below):	
Cash paid	12,538
Deferred consideration	980
Direct costs relating to the acquisition	986
<b>Total purchase consideration</b>	<b>14,504</b>
Fair value of net identifiable assets acquired (refer to (iii) below)	3,140
<b>Goodwill</b> (refer to (iii) below and note 17)	<b>11,364</b>

Deferred consideration is payable to Bannockburn Travel Management's previous owners. Payments are calculated based upon the acquired business's compound annual growth rates of earnings. Estimates of future payments are recognised as liabilities and have been discounted to their present values.

# Notes to the Financial Statements continued

## 35 Business combinations continued

### (ii) Purchase consideration

	2006 \$'000
<b>Outflow of cash to acquire subsidiary:</b>	
Cash consideration (including acquisition costs)	13,524
Less: Cash acquired	1,458
<b>Outflow of cash</b>	<b>12,066</b>

### (iii) Assets and liabilities acquired

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

	Acquiree's carrying amount	Fair value
	\$'000	\$'000
Cash	1,458	1,458
Trade receivables	837	1,772
Plant and Equipment	417	417
Intangible assets	-	1,095
Trade payables	(1,594)	(1,594)
Interest bearing liabilities	(8)	(8)
<b>Net identifiable assets acquired</b>	<b>1,110</b>	<b>3,140</b>

The goodwill is attributable to the acquired business's high profitability. The fair value of assets and liabilities acquired is based on discounted cash flow models. No acquisition provisions were created.

### (c) Disposal of subsidiaries

On 15 December 2005, the company disposed of the Seymour College group of companies in New Zealand for cash consideration of \$1,378,486. The loss on disposal of the group was \$757,781.

## 36 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2007 %	2006 %
BDI Solutions Pty Ltd	Australia	Ordinary	100	100
Escape Travel Franchising Pty Ltd	Australia	Ordinary	100	100
Flight Centre (China) Pty Ltd	Australia	Ordinary	95	50
Flight Centres (New South Wales) Pty Ltd	Australia	Ordinary	100	100
Flight Centre Technology Pty Ltd *	Australia	Ordinary	100	100
Frequent Flyers Pty Ltd *	Australia	Ordinary	100	100
The Great Holiday Escape Pty Ltd	Australia	Ordinary	100	100
Globalnet Technologies Pty Ltd	Australia	Ordinary	100	100
Group and Conference Travel Pty Ltd	Australia	Ordinary	100	100
GTM Internet Travel Pty Ltd	Australia	Ordinary	100	100
GTM Travel Australia Pty Ltd	Australia	Ordinary	100	100

