

International Review

Australia

Executive General Manager:
Sue Garrett

Business Units:
845 leisure and corporate outlets,
43 wholesale/complementary

TTV: \$5.5billion, up 12.5%

Performance Review:
The company performed strongly in Queensland, Victoria-Tasmania and Western Australia-South Australia-Northern Territory. The overall NSW business and the corporate travel operation, while continuing to generate healthy profit, generally performed below expectations.

Outlook: Seeking improved corporate performance through increased sales and leisure travel improvement through broader product range and increased focus on customer experience. With a revamped leadership team in place in NSW, expectations are high.

New Zealand

Executive General Manager:
Rick Hamilton

Business Units:
146 leisure and corporate outlets,
11 wholesale/complementary

TTV: \$677.8million, up 3%

Performance Review:
While overall profit results were disappointing, signs of improvement were evident in the leisure business late in the year as initiatives implemented by the new leadership team gained momentum.

Outlook: Improvement in New Zealand as the business's leadership team enters its second year.

South Africa

Executive General Manager:
Dayle White

Business Units:
116 leisure and corporate outlets,
7 wholesale/complementary

TTV: \$414.4million, up 3%

Performance Review:
The leisure and corporate travel businesses again performed strongly and recorded healthy profit growth. In local currency, TTV growth surpassed 20%.

Outlook: Ongoing profit growth in South Africa with strong brands in a strong economy, a stable leadership team and healthy margins.

United Kingdom

Executive General Manager:
Chris Galanty

Business Units:
160 leisure and corporate outlets,
3 wholesale/complementary

TTV: \$1.2billion, up 20%

Performance Review:
The leisure travel business achieved improved results, while the FCM (Britannic) business again generated solid profits.

Outlook: Improved performance in the UK leisure business, which has now grown to more than 100 shops, and growth in the corporate SME market in particular.

Worldwide Top Performers

Robyn Blacklock
Hall of Fame



Lin Hilditch
Hall of Fame



Grania Fingleton
Hall of Fame



Richard Waddington
Top Corporate Account Manager



North America

Executive General Manager:
Greg Dixon

Business Units:
212 leisure and corporate outlets,
6 wholesale/complementary

TTV: \$821.5million, up 40%

Performance Review:

The FCm businesses – including recent acquisitions Bannockburn and Garber – continued to perform well. The leisure businesses in both Canada and the USA recorded significant losses but generated healthy TTV and contributed to North America's overall growth by serving as a training ground for future corporate travel account managers.

Outlook: Profit in North America through continued corporate travel growth and a reduction in leisure travel losses, with a renewed emphasis on personal service and product and away from low margin business that is typically conducted online.

India

Executive General Manager:
Rahul Nath

Business Units:
18 corporate locations

TTV: \$320million, up 13.5%

Performance Review:

The business continued to perform strongly.

Outlook: Continued growth in India, predominantly in the FCm business. The launch of a leisure travel business is seen as a small and strategic investment for the future.

China-Hong Kong

Executive General Manager:
David Fraser

Business Units:
21 corporate outlets

TTV: \$82.2million, up 52%

Performance Review:

Continued TTV growth but ongoing losses in the FCm businesses in both Hong Kong and China.

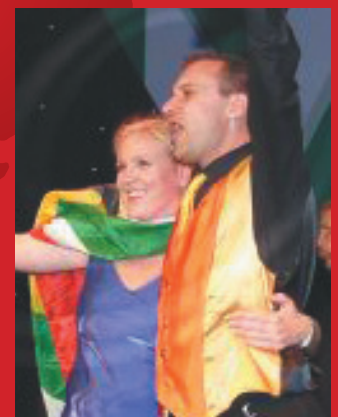
Outlook: Improved performance in Greater China (Hong Kong and China) with a view to generating a modest profit in this emerging market within two years.

Lindy Sampson
Top Retail Consultant

Allison Veit
Top Ticket Centre Consultant

David Chappell
Top Infinity Consultant

Dayle White and Mike Friend
Directors' Awards



Operational Review

Finance

Flight Centre Limited continues to develop its finance area, with the primary aim to employ, retain and develop high calibre professionals to deliver quality information and advice to staff to improve earnings and minimise costs.

