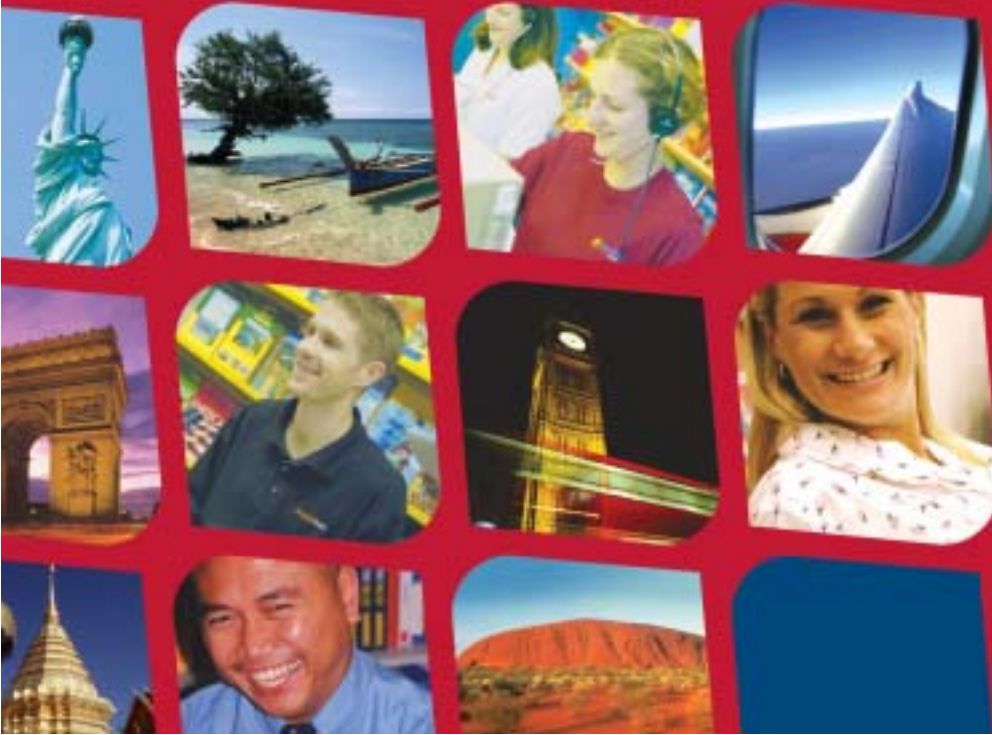




2002-03

FLIGHT CENTRE LIMITED
ANNUAL REPORT



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(This concise report has been derived from the full financial report for the year ended 30 June 2003. As this concise financial report does not provide as full an understanding of the financial results of Flight Centre Limited and its controlled entities, reference should be made to the full financial report. The full financial report will be sent to members upon request, free of charge, or it is available on our website: www.flightcentre.com)



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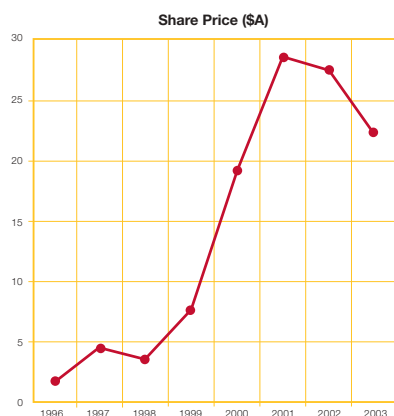


2003 HIGHLIGHTS

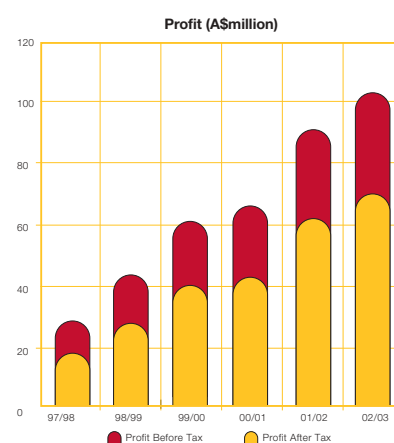
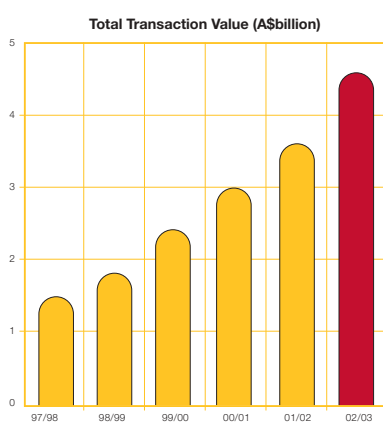
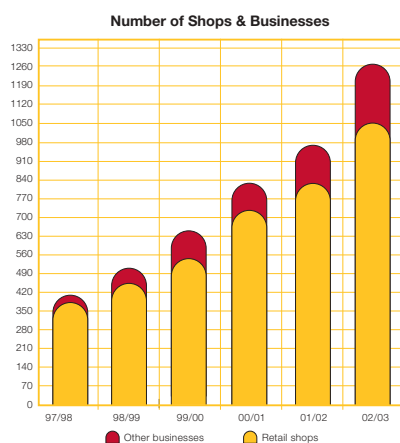
- Total Transaction Value (TTV) of \$44.6 billion, an increase of 26%.
- Revenue of \$626 million, a 30% increase.
- Profit from ordinary activities before income tax of \$102.3 million, an increase of 13% over last year.
- A 13% increase in net profit to \$70 million, which is attributable to members.
- Shops and internal businesses worldwide at the end of the year stand at 1263, up from 975 last year, an increase of 30%. Retail shops increased by 27% to 1054.
- Basic earnings per share of 77.0 cents, compared to 71.6 cents in 2002.
- Directors have declared a final dividend of 25 cents per share, making a total of 43.5 cents for the year fully franked, compared to 37.5 cents in 2002.
- The share price at June 30, 2003 was \$22 and there were 93,267,391 shares on offer, giving the company a market capitalisation of \$2.05 billion.
- Team member numbers increased to 5829 worldwide.