# Notes to the Financial Statements continued

## 36 Subsidiaries continued

Name of entity continued	Country of incorporation	Class of shares	Equity holding	
			2007 %	2006 %
Infinity Holidays Pty Ltd	Australia	Ordinary	100	100
Internet E. Travel Pty Ltd	Australia	Ordinary	100	100
Internet Travel Australia Pty Ltd	Australia	Ordinary	100	100
Intravel Group Pty Ltd	Australia	Ordinary	100	100
Australian OpCo Pty Ltd (formerly FCm Travel Solutions Pty Ltd) *	Australia	Ordinary	100	100
ITL Overseas Holdings Pty Ltd	Australia	Ordinary	100	100
Lumina Marketing Pty Ltd	Australia	Ordinary	100	100
Lumina Technologies Pty Ltd	Australia	Ordinary	100	100
Publishing Pty Ltd	Australia	Ordinary	100	100
Retail Detail Pty Ltd	Australia	Ordinary	100	100
Shanghai Journey Pty Ltd	Australia	Ordinary	100	100
Stage and Screen Travel and Freight Services Pty Ltd *	Australia	Ordinary	100	100
Traveland Pty Ltd	Australia	Ordinary	100	100
Nationwide Currency Services 2 Pty Ltd	Australia	Ordinary	100	-
Australian AssetCo Pty Ltd	Australia	Ordinary	100	-
Travel Services Corporation Pty Ltd	Australia	Ordinary	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	100	100
American International Travel Limited #	Hong Kong	Ordinary	100	100
GCH Services Limited	Hong Kong	Ordinary	100	-
CH Services Limited	Hong Kong	Ordinary	100	-
FCm Travel Solutions India Ltd (formerly Friends Globe Travels Ltd) #	Republic of India	Ordinary	100	100
Flight Centre (Mauritius) Limited	Mauritius	Ordinary	100	100
Flight Centre (NZ) Limited	New Zealand	Ordinary	100	100
Great Holiday Escape (NZ) Limited	New Zealand	Ordinary	100	100
Escape Travel Limited	New Zealand	Ordinary	100	100
FFA Limited	New Zealand	Ordinary	100	100
Flight Centre (South Africa) Pty Ltd	Republic of South Africa	Ordinary	100	100
Flight Centre Travel Solutions Pty Ltd	Republic of South Africa	Ordinary	100	100
Britannic Travel Limited	United Kingdom	Ordinary	100	100
Britannic Travel Solutions Limited	United Kingdom	Ordinary	100	-
Flight Centre (UK) Limited	United Kingdom	Ordinary	100	100
Flight Centre (UK) Corporate Limited	United Kingdom	Ordinary	100	100
Flight Centre (UK) Corporate Limited	United Kingdom	Preference	100	100
Flight Centre (UK) Finance Limited	United Kingdom	Ordinary	100	100
Flight Centre (UK) Operations Limited (formerly Flight Centre (UK) Holdings Limited)	United Kingdom	Ordinary	100	100
Student Flights (UK) Limited	United Kingdom	Ordinary	100	100
Flight Centre Moneywise Limited (UK)	United Kingdom	Ordinary	100	-
Flight Centre (USA) Inc	USA	Ordinary	100	100
FCm Bannockburn LLC	USA	Ordinary	100	100
Flight Centre (ME) Limited	Jebel Ali Free Zone	Ordinary	100	-
FCm Travel Solutions (L.L.C)	Dubai	Ordinary	100	-

# Notes to the Financial Statements continued

## 36 Subsidiaries continued

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

## 37 Events occurring after the balance sheet date

On 30 July 2007 Flight Centre (NZ) Limited entered into a contract to purchase 127 Vincent Street, Auckland, New Zealand for NZ \$12m.

Other than this matter noted above, no circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

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



# Notes to the Financial Statements continued

## 38 Segment information

### (a) Description of segments

#### **Business segments**

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

### (b) Primary reporting format – geographical segments

2007	Australia	New Zealand	United Kingdom	Other	Total continuing operations	Inter-segment eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total Transaction Value</b>	5,448,836	677,834	1,155,582	1,637,787	8,920,039	(46,417)	8,873,622
Sales to external customers	707,071	85,830	146,407	181,126	1,120,434	-	1,120,434
Intersegment sales (note (ii))	44,364	542	4,066	831	49,803	(49,803)	-
<b>Total sales revenue</b>	751,435	86,372	150,473	181,957	1,170,237	(49,803)	1,120,434
Share of net profits of associates (note (iii))	-	-	-	219	219	-	219
Unallocated revenue							53,121
<b>Total segment revenue/income</b>							1,173,774
Segment result pre royalties	105,337	7,522	16,944	19,504	149,307	(1,343)	147,964
Royalties	14,512	(4,181)	-	(10,331)	-	-	-
<b>Segment result</b>	119,849	3,341	16,944	9,173	149,307	(1,343)	147,964
Unallocated revenue less unallocated expenses							26,057
<b>Profit before income tax</b>							174,021
Income tax expense							(53,197)
<b>Profit for the year</b>							120,824
<b>Segment assets</b>	758,802	91,407	262,168	195,338	1,307,715	(81,113)	1,226,602
Unallocated assets							30,684
<b>Total assets</b>							1,257,286
<b>Segment liabilities</b>	377,856	69,185	135,510	95,185	677,736	(5,189)	672,547
Unallocated liabilities							102,750
<b>Total liabilities</b>							775,297
<b>Investments in associates and joint venture partnership (note (iii))</b>	-	-	-	8,472	8,472	-	8,472
<b>Acquisitions of property, plant and equipment, intangibles and other non-current segment assets</b>	40,487	3,963	4,448	15,326	64,224	-	64,224
<b>Depreciation and amortisation expense</b>	21,207	2,921	4,325	7,403	35,856	306	36,162
<b>Impairment of assets (note 17)</b>	4,643	242	-	-	4,885	-	4,885
<b>Other non-cash expenses</b>	11,930	1,848	1,203	2,801	17,782	1,006	18,788