During 2006/07, the company continued to invest in and upgrade its key financial systems and applications to secure additional productivity gains. This investment will continue into 2007/08, when a key initiative will see FLT introduce an automated client bank reconciliation system to enhance shop finance teams' productivity.

Key improvements during 2006/07 included:

- Greater stability and response times in the Australian finance systems stemming from an investment in new hardware in key areas
- The introduction of an upgraded payroll system with greater functionality
- Reduced administrative requirements after processes relating to the company's CORE database were streamlined
- Implementation of a new transactional banking partner in Australia

In addition, the Australian-based Treasury team again generated solid returns in interest and investment income, while adhering to investment guidelines set by Flight Centre Limited's Board. During 2006/07, average funds under management in Australia increased from \$233million to \$306million. FLT maintained its weighted average credit quality of "AA - / A+" credit rating on its investment portfolio.

Franchise and Compliance

In its first full year, Flight Centre Limited's franchise operation enjoyed great success, with 17 Escape Travel franchises opened by June 30, 2007. Growth has continued in 2007/08 with five additional franchises joining the group this year.

The franchised businesses have given FLT access to a broader customer base in Australia and contributed to the company's healthy TTV growth in 2006/07. Pleasingly, one of these franchises also received industry recognition for its achievements, with Escape Travel Townsville, part of the Debbie Giudes Group, winning the Best Travel Agency Corporate – Regional award at the National Travel Industry Awards for Excellence.

In the Compliance area, key achievements included reviews of all senior executives' remuneration and of the company's human resources policies.

Marketing and Customer Relations

Flight Centre Limited's brands are core assets and are consistently presented to customers in all advertising and marketing initiatives to improve brand recognition and awareness. This approach has helped make the flagship Flight Centre leisure brand one of Australia's most valuable names, with a brand value estimated at \$320million in 2004 (Source: Interbrand).

The company's marketing activities are geared towards developing the range of leisure and corporate brands to cater for specific customer segments.

In the leisure sector, marketing teams focused on increasing enquiry, decreasing the cost of enquiry and increasing the rate of repeat patronage to deliver a cost effective service to the shops. Teams also played a key role in launching Flight Centre brand's high profile new "unbeatable" positioning and developing Escape Travel's new "Perfect Holiday Promise".

Other significant developments included:

- Consistently strong traffic on the company's leisure websites, with flightcentre.com.au attracting some 18million visitors and again being judged Australia's number one travel agency site by visits (Source: Hitwise)
- Significant expansion of the company's Australian customer database, which now has more than 1.4million members
- Distribution of more than 60million travel newsletters and special alerts during the year, via the company's direct marketing teams
- Continued strong response to the nationwide Discover Europe shows and Travel Expos
- The ongoing rollout of the shop of the future design internationally and Travel Money outlets in Australia
- The development of a green ticket option for customers

In corporate, priorities included expanding FCm Travel Solutions' customer base and cost effectively generating leads for the network's business development managers.

The corporate marketing team was also instrumental in:

- Introducing a quarterly, branded Trans Tasman hard cover magazine and monthly e-zine for customers
- Launching concentrated direct marketing and press campaigns which delivered outstanding results
- Installing the Salesforce database and relationship management technology
- Launching an integrated sales kit detailing services available to customers

PeopleWorks

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

Businesses that operate in this important area include:

- Recruitment
- The Learning Centre
- The Leadership Centre
- Healthwise
- Moneywise
- The William James School of Business

During 2006/07, PeopleWorks continued to develop the Our People program. This program focuses on five key areas – career support, health and lifestyle balance, personal finance, reward and recognition and travel benefits – and ensures that staff members are aware of the facilities, support and opportunities available to them as they further their Flight Centre Limited careers.