FINANCIAL RESULTS

	1998	1999	2000	2001	2002	2003
TTV (A\$ billion)	1.5	1.8	2.4	3.0	3.6	4.6
Revenue (A\$ million)*	n/a	n/a	n/a	n/a	482	626
Profit from ordinary activities before tax (A\$ million)	28.5	43.4	61.3	66.0	90.5	102.3
Earnings before interest & tax (A\$ million)	27.7	44.0	61.5	66.9	91.0	96.6
Net profit after tax (A\$ million)	18.3	27.9	40.3	42.9	62.0	70.0
Earnings per share (cents)	22.7	34.7	48.4	51.8	71.6	77.0
Dividend per share (cents)	11.0	18.0	25.0	27.5	37.5	43.5
Special dividend (cents)	–	–	–	60.0	–	–



Quarterly	Sep 2002	Dec 2002	Mar 2003	Jun 2003	Total
TTV (A\$ billion)	1.1	1.1	1.1	1.3	4.6
Revenue (A\$ million)	140	142	153	191	626
Profit from ordinary activities before tax (A\$ million)	22.4	22.5	23.9	33.5	102.3



* Revenue is disclosed in accordance with the change in accounting policy. Refer Note 2(a). TTV was previously disclosed as revenue.

CHAIRMAN'S REVIEW

By Norman Fussell



It gives me great pleasure to report that our company has extended its record of achieving improved financial results during the 2002-2003 fiscal year. While our achievements may not have reached the levels we anticipated at the dawn of July 1, 2002, they reflect a good performance, given the many challenges the global travel industry faced.

In a year marked by tragedy in Bali, war in Iraq, terrorism concerns and the SARS outbreak, Flight Centre Limited surpassed its record achievements of 2001-2002 in the key areas of revenue, total transaction value and profit. It is also significant that these results were achieved in a trading environment that saw airlines decrease capacity, thereby significantly reducing the number of seats that were available for sale.

Despite these challenges, Flight Centre Limited's pre-tax profit increased 13 per cent on the previous year to \$102.3 million, with the after tax result also increasing 13 per cent to \$70 million. Total transaction value climbed 26 per cent to \$4.6 billion for the year and helped revenue increase 30 per cent to \$626 million.

Dividends for the year were 43.5 cents per share fully franked, including the 25 cent final dividend that is payable in October. This represents a 16 per cent increase on 2001-2002, with basic earnings per share increasing seven per cent to 77 cents.

At the same time, we continued to grow our business and have built a solid foundation for the future by expanding our retail presence. This saw shop and internal business numbers increase 30 per cent from 975 at the end of 2001-2002 to 1263 at June 30, 2003.

Growth occurred in all countries and was bolstered by the acquisition of a number of businesses, including Britannic Travel in the United Kingdom, American International Travel in Hong

Kong, internet-based hotel booking service quickbeds.com and cruise specialist Cruiseabout. To fund the Britannic purchase, Flight Centre Limited successfully raised \$79.6 million through a 1:20 Non-Renounceable Entitlements offer at \$18 per share. The offer was fully subscribed and enabled the company to preserve cash reserves.

Australia was again the major contributor to overall results, but the rate of growth, at 16 per cent before tax, was surpassed by some of our overseas operations. Performances in Australia were mixed, with best results coming from Flight Centre Brand in New South Wales, Queensland and Western Australia and ITG, the corporate travel business we acquired in 2001-2002.

On the international scene, South Africa and New Zealand performed very well and, in Australian dollars, achieved profit increases of almost 76 per cent and 20 per cent respectively

Profits from both East and West Canada were down on the previous year. There were some encouraging signs in the United States in 2002-2003, with Corporate Traveller Brand profitable for the year, staff turnover decreasing and almost all retail businesses trading profitably in June, which is traditionally our busiest month.

In the United Kingdom, Flight Centre Limited opened 20 new stores, in addition to the 42 outlets that were welcomed following the acquisition of corporate travel specialist Britannic Travel. The overall UK business did not, however, meet company expectations but improvement is expected in 2003-2004, as many issues that hindered travel business in 2002-2003 have passed.

We look forward to our first full year working with the teams at Britannic. Since its acquisition in March 2003, Britannic has made a good financial contribution to the company's overall results, given the prevailing travel climate. The business has maintained its client base and continues to expand under the leadership of founder Alan Spence.

With the addition of AIT and Britannic, coupled with our generic growth, we have increased our presence in the corporate travel market. While we are best known for our leisure travel

operations, we have become a significant player in the global business travel market in recent years, with our Corporate Traveller brand in particular enjoying great success.

Of course, we could not have achieved these results for our shareholders without the magnificent efforts of our more than 5800 people throughout the world. As a company, Flight Centre Limited is fortunate to have outstanding people, from shop level through to the senior management team headed by managing director Graham "Skroo" Turner and chief executive officer Shane Flynn. Once again, our people responded magnificently to the challenges and focused on exceeding our customers' expectations.

Having the right people in the right roles, rewarding them for their achievements and encouraging them to take ownership are key factors in our success. Through our business ownership scheme, our team leaders can buy a percentage of the profits of their businesses, while all employees have access to share options. We adopt an egalitarian approach to our employee options program and it is available to all staff, subject to stringent requirements. Employees also strongly supported our share purchase plan in 2002-2003.

At June 30, Flight Centre Limited's leisure and corporate travel operations included 608 shops in Australia, 121 in New Zealand, 122 in the United Kingdom, 83 in South Africa, 54 in East Canada, 46 in West Canada, 15 in the United States and five in Hong Kong.

Our operations also include a highly-developed technology business, Flight Centre Technology Pty Ltd, that oversees our IT needs and develops new systems. In addition to this, we have continued to grow our online operation, through Flight Centre Direct and quickbeds.com, and have a website in flightcentre.com that generates enquiry and sales. In combination with our global store network, we have developed an extremely solid base to deliver our products to our customers now and into the future in store, online or via the telephone.