# Notes to the Financial Statements continued

## 38 Segment information continued

2006	Australia	New Zealand	United Kingdom	Other	Total continuing operations	Inter-segment eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total Transaction Value</b>	4,884,942	657,733	961,746	1,323,475	7,827,896	(18,633)	7,809,263
Sales to external customers	608,459	84,148	127,145	153,959	973,711	-	973,711
Intersegment sales (note (ii))	26,338	711	3,486	2,618	33,153	(33,153)	-
<b>Total sales revenue</b>	634,797	84,859	130,631	156,577	1,006,864	(33,153)	973,711
Share of net profits of associates and joint venture partnership (note (iii))	-	-	-	(463)	(463)	-	(463)
Unallocated revenue							29,488
<b>Total segment revenue/income</b>							1,002,736
Segment result pre royalties	72,834	9,003	14,511	12,234	108,582	(851)	107,731
Royalties	12,173	(5,675)	-	(6,471)	27	(27)	-
<b>Segment result</b>	85,007	3,328	14,511	5,763	108,609	(878)	107,731
Unallocated revenue less unallocated expenses							11,674
<b>Profit before income tax</b>							119,405
Income tax expense							(39,913)
<b>Profit for the year</b>							79,492
<b>Segment assets</b>	582,199	78,677	222,391	159,408	1,042,675	(29,671)	1,013,004
Unallocated assets							19,011
<b>Total assets</b>							1,032,015
<b>Segment liabilities</b>	286,457	52,224	117,848	83,736	540,265	7,482	547,747
Unallocated liabilities							76,206
<b>Total liabilities</b>							623,953
<b>Investments in associates and joint venture partnership (note (iii))</b>	2,248	-	-	-	2,248	-	2,248
<b>Acquisitions of property, plant and equipment, intangibles and other non-current segment assets</b>	13,925	2,344	4,457	46,884	67,610	-	67,610
<b>Depreciation and amortisation expense</b>	20,362	2,772	3,571	7,081	33,786	2,700	36,486
<b>Other non-cash expenses</b>	7,309	1,417	1,712	1,446	11,884	(778)	11,106

# Notes to the Financial Statements continued

## 38 Segment information continued

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

#### (i) Accounting policies

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

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

#### (ii) Inter-segment transfers

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

#### (iii) Unallocated revenue and expenses

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

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

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Profit for the year	120,824	79,492	140,988	57,788
Depreciation and amortisation	36,162	36,486	12,616	13,230
Impairment charge	4,885	-	313	-
Net loss/(gain) on disposal of non-current assets	(21,280)	1,933	(21,832)	473
Gain on intercompany debt forgiveness	-	-	(23,934)	-
Share of profits of associates and joint venture partnership not received as dividends or distributions	(219)	463	-	-
Non cash financing costs	1,431	2,814	-	-
Net exchange differences	-	(4,057)	-	-
Decrease (increase) in trade debtors and bills of exchange	(48,901)	(33,787)	(19,116)	31,255
Decrease (increase) in deferred tax assets	(3,815)	4,366	(3,820)	5,366
Decrease (increase) in related party loans	-	-	-	(28,468)
Increase (decrease) in trade creditors and other payables	127,461	41,409	76,159	-
Increase (decrease) in provision for income taxes payable	11,910	(6,207)	20,887	(6,332)
Increase (decrease) in provision for deferred income tax	(245)	(647)	-	-
Increase (decrease) in other provisions	2,285	595	1,667	864
Increase (decrease) in equity	113	114	113	114
<b>Net cash inflow from operating activities</b>	<b>230,611</b>	<b>122,974</b>	<b>184,041</b>	<b>74,290</b>

# Notes to the Financial Statements continued

## 40 Earnings per share

### (a) Basic earnings per share

	Consolidated	
	30 June 2007 Cents	30 June 2006 Cents
Profit attributable to the ordinary equity holders of the company	127.5	84.6

### (b) Diluted earnings per share

	Consolidated	
	30 June 2007 Cents	30 June 2006 Cents
Profit attributable to the ordinary equity holders of the company	127.5	84.5

### (c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	30 June 2007 \$'000	30 June 2006 \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	120,824	79,492

