APPENDIX 4D

FLIGHT CENTRE LIMITED (FLT)

ABN 25 003 377 188

HALF YEAR REPORT
31 DECEMBER 2008

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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.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half year ended 31 December 2008

RESULTS IN BRIEF

	Dec 2008	Dec 2007	AMOUNT OF CHANGE	% CHANGE
Total transaction value (TTV) ~	**$5.8b**	$4.8b	$1b	**20.8%**
Revenue	**$874.6m**	$642.9m	$231.7m	**36%**
Gross profit	**$768.9m**	$642.9m	$126m	**19.6%**
Net profit before tax	**$34.2m**	$90.9m	($56.7m)	**(62.4%)**
Net profit after tax	**$26.1m**	$61.2m	($35.1m)	**(57.4%)**

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

DIVIDENDS

	Amount per Security Cents	100% Franked Amount Cents
Interim Dividend previous corresponding period, paid	**37.5**	**37.5**
Final dividend (30 June 2008) paid 10 October 2008	**48.5**	**48.5**

* The record date for determining entitlements to the interim dividend is Friday 6 March 2009. The payment date for the interim dividend of 9 cents per share is Friday 27 March 2009.

NET TANGIBLE ASSETS	**Dec 2008**	Dec 2007
Net tangible asset backing per ordinary security	**1.12**	**4.04**

COMPLIANCE STATEMENT

The report is based on accounts which have been reviewed by the auditors of Flight Centre Limited. There have been no matters of disagreement and a report of their review appears in the Half Year Financial Report.

Directors' report

Your directors present their report on the consolidated entity consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

Directors
The following persons were directors of Flight Centre Limited for the full half year and up to the date of this report:

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

Review of operations
While overall profit results were below FLT's initial expectations, the company performed reasonably in some market sectors, including corporate travel, online and youth and adventure.

Customer enquiry has also remained at very strong levels in most markets.

This shows that the heavily discounted airfares and holiday offers that are currently available globally are proving attractive, although a general lack of consumer confidence means some travellers are choosing to defer holidays, rather than immediately take advantage of the special offers.

FLT's challenge is to convert this demand into sales, as it has done historically during other downturns in the trading cycle.

To boost sales during the second half, FLT will:

- Continue to aggressively market the outstanding value that is being offered by all suppliers
- Continue to roll out its new sales conversion program globally to capitalise on the opportunities strong customer enquiry creates
- Continue to invest in its global sales force to generate retail and corporate sales growth
- Fill A-grade retail locations that become available as competitors or other retailers fall away in tough conditions
- Ensure its sales force remains focused and motivated (via incentive structures, reward and recognition programs)
- Work with major suppliers to ensure contracts reflect current market conditions and are likely to deliver mutually beneficial outcomes; and
- Roll-out specialist retail shops to increase its marketshare in attractive niches

FLT will also continue its focus on cost reduction. This has already led to:
- A general decrease in wages per person in FLT's established businesses.
- A freeze on employing support staff, along with a round of redundancies (predominantly in the USA). FLT continues to monitor support staff numbers in relation to trading volumes and will realign back office structures as required
- A review of non-performing businesses and, where appropriate, business closure or restructure.
- Discussions with key suppliers, particularly in the advertising and property sectors, to ensure rates reflect current market conditions; and
- Reassessment and prioritisation of capital expenditure

The company will also continue its restructuring efforts within the Liberty business in the United States to improve performance.

While Liberty's results have not been satisfactory to date, FLT's progress in reducing costs and generating strong customer enquiry indicates that the company is having some success in developing the foundations necessary to sustain future profit.