We have a strong balance sheet and are well placed to take advantage of future opportunities when they arise.

WORLDWIDE TOP PERFORMERS



1. Retail Top Profit Shop – Bondi Junction 2. Top Retail Consultant – Wayne Ackerfeld 3. Hall of Fame – Maureen Oakhill 4. Hall of Fame – Mary-Ann Josefski 5. Major award winners 2003 6. Hall of Fame – Gerrie Larsen 7. Top Corporate Consultant – Simon Hutton

INTERNATIONAL OVERVIEW

**Australia**

Flight Centre Limited's Australian stores and businesses again accounted for the majority of the company's global financial results, despite the difficulties the travel industry faced during 2002-2003.

Flight Centre Brand in Australia was the largest individual contributor to global profit results. The brand's profit was, however, flat in comparison to 2001-2002 with solid increases in Queensland, New South Wales and Western Australia offset by decreased profits in Victoria, Tasmania and South Australia.

Flight Centre Brand's online operation, Flight Centre Direct, continued to improve and achieved a significant increase in profitability in comparison to its results for 2001-2002.

In the corporate travel area, the brands that make up the Australian Corporate Division collectively improved their results, with ITG (TQ3 Business Travel Solutions) performing strongly.

Overall in Australia, profit and revenue increased 16 per cent and 19 per cent

respectively. Shop and internal business numbers increased 24 per cent, from 587 at the end of 2001-2002 to 729.

Most of this growth was generic, although the company boosted its online presence early in the year with the acquisitions of internet-based hotel booking business quickbeds.com and Sydney-based cruise holiday specialist Cruiseabout.

At the time of the acquisition, quickbeds.com specialised in last-minute accommodation, but its service has since been expanded to include 365-day rates. The Cruiseabout deal gives the company an improved presence in the cruise market and will help Flight Centre Limited take advantage of the opportunities that are available.

In addition to its financial achievements in Australia, the company was judged the country's Best Employer for the second consecutive year and recently collected the title of Australia's Best Travel Agency Group.

**New Zealand**

Flight Centre Limited's New Zealand operation enjoyed great success in 2002-2003, achieving record financial results.

The company's stores and businesses built on their success of 2001-2002 to record significant increases in revenue and profit, with revenue up 41 per cent and profit rising 20 per cent in Australian dollar terms. Shop and internal business numbers also increased 21 per cent to 142 at June 30, 2003.

An emphasis on cost containment and improved margins contributed to the company's solid results. Corporate brand ITG and wholesaler Infinity Holidays also made valuable contributions, with the latter contributing strong profits and override earnings.

Other significant developments during 2002-2003 included the opening of six new Great Holiday Escape stores, the development of a Corporate Division, incorporating the business travel brands that operate in New Zealand, the acquisition of Sir George Seymour College and the launch of Healthwise. In addition, Flight Centre Limited was judged New Zealand's Employer of the Year in the large companies category.

Further expansion is planned in 2003-2004, with the company expected to open 30 new shops and businesses.



United Kingdom

The United Kingdom operation did not perform to expectations in 2002-2003, with the war in Iraq, terrorism concerns and the outbreak of SARS late in the year impacting on overall results. Internal factors, including the cost of expansion and an increased provision for doubtful debts, also slowed financial growth in this emerging market.

In the company's traditional leisure and corporate travel operations, revenue in local currency increased, but profit was down on the previous year's result. Corporate acquisition Britannic Travel traded profitably in its three months as part of the Group, but its overall results were also adversely affected by market conditions and were slightly down on initial expectations.

Major expansion took place in the UK, with generic growth leading to a 32 per cent increase in shop and internal business numbers. Flight Centre UK also welcomed an additional 42 new Britannic businesses, which gave the company 137 stores and internal businesses in the United Kingdom at June 30.

Student Flights opened in the UK in July 2002 and looks set to become a major player in the youth travel market. The Flight Centre UK website was also upgraded and email enquiry added. Both initiatives have proven enormously successful in generating site traffic and enquiries.

Within the workplace, Flight Centre UK came third in the Sunday Times Best Companies To Work For in February and, in April, received an award from the European Commission for making the first ever list of the 100 Best Workplaces in the European Union.



South Africa

After experiencing a difficult year in 2001-2002, Flight Centre South Africa bounced back strongly to make a valuable contribution to the company's overall results in 2002-2003.

In terms of Australian dollars, pre-tax profit increased 76 per cent, with revenue rising by 34 per cent in comparison to the achievements of the previous year. At the same time, the company opened 31 new stores and internal businesses, giving it 111 in the country, a 39 per cent increase on the total at the end of 2001-2002.

Flight Centre Brand soared to record profits, while Corporate Traveller results improved significantly during 2002-2003. Student Flights, a new brand in the South African market, also performed solidly and recorded promising results.

Staff turnover decreased substantially during the year and Flight Centre was voted the 11th Best Company To Work For in the country.



United States

Flight Centre Limited continued its development in the USA during 2002-2003, opening four new shops and internal businesses. This included a shop in a second city, Chicago.

In its third full year of trade, several improvements were seen in the US operation, particularly during the six months to June 30, 2003. Corporate Traveller was profitable on a full year basis, while some encouraging signs emerged within the leisure travel stores with almost all shops profitable in the month of June. While the overall operation is not expected to trade profitably until it reaches a critical mass in store numbers, this achievement is an encouraging sign.

Further expansion will take place in 2003-2004, with the company likely to add four to six new stores to the 18 shops and internal businesses that were operating at June 30.



Eastern Canada

Significant expansion occurred in East Canada in 2002-2003, with the company opening 13 new shops and internal businesses during the year, giving it 64 at June 30, a 25 per cent increase.

While this growth helped deliver a 15 per cent increase in revenue, profit was down on the result achieved during 2001-2002. Operations in East Canada failed to fully recover from the difficulties of the previous year and were again affected late in 2002-2003, when the SARS virus emerged in Toronto.