Operational Review continued

Thanks partly to the success of this program, FLT was recognised in numerous Best Employer awards in Australia and overseas as outlined below:

- New Zealand – Best Large Company and Best Place to Work
- Canada – Top 50 employer and a Top 30 company for staff benefits
- Australia – runner-up in the large company category at Hewitt Associates' Best Employer awards
- South Africa – first in the travel, tourism and leisure category at Best Company to Work For and sixth overall
- UK – represented on the Sunday Times One Hundred Best Companies to Work For and the Guardian Top Employers 2007

Other key achievements during 2006/07 included:

- The recruitment and training of new retail, corporate and wholesale sales staff as the company's selling staff numbers increased 10%
- Senior executives completing the first assessment and leadership development program as part of the William James School of Business.
- The business school graduated the third group since its inception and employee enrolments increased 20% on the previous year
- A significant increase in flexible workplace arrangements – job-share, part-time and work-from-home opportunities increased from 6% of total roles to 12%

In the year ahead, the PeopleWorks businesses will play a key role in attracting suitable sales staff to support the company's growth plans, particularly in corporate travel. The businesses will also focus on providing assistance to the start-up retail operation in India, enhancing recruitment and training systems in China, rolling out a new in-store based training system and launching a global careers and job exchange program.

Property and Procurement

Flight Centre Limited's Property division was at the heart of a number of important initiatives that produced tangible benefits for the company and its individual businesses.

Property was a key driver in the roll-out of the shop of the future (SOF) design to more than 120 stores, the development of the Flight Centre Travel Money (foreign exchange booths) concept for standalone shops and Flight Centre brand implants and in the launch of a store "refresh" concept. Refresh incorporates key elements of the SOF, without requiring a complete store refit, and will be rolled out to all Flight Centre brand shops during the next two years.

The Property division has now been restructured so that more building projects can be undertaken in 2007/08. Key changes have included the creation of a shop building panel of contractors and specifically tendering seven elements of the shop building process. Significant value is expected from the panel and tender processes.

Property's leasing teams focused on reducing the effects of rent increases and enjoyed considerable success in delivering savings to shops.

In the year ahead, FLT's property area will play a key role in executing the company's new property acquisition strategy. This strategy was initiated following the successful sale of the Adelaide Street (Brisbane) property and has seen the company develop a replicable business model built around acquiring properties in Australia and overseas, adding value and then selling for profit.

An associated team will also oversee the rollout of a retail travel operation in India in 2007/08. Two shops are set to open in late October in a mall and business park in Delhi.

Flight Centre Limited's Procurement area continued to evolve during 2006/07 and delivered further savings to the business, while managing a total spend of \$160million.

Projects that are currently underway include marketing, property, facilities management, car leasing and recruitment reviews. Procurement is also taking a more active role globally and is now represented in many countries FLT operates in.

Technology and Projects

Technology is a core component of Flight Centre Limited's businesses throughout the world. Accessing the right information, sharing information and enhancing productivity are essential factors in reaching the company's growth and profit objectives.

Flight Centre Limited's information technology company, Flight Centre Technology Pty Ltd, aims to provide cost effective and efficient services to its customers and to help the company achieve its overall aims.

The business also incorporates Flight Centre Limited's Project Services team, the group charged with overseeing and implementing business improvement initiatives.

During 2006/07, the IT and project teams worked on and delivered a number of business improvement initiatives, including:

- Migrating the Australian business to new communications and banking service providers
- The introduction of a new Outlook email system
- Enhancing the company's websites through the introduction of Trans Tasman booking capabilities on Flight Centre's Australian and New Zealand sites and an expanded 365-days-a-year product range on quickbeds.com
- The introduction of the Calypso global wholesale platform, via a pilot scheme involving selected Infinity Holidays teams

In the year ahead, initiatives will include:

- A new airfares database with enhanced functionality for Australia, New Zealand and South Africa
- Upgrades of the company's leisure and accommodation websites
- The global wholesale platform's rollout in Australia and New Zealand
- The introduction of a Central Server, which will allow for centrally managed data and applications with improved functionality, access to programs and increased protection from viruses, in addition to providing a better foundation for future store growth