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

	Consolidated	
	30 June 2007 Number	30 June 2006 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	94,471,035	94,471,035
<b>Adjustments for calculation of diluted earnings per share:</b>		
Options	280,000	400,000
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>94,751,035</b>	<b>94,871,035</b>

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

## 41 Share-based payments

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

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

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

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

# Notes to the Financial Statements continued

## 41 Share-based payments continued

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

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

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

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

Grant Date	Expiry date	Exercise price	Balance at start of the year	Exercised 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
<b>Consolidated and parent - 2007</b>								
01/07/01	01/07/06	\$23.52	8,880	-	-	(8,880)	-	-
24/08/01	24/08/06	\$28.68	510,070	-	-	(510,070)	-	-
30/11/01	30/11/06	\$21.98	40,000	-	-	(40,000)	-	-
06/09/02	06/09/07	\$28.40	12,000	-	(3,000)	-	9,000	9,000
31/10/02	31/10/07	\$23.73	40,000	-	(20,000)	-	20,000	20,000
14/07/03	14/07/08	\$22.46	19,800	-	(9,000)	-	10,800	10,800
30/03/06 *	30/03/11	\$10.66	400,000	(10,000)	(110,000)	-	280,000	90,000
<b>Total</b>			<b>1,030,750</b>	<b>(10,000)</b>	<b>(142,000)</b>	<b>(558,950)</b>	<b>319,800</b>	<b>129,800</b>
<b>Weighted average exercise price</b>			<b>\$21.07</b>	<b>\$10.66</b>	<b>\$13.62</b>	<b>\$28.12</b>	<b>\$12.38</b>	<b>\$14.89</b>

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised 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
<b>Consolidated and parent - 2006</b>								
14/08/00	14/08/05	\$19.71	194,942	-	-	(194,942)	-	-
30/11/00	30/11/05	\$23.49	40,000	-	-	(40,000)	-	-
01/07/01	01/07/06	\$23.52	8,880	-	-	-	8,880	-
24/08/01	24/08/06	\$28.68	510,070	-	-	-	510,070	-
30/11/01	30/11/06	\$21.98	40,000	-	-	-	40,000	-
06/09/02	06/09/07	\$28.40	12,000	-	-	-	12,000	9,000
31/10/02	31/10/07	\$23.73	40,000	-	-	-	40,000	20,000
21/01/01	21/01/06	\$19.69	24,789	-	-	(24,789)	-	-
14/07/03	14/07/08	\$22.46	19,800	-	-	-	19,800	10,800
30/03/06 *	30/03/11	\$10.66	-	400,000	-	-	400,000	-
<b>Total</b>			<b>890,481</b>	<b>400,000</b>	<b>-</b>	<b>(259,731)</b>	<b>1,030,750</b>	<b>39,800</b>
<b>Weighted average exercise price</b>			<b>\$25.52</b>	<b>\$10.66</b>	<b>-</b>	<b>\$20.29</b>	<b>\$21.07</b>	<b>\$24.44</b>

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.35 years (2006 2.08 years).

\* Senior Executive Option Plan

# Notes to the Financial Statements continued

## 41 Share-based payments continued

### *Fair value of options granted*

There were no options granted for the year ended 30 June 2007. The assessed fair value at grant date of options granted during the year ended 30 June 2006 was \$1.96. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

- (a) options are granted for no consideration, have a three-year life, and 50% of each tranche vests and is exercisable after each of the first two anniversaries of the date of grant
- (b) exercise price: \$3.18 (2006 - \$2.78)
- (c) grant date: 1 May 2006 (2006 - 1 May 2006)
- (d) expiry date: 30 April 2012 (2006 - 30 April 2011)
- (e) share price at grant date: \$3.18 (2006 - \$2.78)
- (f) expected price volatility of the company's shares: 35% (2006 - 30%)
- (g) expected dividend yield: 3.8% (2006 - 3.2%)
- (h) risk-free interest rate: 6% (2006 - 5.5%).