Margins in Canada were the strongest in the Flight Centre Limited Group, despite an aviation environment featuring no-commission airlines. Corporate Traveller also posted a profit for the year.

Western Canada

The Vancouver-based Western Canada operation was affected by many of the market forces that hampered growth in the country's east during 2002-2003.

In Australian dollar terms, revenue increased by 17 per cent, but profit decreased by 13 per cent in comparison to the previous year. Six new businesses were opened, including a Corporate Traveller office in Calgary, the brand's first in Alberta. Retail expansion also took place with Flight Centre now represented in Edmonton, Alberta's capital city.

Corporate Traveller continued to shine, with the first office in West Canada posting the highest profit of any business in North America and being judged the most improved store globally. Flight Centre Limited was also named the fourth Best Employer To Work For in British Columbia.

At June 30, Flight Centre Limited had 56 shops and internal businesses in Western Canada.



STRATEGIC DIRECTION

by Graham Turner, managing director

Our people can take great pride in their achievements when they look back at 2002-2003, but there is no doubt they have started the new year with a clear vision of the future and with their sights fixed very firmly on their individual and team goals.

In the year ahead, our ambitions as a company are, once again, to develop our people and to grow all areas of our business as we continue our journey toward our longer term aim – to be the world's most successful travel company.

In all areas, the focus will be on continued profitable growth. We will expand our business in our countries of operation and will look at new geographic opportunities as they arise.

We will also continue to grow our business through strategic acquisitions. Acquisitions will make up about 25 per cent of our growth over the next few years and will typically expand our skills and knowledge base, fast track our development in key areas and enable us to tap into market niches.

A key target as we press ahead with our expansion will be to continue our successful staff retention policies and to have comprehensive leadership identification and development systems in place. This will make growth easy, attainable and profitable by ensuring we have a large pool of talented people with the required leadership and operational skills.

At shop level, we will devote considerable attention to capitalising on the sales opportunities that are available on land, in the areas of tours, accommodation and car hire, and at sea, through the cruise market, in addition to building on our traditional strength of selling airfares.

Our retail, corporate and business services operations will continue to develop as separate pillars. They will have separate structures, with the corporatised business services teams playing an integral part in the retail and corporate travel operations by delivering cheaper and better support functions in several key areas.

In terms of suppliers, we will work to improve our preferred supplier relationships and will continue to support those businesses that support us and value our distribution network.

At this early stage, it is not possible to make any predictions as to our likely financial results this year but we have indicated that we expect profit growth of between 15 and 20 per cent.



OPERATIONAL REVIEW

by Shane Flynn, chief executive officer

Despite the many difficulties that emerged, the year to June 30, 2003 was another significant period in the history of Flight Centre Limited. Full credit for our achievements must go to our people and, both individually and collectively, they can take great pride in their accomplishments.

In a challenging but rewarding 12 months, our company continued to build for the future and, in the process, reached a number of milestones. These included our first ever \$100 million pre-tax profit, a landmark result for any business, the opening of our 1000th store and an increase in employee numbers that sees us closing in on the 6000-mark.

We increased our presence in all countries and expanded into a new international market with the acquisition of Hong Kong-based corporate agency American International Travel. We also completed our largest acquisition and became a significant player in the United Kingdom corporate travel market with the purchase of Britannic Travel.

Once again, shareholders were rewarded with increased dividends and increased earnings per share.

External recognition came with the company winning Best Employer awards in both Australia and New Zealand and featuring prominently in similar competitions in the United Kingdom, South Africa and Canada.

Given the turbulence, our achievements during 2002-2003 provide clear evidence of the travelling public's resilience and the strength of our business model. This model evolves constantly and was enhanced in 2002-2003 in several important ways.

One of the most important changes was undoubtedly the introduction of a new wage structure that has been designed to ensure we retain the best people during tough times. We see this change as an extremely positive step and a great investment in our future because it continues to reward achievement and, at the same time, provides our people with a level of security.

When times became tough during the year, we also significantly increased our marketing spend. This increase was not seen as a cost, rather an investment in our future because it was carefully designed to increase enquiry and, ultimately, grow our business at a time when demand for travel products had contracted.

Internationally, it was pleasing to see improvement from the United States stores and businesses, particularly during the six months to June 30. In the US market, we have not yet reached the critical mass in store numbers needed to sustain our support operations.

This critical mass is probably somewhere between 30 and 35 stores. Until we reach that point we will grow slowly but steadily, as we have done in all markets, to ensure we have a solid base and the right leaders in place before we fast track our development.

Once again, I congratulate our more than 5800 people for their efforts in 2002-2003 and look forward to their contributions in 2003-2004.

BRANDS: RETAIL



FLIGHT CENTRE DIRECT

Designed for those with busy lifestyles, Flight Centre Direct is an on-line and over-the-phone travel service that complements the brand's shop network.

Flight Centre Direct operates in Australia and the United Kingdom and allows customers to make all of the necessary travel arrangements, without visiting a store or even leaving home.



FLIGHT CENTRE

Flight Centre is Flight Centre Limited's best-known travel business and is now recognised as one of Australia's most valuable brand names.

The brand's shop network spans Australia, New Zealand, South Africa, the United Kingdom, Canada and the United States, offering customers a comprehensive, one-stop travel service.

Flight Centre consultants worldwide are experienced international travellers with strong service backgrounds. The consultants use this experience to provide expert advice and to arrange everything from escorted tours and accommodation to car hire and visas.

In addition to this value-added travel service, the consultants stand by Flight Centre's core promise to provide customers with the "Lowest Airfares Guaranteed". This means Flight Centre will beat any current genuine airfare quote.

This guarantee is the cornerstone of an aggressive marketing policy, which the company spent more than \$2 million delivering in 2002/2003 in Australia alone. Other marketing initiatives launched in Australia during the year included a "Cheaper Than the Internet" campaign that was designed to enhance Flight Centre's standing as the country's premier provider of discount airfares.