Other key achievements to date include:
- Reduced costs, with an annualized $USD30million in expenses, predominantly relating to staff and administration, taken out
- Development of a leaner and more effective support structure, with almost 700 support and shop-based sales and administrative positions rationalized in the Liberty and former Flight Centre businesses since acquisition
- Creation of a smaller but stronger shop network, following the rationalization of 40 under performing and poorly located stores. This includes the closure of nine former Flight Centre shops in Los Angeles and Chicago in February 2009
- Introduction of a new revenue stream, Liberty Business Travel. Business development managers have now been employed in Manhattan, Boston, Los Angeles, Chicago, Philadelphia and Rhode Island; and
- Ongoing deployment of the Flight Centre business model, including a small team structure, a focus on cost-of-seat, individual business profit and loss statements and performance handbooks

Review of operations (continued)
In addition, a more effective incentive structure will be in place from July to immediately reward consultants for their sales efforts. This system will bring Liberty into line with FLT's operations elsewhere in the world.

Outlook

The current volatility in world economies continues to affect consumer confidence globally

While demand in some travel sectors has remained healthy, the slowdown in global sales the company experienced in November and December, after a reasonable first quarter, has continued into January and February.

It is impossible to predict when the economic cycle will turn and, consequently, when FLT will benefit from the investments it has made and the initiatives it has put into place.

FLT is, however, well placed to capitalize on opportunities that will arise.

The company has a strong and diversified brand network, vast experience at all levels, a commitment to pursuing growth opportunities to increase marketshare and modest debt.

The ongoing uncertainty that saw sales growth stall during the second quarter after a reasonable first quarter means that FLT is not currently in a position to provide meaningful guidance in relation to its likely full year result at this time.

Dividends - Flight Centre Limited
FLT's directors today declared a $0.09 per share fully franked interim dividend payable on 27 March 2009 to shareholders registered on 6 March 2009. This represents a 34% return of after-tax profit to shareholders, outside of FLT's current policy of returning 50-60%, subject to the business's needs. The interim dividend paid for the half year ended 31 December 2007 was 37.5 cents per share.

While the company does not currently intend to alter its policy permanently, FLT's board believes the reduced pay-out is prudent in the current climate.

The board will continue to consider FLT's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future returns.

Matters subsequent to the end of the financial year
During January 2009, the group disposed of the Equities and Global blend fund portfolio acquired in the Liberty acquisition in January 2008.

The loss on disposal of these equities was $2,100k in January 2009.

The financial effects of the above transaction will be brought to account in the 30 June 2009 financial statements.

Likely developments and expected results of operations
Additional comments on expected results of certain operations of the company are included in this half year report on pages 3 and 4.

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

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

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

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

G.F. Turner
Director

BRISBANE
24 February 2009

PricewaterhouseCoopers

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Auditors' Independence Declaration

As lead auditor for the review of Flight Centre Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Robert Baker

R A Baker
Partner

BRISBANE
24 February 2009

PricewaterhouseCoopers

PricewaterhouseCoopers

Flight Centre Limited
Consolidated Income Statement
31 December 2008

	Notes	Half year ended 31 December 2008 $'000	31 December 2007 Restated $'000
Revenue from continuing operations			
Revenue from the sale of travel services	2	**727,810**	623,134
Sale of goods	2	**120,422**	-
Other revenue	2	**26,367**	19,803
Total for revenue from continuing operations		**874,599**	642,937
Cost of sales		**(105,631)**	-
Gross profit		**768,968**	642,937
Other income	3	**8,242**	465
Expenses			
Selling expenses		**(611,776)**	(473,266)
Administration / support expenses		**(116,450)**	(65,019)
Finance costs	4	**(14,844)**	(14,030)
Share of profit / (loss) of joint venture and associates accounted for using the equity method	8	**74**	(101)
Profit before income tax expense		**34,214**	90,986
Income tax expense		**(8,102)**	(29,779)
Profit attributable to members of Flight Centre Limited		**26,112**	61,207
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	14	**26.2**	64.0
Diluted earnings per share	14	**26.2**	64.0