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

### **(b) Expenses arising from share-based payment transactions**

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

	Consolidated		Parent	
	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Share-based payment expense	432	416	432	416

# Notes to the Financial Statements continued

## 42 Investments in associates

### (a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent	
		30 June 2007 %	30 June 2006 %	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Unlisted							
Garber Pty Ltd	Travel Services	26	-	8,472	-	-	-

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

### (b) Movements in carrying amounts

	Consolidated	
	30 June 2007 \$'000	30 June 2006 \$'000
Carrying amount at the beginning of the financial year	-	-
Additions	8,253	-
Share of profits after income tax	219	-
<b>Carrying amount at the end of the financial year</b>	<b>8,472</b>	<b>-</b>

### (c) Share of associates' profits or losses

	Consolidated	
	30 June 2007 \$'000	30 June 2006 \$'000
Profit before income tax	396	-
Income tax expense	(177)	-
<b>Profit after income tax</b>	<b>219</b>	<b>-</b>

### (d) Summarised financial information of associates

2007	Group's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
Garber Pty Ltd	3,082	696	3,571	219

# Notes to the Financial Statements continued

## 42 Investments in associates continued

	Consolidated	
	30 June 2007 \$'000	30 June 2006 \$'000
<b>(e) Share of associates' expenditure commitments, other than for the supply of inventories</b>		
Capital commitments	-	-
Lease commitments	2,051	-
<b>(f) Contingent liabilities of associates</b>		
Share of contingent liabilities incurred jointly with other investors	-	-
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	-	-

## 43 Deed of Cross Guarantee

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

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

- 1) Australian OpCo Pty Ltd, Frequent Flyers Pty Ltd and Stage and Screen Travel and Freight Pty Ltd
- 2) Flight Centre Technology Pty Ltd

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

Set out below are consolidated income statements and summary of movements in consolidated retained profits for the year ended 30 June 2007 comprising the company and the subsidiaries listed above.



# Notes to the Financial Statements continued

## 43 Deed of Cross Guarantee continued

	Flight Centre Limited and Australian OpCo Pty Ltd		Flight Centre Limited and Flight Centre Technology Pty Ltd	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Income statement</b>				
Revenue from the sale of travel services	707,508	614,995	606,384	518,152
Other revenue	70,908	44,640	69,073	48,438
Other income	46,374	6,286	70,301	6,286
Selling expenses	(537,350)	(467,754)	(436,001)	(403,876)
Administration/support expenses	(142,976)	(82,481)	(93,064)	(71,402)
Finance costs	(12,576)	(11,251)	(10,835)	(10,478)
<b>Profit before income tax expense</b>	<b>131,888</b>	<b>104,435</b>	<b>205,858</b>	<b>87,120</b>
Income tax expense	(44,294)	(30,293)	(37,178)	(25,903)
<b>Profit for the year</b>	<b>87,594</b>	<b>74,142</b>	<b>168,680</b>	<b>61,217</b>
<b>Summary of movements in consolidated retained profits</b>				
<b>Retained profits at the beginning of the financial year</b>	<b>152,171</b>	<b>111,075</b>	<b>94,626</b>	<b>80,163</b>
Adjustment for correction of error	-	(1,363)	-	(1,363)
Transfer to retained profits on assumption of entities to the class order	-	13,708	-	-
Profit from ordinary activities after income tax expense	87,594	74,142	168,680	61,217
Dividends provided for or paid	(49,125)	(45,391)	(49,125)	(45,391)
<b>Retained profits at the end of the financial year</b>	<b>190,640</b>	<b>152,171</b>	<b>214,181</b>	<b>94,626</b>

Set out below is the consolidated balance sheet as at 30 June 2007 of the company and the subsidiaries listed above.