Flight Centre's branding is consistent worldwide. Shops, advertising and all communications are the same to enhance brand awareness. The consistency of shop design means that wherever customers are in the world they can immediately familiarise themselves with the shop.

Stores are in high profile retail locations and are typically found in major CBD sites, shopping malls and strip shopping centres.



BRANDS: RETAIL/ HOLIDAY



GREAT HOLIDAY ESCAPE

Great Holiday Escape is the retail brand of choice for travellers who demand outstanding service, excellent value-for-money and a world of holiday packages to suit all tastes and budgets.

The brand targets middle market consumers and specialises in one-stop holiday packages that incorporate the best available prices with quality, professional and friendly service. Product range and customer loyalty are priorities, and Great Holiday Escape consultants place great emphasis on providing the right holiday advice and exceeding customers' expectations.

Stores are based in major shopping centres in high walk-past traffic locations and have a distinctive blue and gold colour scheme, plus an interior design that makes customers feel as if their holidays have begun as they walk through the door.

Great Holiday Escape was established in 1993 and now has shops in Australia and New Zealand.



The respective TRAVEL ASSOCIATES stores

These stores are boutique-style travel agencies designed to cater for discerning customers who travel regularly in search of new experiences and the ultimate in luxury holidays.

Offices are located in fashionable or historical eatery and shopping locations in Brisbane, Sydney, Melbourne, Tamworth and Auckland and are typically home to teams of three or four people.

Because of their clients' discerning tastes, team leaders are experienced, knowledgeable and well travelled. Similarly, team members are qualified professionals with at least 10 years' industry experience.

Future development relies upon a combination of the right market niches and the right people, so growth will be planned, gradual and profitable.



SHOPPER TRAVEL

Shopper Travel is a specialist agency servicing the retail and corporate travel needs of some of Australia's largest member groups and associations. Groups include 1.2 million union members throughout Australia and 1 million Seniors' Card holders in Queensland and Victoria. Shopper Travel's business is almost exclusively conducted over the telephone and complements Flight Centre Direct operations in Australia.



CRUISEABOUT

Cruiseabout and Turrumurra Travel became part of Flight Centre Limited in December 2002, with the acquisition signaling the group's intention to become a significant player in the cruise market. Cruiseabout was originally launched as an offshoot of the established Turrumurra Travel agency and has subsequently become Australia's largest retail cruise specialist travel agency. The brand has won a string of industry honours and is recognised in the travel industry as one of the leaders of electronic marketing through its website, www.cruiseabout.com.au, and its electronic email database. Turrumurra Travel now trades under the Travel Associates banner.



BRANDS: RETAIL/ YOUTH



STUDENT FLIGHTS

Student Flights satisfies the travel needs of the youth market – students, backpackers and those travelling or working overseas – and specialises in cheap airfares.

The brand was launched in Australia, but has now expanded internationally into South Africa and the United Kingdom. Shops are located in High Street positions, near major universities and TAFE campuses and in high walk-past traffic locations where students typically gather.

Student Flights actively targets inbound tourists and its consultants provide a one-stop service covering everything from adventure travel and student airfares to budget accommodation and bus passes.

Recently, the studentflights.com website has been upgraded to provide additional services to customers and to generate additional enquiry for the stores.

The company sees the potential to meet the youth market's travel needs as a very real opportunity in Australia and worldwide and has earmarked the Student Flights brand for further growth.



OWH

Overseas Working Holidays is a niche brand that specialises in the growing working holiday market. The brand currently has offices in Australia and New Zealand and offers programs in more than 80 countries.

Overseas Working Holidays offers its customers a range of paid employment opportunities, plus the chance to "give something back" by taking part in various volunteer programs. The brand operates as a traditional wholesaler, offering deals to Flight Centre Limited's stores, in addition to offering products directly to the market.

Since the start of the 2003-2004 financial year, a new shop has opened in Brisbane to cater for the increased demand for OWH's products.



OVERSEAS WORKING HOLIDAYS



FANATICS SPORTS TOURS

Fanatics Sports Tours was launched in July 2002 by Flight Centre Limited in conjunction with The Fanatics, the group of sporting spectators that is best known for its vocal support of Australia and Australian sporting teams.

The business now operates in Australia and the United Kingdom and offers three sports and party tour products – Fanatics, Green n' Goldies and Sports Experiences. Fanatics specialises in affordable worldwide tours for 18 to 35 year olds, Green n' Goldies offers escorted supporter tours for fans of all ages and Sports Experiences specialises in leisure travel to the world's leading sports events.



BRANDS: CORPORATE

CORPORATE
TRAVELLER

Corporate Traveller provides business travel solutions for small to medium sized companies with an annual spend of \$50,000 to \$1.5 million. These corporate clients require reliability and personal service, features that Corporate Traveller's experienced account managers expertly provide.

This brand has grown to be our second largest and is now represented in all countries that Flight Centre Limited operates in. It has grown at a faster rate than the main business and has become a key driver for our future success.

Corporate Traveller has a high percentage of regular business and first class travellers. This ensures the brand can negotiate competitive rates and pass these benefits on to its clients.

SBT
BUSINESS
TRAVEL
SOLUTIONS

SBT Business Travel Solutions focuses on large corporations and government departments that need to manage the varied travel requirements of large numbers of employees, within particular budgets. SBT's Citros product allows company chief financial officers to reduce business travel costs by setting specific rules for employees on class of travel and type of accommodation. Travellers can then use Citros to make their own bookings online within those rules and budgets. Citros, with its online abilities to book and manage the travel dollar, provides clients with the opportunity to achieve significant savings.

CAMPUS TRAVEL

Drawing on the multiple strengths of parent company Flight Centre Limited, Campus Travel has been tailored specifically for the unique requirements of universities and colleges. Offering a "One Stop Shop" philosophy for the sophisticated needs within the education sector, Campus Travel offers total solutions in leisure, corporate, conference and research-grant travel. Operating onsite at tertiary institutions or through established off-site offices,

Campus Travel draws on the enormous experience within Flight Centre Limited and its immense global buying power to pass money-saving advice on to the consumer.