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

Flight Centre Limited
Consolidated Balance Sheet
31 December 2008

	Notes	**Half year ended** **31 December 2008** **$'000**	30 June 2008 Restated $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**457,331**	738,638
Available-for-sale financial assets		**186,894**	228,251
Receivables		**318,797**	340,452
Current tax receivables		**-**	3,886
Inventories		**176**	1,548
Other financial assets at fair value through profit or loss	7	**15,474**	18,210
Total current assets		**978,672**	1,330,985
Non-current assets			
Property, plant and equipment		**193,568**	164,768
Intangible assets		**511,732**	410,408
Deferred tax assets		**65,574**	40,789
Investments accounted for using the equity method		**17,933**	9,585
Derivative financial instruments		**-**	516
Total non-current assets		**788,807**	626,066
Total assets		**1,767,479**	1,957,051
LIABILITIES			
Current liabilities			
Trade and other payables		**870,181**	1,100,417
Borrowings		**71,941**	100,505
Provisions		**6,904**	6,695
Current tax liabilities		**13,965**	35,727
Derivative financial instruments		**1,924**	2,342
Total current liabilities		**964,915**	1,245,686
Non-current liabilities			
Payables		**22,442**	19,598
Borrowings		**118,027**	60,158
Deferred tax liabilities		**22,607**	16,063
Provisions		**13,481**	12,291
Derivative financial instruments		**2,477**	-
Total non-current liabilities		**179,034**	108,110
Total liabilities		**1,143,949**	1,353,796
Net assets		**623,530**	603,255
EQUITY			
Contributed equity	9	**377,343**	377,343
Reserves		**(1,153)**	(43,626)
Retained profits		**247,340**	269,538
Total equity		**623,530**	603,255

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

Flight Centre Limited
Consolidated Statement of Changes In Equity
31 December 2008

	Notes	Half year ended 31 December 2008 $'000	31 December 2007 Restated $'000
Total equity at the beginning of the half year		**603,255**	481,989
Changes in the fair value of available-for-sale financial assets, net of tax		**(19)**	(7,601)
Changes in the fair value of cash flow hedges, net of tax		**(2,727)**	-
Net exchange differences on translation of foreign operations		**45,219**	(5,750)
Net income recognised directly in equity		**42,473**	(13,351)
Profit for the half-year		**26,112**	61,209
Total recognised income and expense for the half year		**68,585**	47,858
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	9	**-**	115,895
Tax effect of equity raising costs		**-**	481
Dividends provided for or paid		**(48,310)**	(43,628)
Employee share options		**-**	52
Tax effect of previous employee share issues		**-**	-
		(48,310)	72,800
Total equity at the end of the half year		**623,530**	602,647

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

Flight Centre Limited
Consolidated Cash Flow Statement
31 December 2008

	Notes	Half year ended 31 December 2008 $'000	31 December 2007 Restated $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**787,076**	633,943
Payments to suppliers and employees (including GST)		**(1,040,642)**	(584,143)
Interest received		**24,040**	19,283
Royalties received		**382**	-
Interest paid		**(16,335)**	(12,680)
Income taxes paid		**(48,214)**	(34,612)
Net cash (outflow) inflow from operating activities		**(293,693)**	21,791
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired		**(4,197)**	(10,787)
Payments for property, plant and equipment		**(40,988)**	(34,595)
Payments for intangibles		**(9,319)**	(16,326)
Payments for available-for-sale financial assets		**(11,607)**	(9,791)
Proceeds from sale of available-for-sale financial assets		**63,544**	24,620
Net cash outflow from investing activities		**(2,567)**	(46,879)
Cash flows from financing activities			
Loans advanced		**(2,454)**	-
Repayment of borrowings		**(95,554)**	(27,000)
Proceeds from shares issued		**-**	100,971
Proceeds from borrowings		**92,600**	8,302
Dividends paid to company's shareholders	5	**(48,310)**	(43,628)
Net cash (outflow) inflow from financing activities		**(53,718)**	38,645
Net (decrease) increase in cash held		**(349,978)**	13,557
Cash and cash equivalents at the beginning of the half year		**727,507**	453,101
Effects of exchange rate changes on cash and cash equivalents		**57,782**	(2,941)
Cash and cash equivalents at end of the half year	6	**435,311**	463,717

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

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Flight Centre Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of matters explained in note 14.