# Notes to the Financial Statements continued

## 43 Deed of Cross Guarantee continued

	Flight Centre Limited and Australian OpCo Pty Ltd		Flight Centre Limited and Flight Centre Technology Pty Ltd	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current assets</b>				
Cash and cash equivalents	264,995	141,931	274,711	123,263
Available-for-sale financial assets	150,599	170,627	150,599	165,818
Receivables	153,520	249,112	109,126	234,087
Current tax receivables	-	4,291	-	2,870
Assets of disposal group classified as held-for-sale	-	12,179	-	12,179
<b>Total current assets</b>	<b>569,114</b>	<b>578,140</b>	<b>534,436</b>	<b>538,217</b>
<b>Non-current assets</b>				
Property, plant and equipment	39,950	34,068	47,108	41,762
Intangible assets	21,953	43,151	22,993	14,331
Deferred tax assets	11,080	7,050	11,048	7,313
Other financial assets	265,762	111,160	290,823	154,246
<b>Total non-current assets</b>	<b>338,745</b>	<b>195,429</b>	<b>371,972</b>	<b>217,652</b>
<b>Total assets</b>	<b>907,859</b>	<b>773,569</b>	<b>906,408</b>	<b>755,869</b>
<b>Current liabilities</b>				
Payables	367,811	292,038	342,988	263,956
Borrowings	26,754	26,518	26,754	93,334
Provisions	3,641	3,356	3,641	3,356
Current tax liabilities	16,595	-	16,595	-
<b>Total current liabilities</b>	<b>414,801</b>	<b>321,912</b>	<b>389,978</b>	<b>360,646</b>
<b>Non-current liabilities</b>				
Payables	5,035	3,883	4,821	3,883
Borrowings	27,000	27,000	27,000	27,000
Deferred tax liabilities	20	-	-	-
Provisions	9,724	8,342	9,724	8,342
<b>Total non-current liabilities</b>	<b>41,779</b>	<b>39,225</b>	<b>41,545</b>	<b>39,225</b>
<b>Total liabilities</b>	<b>456,580</b>	<b>361,137</b>	<b>431,523</b>	<b>399,871</b>
<b>Net assets</b>	<b>451,279</b>	<b>412,432</b>	<b>474,885</b>	<b>355,998</b>
<b>Equity</b>				
Contributed equity	260,827	260,715	260,827	260,715
Reserves	(188)	(454)	(123)	657
Retained profits	190,640	152,171	214,181	94,626
<b>Total equity</b>	<b>451,279</b>	<b>412,432</b>	<b>474,885</b>	<b>355,998</b>

# Notes to the Financial Statements continued

## 44 Correction of error

### (a) Correction of error in recording lease liabilities

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During the group's transition to Australian Equivalents to International Financial Reporting Standards, a number of adjustments to recognise payments under shop operating leases on a straight-line basis over the term of the lease were not correctly recorded. Due to this error, the consolidated liabilities recorded as at 1 July 2005 for straight-line leasing adjustments were understated by \$3,434,000 (parent entity \$1,947,000).

As at 30 June 2006, this error had the effect of understating consolidated payables and consolidated total liabilities by \$4,031k (parent entity \$2,488k), the consolidated deferred tax asset and consolidated total assets by \$1,209k (parent entity \$746k) and overstating consolidated retained earnings and consolidated total equity by \$2,822k (parent entity \$1,742k).

For the year ended 30 June 2006, the error also had the effect of overstating consolidated profit before income tax by \$597k (parent entity \$542k), consolidated income tax expense by \$179k (parent entity \$163k) and consolidated profit after tax by \$418k (parent entity \$379k) for the year ended 30 June 2006.

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

There is no impact on basic or diluted earnings per share presented in the financial statements.

### (b) Variation from preliminary financial report

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Subsequent to the release of the company's preliminary report to the Securities Exchange, the group made the above adjustment in relation to straight-line leasing adjustments.

# Directors' Declaration

## In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 82 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 2007 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 3 to 10 of the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 43 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 43.

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

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



G.F. Turner  
Director

BRISBANE  
31 August 2007

# Audit Report



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

### Report on the financial report and AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Flight Centre Limited, which comprises the balance sheet as at 30 June 2007, 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 its subsidiaries. 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.

We have also audited the remuneration disclosures contained in the Directors' Report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 3 to 9 of the Directors' Report and not in the financial report.

#### **Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), 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.

The directors of the company are also responsible for the remuneration disclosures contained in the Directors' Report.

#### **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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' 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 and the remuneration disclosures contained in the Directors' 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 and the remuneration disclosures contained in the directors' report.

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# Audit Report continued

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

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

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

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

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

### **Independence**

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

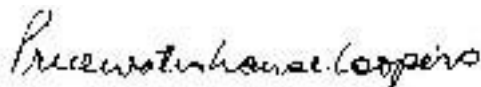
### **Auditor's opinion on the financial report**

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 Saturday, 30 June 2007 and of their 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(a).

### **Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report**

In our opinion the remuneration disclosures that are contained in pages 3 to 11 of the directors' report comply with Accounting Standard AASB 124.



PricewaterhouseCoopers



R A Baker  
Partner

BRISBANE  
31 August 2007

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# Shareholder Information

The shareholder information set out below was applicable at 28 August 2007.