AMERICAN
INTERNATIONAL
TRAVEL LTD
(AIT)

American International Travel Limited (AIT) joined the group in August 2002, following Flight Centre Limited's acquisition of the Hong Kong-based corporate travel business. Like Corporate Traveller, AIT specialises in small to medium sized accounts and provides a complete business travel service. AIT is a valuable addition to the Flight Centre Limited group, with its acquisition helping the group meet the eastern Asian travel needs of its corporate clients. The business trades under the TQ3 banner.

STAGE &
SCREEN
TRAVEL &
FREIGHT
SERVICES

Stage & Screen Travel & Freight Services specialises in the travel and freight logistics for the entertainment industry and its supporting businesses. Stage & Screen became part of the Flight Centre Limited group four years ago and now operates in Brisbane, Sydney, Melbourne and Auckland. The business played a key role in a number of major productions on the big and small screens during the past year, including Big Brother 3, the Secret Life of Us and The Night We Called It A Day, starring Melanie Griffiths and Dennis Hopper. Recently, the brand has moved into the sporting market, winning several new Australian accounts in this area.



SBT Business Travel Solutions



BRANDS: CORPORATE

BRITANNIC TRAVEL

Britannic Travel Limited became the newest addition to the Flight Centre Limited Group in March, 2003, following the completion of the group's largest strategic acquisition.

Britannic employs 389 people and has a long and proven record of success. The United Kingdom-based business has a strong network of branches, a high-end client base and an experienced management team, headed by founder Alan Spence.

Like AIT in Hong Kong and ITG in Australia and New Zealand, Britannic operates under the TQ3 banner and provides its clients with a total travel solution. Britannic specialises in providing travel management services to medium and large corporate accounts and is an attractive fit with Flight Centre Limited's Corporate Traveller businesses, which have traditionally focused on small to medium sized accounts.

Together, the Britannic and Corporate Traveller businesses make Flight Centre Limited a significant presence in corporate travel in the United Kingdom.

TQ3

With its acquisition of ITG in April 2002, Flight Centre Limited secured this specialist corporate brand dedicated to providing advanced, state-of-the-art online travel management and reporting solutions for organisations with an annual spend of more than \$1.5 million.

Operating in Australia and New Zealand, TQ3 works closely with Lumina Technologies, a business fully-owned by Flight Centre, to provide customised travel technology solutions to existing and potential customers. This partnership allows TQ3 to offer a complete, individual business solution focusing on process efficiency and cost reductions, in addition to the standard travel agency services.

THE EVENTS CENTRE

Formerly part of ITG, The Events Centre specialises in incentive travel, performance improvement, customer relationship management, conference management and creative design. The business draws on the vast experience of its specialised teams to provide clients with a unique and creative approach to any project.

Together with Conference and Incentive Management in Sydney and Convention and Incentive Services in Melbourne, The Events Centre allows Flight Centre Limited to offer a first class service in this important area of the travel and event organisation market. The success of these three businesses means Flight Centre Limited is now the Asia Pacific region's largest specialist provider in the Conferences, Events & Incentives market.

CIS CONVENTION & INCENTIVE SERVICES

Convention & Incentive Services is a dedicated conference, incentive and event management company. Based in Melbourne, CIS was established in 1986 and acquired by Flight Centre Limited on September 1, 2000. During its 17 years in operation, CIS has developed a strong reputation in providing exceptional service and for designing and delivering imaginative and creative programs efficiently and successfully.

CIM CONFERENCE & INCENTIVE MANAGEMENT

Sydney-based CIM is a highly professional and successful conference, event and incentive management business, offering a full spectrum of customised services for both national and international events. CIM primarily services the business market and arranges conferences, meetings, incentives, seminars, product launches, special events and group air travel. The business has a close-knit team of specialists who meet customers' needs by tailoring projects to specific requirements, regardless of the size or complexity of the task.



BRANDS: WHOLESALE



VFR

VFR operates within Australia's Product Nation and is a niche consolidator that provides product for consultants for the "visiting friends and relatives" ethnic, student and youth markets, among others. Based in Sydney and currently only operating in Australia the brand will continue to source those hard-to-match fares.



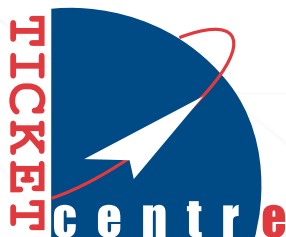
QUICKBEDS.COM

Online hotel booking service quickbeds.com became part of the Flight Centre Limited Group in September 2002.

quickbeds.com initially specialised in last-minute hotel accommodation, but has now been expanded to offer customers year-round rates at more than 1400 properties throughout Australia, in addition to the last-minute specials.

Customers can access the accommodation rates by simply logging on to quickbeds.com or via the Flight Centre Limited retail shop network.

quickbeds.com has been earmarked for expansion both within Australia and overseas in the year ahead.



TICKET CENTRE

Flight Centre Limited's in-house ticketer, Ticket Centre, continues to perform strongly in every country.

Ticket Centre was originally set up to allow our consultants to focus on their customers, rather than spend hours formatting tickets. The business now performs the important function of formatting, issuing and managing all of Flight Centre Limited's airline contracts, adding to the company's overall professionalism and delivering a fast and accurate product to the shops.

Ticket Centre, through its Infolink team, also manages the distribution of information about price and ticket rule changes. The centralised operations decrease administration demands, maximise productivity and provide tangible evidence of the company's market share. Through detailed reporting and analysis, Ticket Centre's services enable Flight Centre Limited to use its buying power to negotiate the best deals for customers.

Ticket Centre globally is looking to integrate all stages of product delivery. This will mean everything from a web booking to issuance of an airline ticket will be streamlined. This system should deliver productivity gains to the shops and to Ticket Centre into the future.



INFINITY HOLIDAYS

Wholesale brand Infinity Holidays supplies holiday packages, cruises, tours and car hire to Flight Centre Limited's retail stores.