2 Revenue

	Half year ended	
	31 December 2008 $'000	31 December 2007 $'000
Total Transaction Value (TTV)	**5,788,082**	4,791,460
From continuing operations		
Revenue from the sale of travel services		
Commission and fees from the provision of travel	**549,826**	468,127
Revenue from the provision of travel	**156,108**	139,000
Other revenue from travel services	**21,876**	16,007
	727,810	623,134
Sale of goods		
Sale of goods as principal	**120,422**	-
Other revenue		
Rents and sub-lease rentals	**2,327**	520
Interest	**24,040**	19,283
	26,367	19,803

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

3 Other income

	Half year ended	
	31 December 2008 $'000	31 December 2007 $'000
Foreign exchange gains and losses	**8,242**	465
	8,242	465

4 Profit for the half-year

	Half year ended	
	31 December 2008 $'000	31 December 2007 $'000
Profit before income tax includes the following specific expenses:		
Depreciation & Amortisation	**28,159**	19,562
Impairment charge of Available-for-sale investments	**25,027**	-
Financial Assets fair valued to the Profit and Loss	**2,736**	1,955
Impairment of Assets	**694**	-
Finance costs		
Interest and finance charges paid / payable	**14,844**	14,030

5 Dividends

	Half year ended	
	31 December 2008 $'000	31 December 2007 $'000
(a) Ordinary shares		
Final ordinary dividend for the year ended 30 June 2008 of 48.5 cents (2007: 46 cents) per fully paid share, paid on 10 October 2008, fully franked	**48,310**	43,628
	48,310	43,628

(b) Dividends not recognised at the end of the half year

In addition to the above dividends, since half year end the directors have recommended the payment of an interim dividend of 9 cents (2007: 37.5 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 March 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is $8,964,793 (2007: $37,353,303).

6 Current assets - Cash and cash equivalents

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Cash at bank and on hand	**124,876**	160,542
Client account	**332,455**	578,096
	457,331	738,638

6 Current assets - Cash and cash equivalents (continued)

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

	Consolidated	
	31 December 2008 $'000	31 December 2007 $'000
Cash and cash equivalents	**457,331**	493,337
Bank overdrafts	**(22,020)**	(29,620)
Balances per statement of cash flows	**435,311**	463,717

7 Current assets - Other financial assets

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Debt Securities	**15,474**	18,210
	15,474	18,210

8 Interests in joint ventures and associates

Name	**% Interest Held Dec 2008**	% Interest Held June 2008
Intrepid Travel Pty Ltd	**50**	-
Pedal Group Pty Ltd	**50**	-
Employment Office Australia Pty Ltd	**50**	50
Garber Travel Service, Inc	**26**	26

9 Contributed equity

	31 December 2008 Shares	30 June 2008 Shares	**31 December 2008 $'000**	30 June 2008 $'000
(a) Share capital				
Fully paid ordinary shares	**99,608,807**	99,608,807	**377,343**	377,343

10 Contingencies

Since the last annual reporting date, there has been no material change in any contingent assets or liabilities. No material losses are anticipated in respect of any contingent liabilities.

11 Business combinations

(a) Back Roads Touring Co. Ltd

(i) Summary of acquisition

On 31 October 2008 Flight Centre Limited acquired 100% of the equity of Back Roads Touring Co. Ltd, a bus touring company based in London, United Kingdom.

The acquired business contributed a net loss of $97k to the group for the period from 1 November to 31 December 2008. If the acquisition had occurred on 1 July 2008, the revenue and profit contribution for the half year ended 31 December would have been $1,596k and $133k respectively.

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

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

	2008 **$'000**
Purchase consideration	
Cash paid	2,691
Deferred consideration	186
Direct costs relating to the acquisition	77
Total purchase consideration	**2,954**
Fair value of net identifiable assets acquired	2,364
Goodwill	**590**

(ii) Purchase consideration

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

Deferred consideration is payable to the previous owner of Back Roads Touring Co. Ltd, who has taken up an employment position with the Flight Centre Group. The amount is payable irrespective of whether the previous owner continues employment with the Flight Centre Group.