## A Distribution of equity securities

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

	Number of Shareholders
1 – 1,000	8,227
1,001 – 5,000	2,121
5,001 – 10,000	256
10,001 – 100,000	140
100,001 and over	32
	<b>10,776</b>

There were 677 holders of less than a marketable parcel of ordinary shares.

The 20 largest shareholders held 90.90% of the company's ordinary shares.

## B Equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Gainsdale Pty Ltd	17,058,077	18.06
Gehar Pty Ltd	16,248,302	17.20
James Management Services Pty Ltd	13,539,750	14.33
Lazard (Institutional Group)	10,463,456	11.08
Friday Investments Pty Ltd	6,724,502	7.12
National Nominees Ltd	5,783,862	6.12
Chase Manhattan Nominees Ltd	5,207,669	5.51
HSBC Custody Nominees (Australia) Ltd	2,378,143	2.52
Citicorp Nominees Pty Ltd	1,709,398	1.81
ANZ Nominees Ltd	1,576,195	1.67
Cogent Nominees Pty Ltd	1,412,079	1.49
Trinity Holding Ltd	961,833	1.02
Citicorp Nominees Pty Ltd (Commonwealth Bank off Super a/c)	540,810	0.57
HSBC Custody Nominees (Australia) Ltd (a/c 3)	407,135	0.43
UBS Nominees Pty Ltd	321,276	0.34
Citicorp Nominees Pty Ltd (CFSIL Commonwealth SML cos 3 a/c)	304,984	0.32
UCA Growth Fund Ltd	275,000	0.29
HSBC Custody Nominees (Australia) Ltd (a/c 2)	266,408	0.28
AMP Life Ltd	248,210	0.26
HSBC Custody Nominees (Australia) Ltd (GSCO ECA)	239,581	0.25
CS Fourth Nominees Pty Ltd	218,481	0.23
	<b>85,885,151</b>	<b>90.90</b>

# Shareholder Information continued

## C Substantial holders

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

	Number held	Percentage
<b>Ordinary shares</b>		
Gainsdale Pty Ltd	17,228,687	18.15%
Gehar Pty Ltd	16,260,493	17.21%
James Management Services Pty Ltd	13,541,850	14.33%
Lazard (Institutional Group)	10,463,456	11.08%
Friday Investments Pty Ltd	6,724,502	7.12%

Trinity Holdings Pty Ltd is potentially a substantial shareholder as it is party to a pre-emptive agreement dated 5 October 1995 between Gainsdale Pty Ltd, Gehar Pty Ltd, James Management Services Pty Ltd and Friday Investments Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Trinity Holdings Pty Ltd held 961,833 shares (1.02%) at 9 August 2007.

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

### (a) Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote.



# Corporate Directory

<b>Directors</b>	G.F.Turner
	P.F.Barrow
	H.L.Stack
	B.R.Brown
	G.L.Harris (Alternate director)
<b>Secretary</b>	G.Pringle
<b>Notice of annual general meeting</b>	The annual general meeting of Flight Centre Limited
<b>will be held at</b>	Novotel Brisbane 200 Creek Street Brisbane QLD 4000
<b>time</b>	10:30am
<b>date</b>	1 November 2007
	A formal notice of meeting is enclosed
<b>Principal registered office in Australia</b>	Level 13, 316 Adelaide Street
	Brisbane QLD 4000
<b>Share and debenture register</b>	Computershare Investor Services Pty Ltd
	Central Plaza One
	Level 32, 345 Queen Street
	Brisbane QLD 4000
<b>Auditor</b>	PricewaterhouseCoopers
	Riverside Centre
	Level 15, 123 Eagle Street
	Brisbane QLD 4000
<b>Solicitors</b>	Allens Arthur Robinson
	Level 32, Riverside Centre
	Brisbane QLD 4000
<b>Bankers</b>	Westpac Banking Corporation
	260 Queen Street
	Brisbane QLD 4000
	Commonwealth Bank of Australia
	240 Queen Street
	Brisbane QLD 4000
<b>Stock exchange listings</b>	Flight Centre Limited shares are listed on the Australian Securities Exchange.
<b>Website address</b>	<a href="http://www.flightcentre.com.au">www.flightcentre.com.au</a>

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