Infinity has seen enormous growth over the past year, both in size and market share, particularly in Australia and New Zealand.

In Australia, Infinity has become part of Product Nation and has expanded its product range to include several new destinations and niche products. Infinity Holidays now consists of three divisions in Australia – International Holidays, Australian Holidays and Specialist Holidays, incorporating Cruise and Tour. This structural change is in line with an aggressive sales strategy to enable all Flight Centre Limited retail brands to increase their land-based sales.

In New Zealand, Infinity Holidays enjoyed a record year with turnover doubling on the previous year and profit increasing significantly. From a four-person operation just two years ago, Infinity Holidays has grown to 55 staff providing global land and package products to Flight Centre's New Zealand shops.



OPERATIONS

Cadre

Cadre encompasses many of the teams that operate within Flight Centre Limited's business services division. These teams and businesses include Branding, the Cadre Acquisitions and Integration team, Travel Assist, Global Buying, the Business Improvement Group and Cadre Technology.

The Branding teams are property specialists and oversee leasing, shop design, construction and fitout, ensuring brand integrity is maintained and enhanced. These teams delivered significant savings to the company in 2002-2003, via their negotiations with external parties.

Cadre Acquisitions and Integration is involved in the identification of acquisition opportunities, negotiations and the integration of new businesses into the Flight Centre Limited Group. In the past year, the team was involved in the ongoing integration of the ITG businesses, plus the major acquisitions in Australia, New Zealand, Hong Kong and the United Kingdom.

Travel Assist and Corporate Travel Assist provide 24-hour customer support for the company's shops and corporate offices, a valuable customer service that distinguishes Flight Centre Limited from its competitors.

Global Buying analyses the purchasing of supplies for Flight Centre Limited and delivers savings to the company by negotiating bulk-buying contracts with external suppliers. In the past year, this business continued its expansion by launching its very successful Australian business model and electronic procurement system, EzySelect, globally. Global Buying has also launched StaffStuff.com, a system that offers personal and household items to staff and the general public at reduced prices.



Cadre Technology (Flight Centre Technology Pty Ltd)

Technology is a core component of our businesses throughout the world. Accessing the right information, sharing information and increasing work productivity are essential ingredients in reaching the company's growth and profit objectives. The focus of information technology in Flight Centre Limited is to provide the most cost effective and efficient services, from application development to technical delivery of hardware and software.

Over the past 12 months, information technology has maintained its momentum in reducing costs to the frontline businesses while enhancing product features. With increased economies of scale, continual process improvement and scrutiny of product and supplier delivery, Technology has delivered a further six per cent reduction in costs to shops and businesses.

In 2002-2003, Technology was involved in a number of major projects including the development of a Leisure Sales Desktop, new ticketing and financial systems and a web-based user interface for Flight Centre Limited's corporate clients.

Technology is also upgrading its Strategic Disaster Recovery Site. This will ultimately become a redundant site of the company's major Technology applications, data storage and networking requirements. In the event of any major power or disaster outages, this site will enable shops and users to continue to work. Another project planned for 2003-2004 is the roll-out of ADSL, a system that will deliver faster connection at reduced costs to shops.

Flight Centre Limited continues to invest in technology and in the development of new systems that will produce tangible benefits for the company. In its Lumina product, Flight Centre Limited also owns advanced corporate travel software that is recognised as state-of-the-art.



Business Improvement Group

In its first year of operation the Business Improvement Group has made considerable progress. A business improvement strategy, "World Class", based on the Baldrige Criteria has been developed and is being deployed throughout the company globally. Several nations have conducted a structured self-assessment that enables comparison with world's best practice as well as identifying critical areas for improvement.

The Profit Guide, which is the documentation of all company business systems, was successfully moved from a paper-based system to the Intranet. In addition, the first of several planned Blueprints for Success were written. These booklets are concise "How to" guides for key roles in the company, from retail consultant to Nation Leader.

FC Research has developed a suite of products, which are being used effectively throughout the company. These include regular customer surveys, customer focus groups, staff surveys, and brand awareness surveys. This has stimulated, and coincided with, an increasing focus on the importance of knowing what it is that customers and the marketplace really want.



OPERATIONS (cont.)

PeopleWorks

With our people being the most important factor in our business success, significant resources and development have been invested into our PeopleWorks area.

In recognition of the huge progress the company has made in creating a positive and progressive work environment for its people, Flight Centre Limited again won the prestigious "Best Employer" award in Australia and a similar title in New Zealand during 2002-2003. In addition, Flight Centre UK finished third in a poll of leading workplaces, picking up the Best Leadership award, while in South Africa, Flight Centre Limited was named Best Travel Company and finished 11th overall in the country's Best Employer voting.

The company also performed strongly in Canada with its Toronto-based operation being named the country's third-best company to work for and its Vancouver operation claiming fourth spot in British Columbia. Flight Centre Limited takes great pride in these achievements because the awards are based on feedback from our people.

PeopleWorks operates in all countries and is charged with initially finding and presenting prospective consultants to the company's managers and, later, providing training and personal development opportunities to our

people. Some of the key profit centres within PeopleWorks include the Recruitment Centre, the Leadership Centre, Learning Centre, Moneywise and Healthwise.

In 2002-2003, PeopleWorks continued to expand its products and internal marketshare. Additionally, the business built on its financial success of 2001-2002 by contributing a significant profit to Flight Centre Limited's bottom-line.

Key developments during the past year included an expansion of our learning and leadership programs to cover all shop and support levels and a renewed focus on improving staff retention. In-house health and fitness business Healthwise also introduced an injury management and rehabilitation area and continues to make a valuable contribution for our people, both personally and professionally, by decreasing sick days.

In 2003-2004, PeopleWorks aims to build on its success. The business plans to align its global operations closer to its customers' needs and to introduce standardised systems throughout the world. Special attention will be devoted to leadership training, recruitment and staff retention.

In Australia, a new recruitment website has been launched this year to make the application process faster and easier for prospective employees.