(iii) Assets and liabilities acquired

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

11 Business combinations (continued)

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

No acquisition provisions were created.

12 Events occurring after the balance sheet date

During January 2009, the group disposed of the Equities and Global blend fund portfolio acquired in the Liberty acquisition in January 2008.

The loss on disposal of these equities was $2,100k in January 2009.

The financial effects of the above transaction will be brought to account in the 30 June 2009 financial statements.

13 Segment information

(a) Description of segments

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

(b) Primary reporting format - geographical segments

Half year 2008	Australia $'000	North America $'000	United Kingdom $'000	Other $'000	Total continuing operations $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Total Transaction Value	3,010,855	1,479,401	585,994	764,512	5,840,762	(52,680)	5,788,082
Sales to external customers	397,781	178,639	189,482	84,057	849,959	-	849,959
Intersegment sales (note (ii))	35,438	479	10,356	705	46,978	(46,978)	-
Total sales revenue	433,219	179,118	199,838	84,762	896,937	(46,978)	849,959
Share of net profits of associate (note (iii))	85	(11)	-	-	74	-	74
Unallocated revenue							24,040
Total revenue and other income							874,073
Segment result pre royalties	40,456	(43,913)	12,251	4,147	12,941	-	12,941
Royalties	4,192	-	1,029	(5,221)	-	-	-
Segment result	44,648	(43,913)	13,280	(1,074)	12,941	-	12,941
Unallocated revenue less unallocated expenses							21,273
Profit before income tax							34,214
Income tax expense							(8,102)
Profit for the year							26,112
Segment assets	708,019	544,454	221,629	222,447	1,696,549	-	1,696,549
Unallocated assets							70,930
Total assets							1,767,479
Segment liabilities	447,495	318,825	81,507	131,081	978,908	-	978,908
Unallocated liabilities							165,041
Total liabilities							1,143,949
Investments in associate and joint venture partnership (note (iii))	6,987	10,946	-	-	17,933	-	17,933
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	29,882	7,550	6,561	18,960	62,953	-	62,953
Depreciation and amortisation expense	12,151	10,449	3,013	2,546	28,159	-	28,159
Impairment of assets	3,268	22,453	-	-	25,721	-	25,721
Other non-cash expenses	6,174	287	328	2,704	9,493	-	9,493

13 Segment information (continued)

Half year 2007 Restated	Australia $'000	North America $'000	United Kingdom $'000	Other $'000	Total continuing operations $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Total Transaction Value	3,033,759	420,980	619,296	769,474	4,843,509	(52,049)	4,791,460
Sales to external customers	400,445	55,385	78,797	88,507	623,134	-	623,134
Intersegment sales (note (ii))	33,923	431	6,824	(13)	41,165	(41,165)	-
Total sales revenue	434,368	55,816	85,621	88,494	664,299	(41,165)	623,134
Share of net profits of associate (note (iii))	-	(101)	-	-	(101)	-	(101)
Unallocated revenue							19,803
Total revenue and other income							642,836
Segment result pre royalties	61,327	(1,925)	5,661	13,119	78,182	-	78,182
Royalties	7,250	-	(823)	(6,427)	-	-	-
Segment result	68,577	(1,925)	4,838	6,692	78,182	-	78,182
Unallocated revenue less unallocated expenses							12,804
Profit before income tax							90,986
Income tax expense							(29,779)
Profit for the year							61,207
Segment assets	740,632	72,300	242,617	230,812	1,286,361	(10)	1,286,351
Unallocated assets							30,268
Total assets							1,316,619
Segment liabilities	403,883	28,589	110,023	148,455	690,950	4,248	695,198
Unallocated liabilities							18,774
Total liabilities							713,972
Investments in associate and joint venture partnership (note (iii))	-	8,424	-	-	8,424	-	8,424
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	27,675	3,026	5,163	15,057	50,921	-	50,921
Depreciation and amortisation expense	11,256	2,156	2,214	3,936	19,562	-	19,562
Impairment of assets	-	-	-	-	-	-	-
Other non-cash expenses	2,496	623	613	1,951	5,683	-	5,683

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

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

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

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

(iii) Unallocated revenue and expenses
Unallocated revenue and expenses include such items as interest and foreign exchange gains / losses.

14 Earnings per share

	Half year ended 31 December 2008 Cents	31 December 2007 Restated Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	**26.2**	64.0
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	**26.2**	64.0

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

	Half year ended 31 December 2008 $'000	31 December 2007 Restated $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**26,112**	61,207

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

	Half year ended 31 December 2008 Number	31 December 2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**99,608,807**	95,634,033
Adjustments for calculation of diluted earnings per share:		
Options	**30,000**	55,667
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**99,638,807**	95,689,700

15 Correction of error

(a) Correction of error in recording revenue when acting as principal

In April 2008, new legislation in the United Kingdom modified the contractual terms of certain transactions between customers and Travel Agents. The impact of these changes is that Flight Centre UK is now considered to be acting as a principal in these transactions rather than as an agent. This means that the gross amount of sales and cost of sales is recognised in the profit and loss for transactions as principal. In addition, the legislative changes have impacted the timing of revenue recognition such that income is recognised on a flown basis as opposed to when ticketed. These changes were not reflected in the financial report at 30 June 2008.

At 30 June 2008, this misstatement had the effect of understating consolidated deferred income by $2,370k, overstating the consolidated provision for tax by $787k, and overstating consolidated retained earnings and consolidated total equity by $1,583k. Sales and Cost of Sales was also understated by $40,039k and $35,248k respectively for the financial year ending 30 June 2008. There is no impact on sales and cost of sales for the 6 month period to 31 December 2007.

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

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

(b) Correction of error in the treatment of Collateralised Debt Obligation (CDO) financial instruments

In prior reporting periods, Flight Centre has accounted for synthetic collateralised debt obligations (CDOs) as available for sale financial instruments and recognised fair value changes in equity. A synthetic CDO is considered to contain an embedded credit derivative that should be separated from the host debt contract and recognised at fair value through the profit and loss. In the circumstances where the fair value of the embedded derivative cannot be reliably determined (such as in current market conditions), the entire contract (ie both the embedded credit derivative and the host debt contract) should be recognised at fair value through the profit and loss. Flight Centre has restated their financial statements to account for CDOs at fair value through the profit and loss after recent clarification from the IASB regarding the accounting treatment of CDOs.

The impact of this change in accounting treatment at 30 June 2008 is to reclassify CDOs of $18,209 k from available for sale financial instruments to financial assets at fair value through the profit and loss. In addition, all previous fair value gains and losses that were recognised directly in equity have been restated to be recognised directly within the income statement. At 30 June 2008, reserves were understated, and retained profits overstated by $10,500 k (before tax of $3,150k).

At 31 December 2008, a loss of $2,735k was recognised through profit and loss for the period (after tax $1,915k). Market value of the CDOs of $15,936k has been classified as financial assets at fair value through the profit and loss. For the six month period to 31 December 2007, profit before tax was overstated, and reserves were understated by $1,955k (after tax $1,369).

These changes has been corrected by restating each of the effected financial statement line items for the prior year, as described above.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 20 are in accordance with the *Corporations Act 2001,* including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the financial year ended on that date; and

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

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

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

G.F. Turner
Director

BRISBANE
24 February 2009

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Flight Centre Limited, which comprises the statement of financial position as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Flight Centre Limited Group (the consolidated entity). The consolidated entity comprises both Flight Centre Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations* 2001. As the auditor of Flight Centre Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independent auditor's review report to the members of Flight Centre Limited (continued)

Matters relating to the electronic presentation of the audited financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2008 included on Flight Centre Limited web site. The company's directors are responsible for the integrity of the Flight Centre Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Flight Centre Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

R A Baker
Partner

BRISBANE
24 February 2009