Product Nation

The Product Nation was launched in Australia in December 2001 and has now been introduced globally.

Product Nation has brought together the businesses that are involved in the product, marketing and distribution areas. The nation encompasses a number of areas, including Ticket Centre, Artworks, marketing, air and land contracting, VFR in Australia and Infinity Holidays.

These businesses and their people have a similar focus in their daily work, but were previously part of other nations. With the formation of Product Nation, they now work together in a nation that has been set up to focus on the important areas of product sales and management.



OPERATIONS (cont.)

Finance

Flight Centre Limited continued to develop and enhance its finance operations in 2002-2003 to deliver greater efficiencies and improved service to customers.

All finance businesses are now corporatised and operate on a user-pays basis. This has created efficiencies and improved financial controls, in addition to aiding the development of our people by allowing them to effectively run their own businesses. This corporatisation has also encouraged shops to improve their financial operations as shops with poor financial systems, that take longer to audit are charged higher fees.

Work has also continued on the rollout of our global finance project. One of the key developments in this area has been the introduction of the General Accounting System in Australia and the United Kingdom. This system

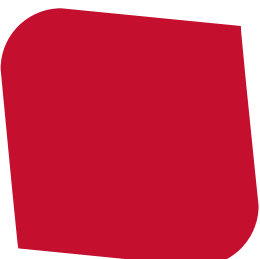
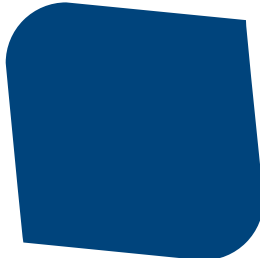
effectively automates the general account process and substantially improves processing time. It has also improved the accuracy of profit estimating for each team and increased the number of shops an accountant can service.

Our Australian-based Treasury team continues to generate solid returns in interest and investment income, while adhering to the strict investment guidelines set by Flight Centre Limited's Board of Directors.

This year, work will continue on the roll-out of Payments Online, a new system that will eliminate the need for cheque payments, thereby producing cost and time savings.

Our ongoing goal is for Flight Centre Limited to become a finance employer of choice in all jurisdictions in which we operate. To do this, finance people have to be regarded as business partners providing input into strategy and operations. To assist in this goal, we have started to roll out a Learning and Development program for all finance staff. A major initiative in this area has been the addition of a learning and development professional to our head office team.

In the next few years, our people will have evolved from process workers to value-adding professionals in a company that provides first class training, career opportunities, personal wealth creation and job satisfaction.



EXECUTIVE TEAMS

Global

Address

157 Ann Street,
Brisbane Qld, 4000
Australia

Contacts

Graham "Skroo" Turner, MD
Shane Flynn, CEO
Jim Sturgess, CFO
Keith "Gadget" Stanley, Marketing
Mark Aponas, PeopleWorks
David Warner, IT Systems
John Ahern, Acquisitions

Retail Brands

Address

157 Ann Street,
Brisbane Qld, 4000
Australia

Contacts

Sue Rennick, General Manager
Joell Ogilvie,
Flight Centre State Leader
Bonnie Parker,
Flight Centre State Leader
Rachel Miller,
Flight Centre State Leader
Reece Farmilo,
Flight Centre State Leader
Kate Chalk,
Flight Centre State Leader
Rob Flint, Holiday Nation Leader
Marg Mulholland,
Youth Nation Leader

Corporate Nation, Australia

Address

60 Margaret St,
Sydney NSW, 2000
Australia

Contacts

Daniel O'Brien, General Manager
Charles Gregory, Financial Services
David Bell, Financial Reporting
Alison Causebrook,
Corporate Traveller
Judith Crompton, TQ3
Gayee McGrath,
Conference and Incentives

Gai Tyrell, TQ3 Sales
Sue Graham, Product

Product Nation, Australia

Address

157 Ann Street,
Brisbane Qld, 4000
Australia

Contacts

Allisa Pollok, General Manager
Natalie Benson, CFO

Cadre, Australia

Address

157 Ann Street,
Brisbane Qld, 4000
Australia

Contacts

Anthony Grigson, General Manager
Katrina Ryan, Financial Controller

What Counts Nation

Address

157 Ann Street,
Brisbane Qld, 4000
Australia

Contacts

Steven Becker, General Manager
(effective September 29, 2003)
Lisa Ciulka, Financial Controller
Louise Ferris, Learning and
Development

PeopleWorks

Address

157 Ann Street,
Brisbane Qld, 4000
Australia

Contacts

Dominique Pomario, Recruitment
Mark MacKerras, Financial Controller



New Zealand

Address

Level 5, Emily Place,
Auckland 1001,
New Zealand

Contacts

Graeme Moore, Managing Director
Chris Greive, GM - Retail
Zac de Silva, CFO
Jeff Smith, Product Nation
David Burns, Corporate Nation
Darren Henare, Technology
Sue Matson, PeopleWorks

EXECUTIVE TEAMS



South Africa

Address

Level 3, Heathway Shopping Centre,
DF Blackheath, Johannesburg 2195,
South Africa

Contacts

Sue Garrett, Managing Director
Karen Taylor, CFO
Dayle White, Business Services
Lee-Ann Scholz, Product Nation
Reeva Taback, Retail Leader



Hong Kong

Address

American International Travel
Level 29, Chinachem Leighton Plaza,
29 Leighton Road, Causeway Bay,
Hong Kong

Contacts

Joseph Kao, Managing Director AIT



United Kingdom

Address

Level 2,
77-83 High Street,
New Malden, Surrey KT3 4BT
United Kingdom

Contacts

Gary "Boxer" Hogan, Managing
Director
Chris Galanty, GM - Retail
Shaylesh Patel, CFO
Carol Dray, Product Nation
Alan Spence, Britannic Travel
Andrew Bliesner, Technology
Lin Hilditch, PeopleWorks
Emma Tustin, Corporate Traveller



North America

Address

1200 West Pender,
Vancouver V6E 2S BC
Canada

Contacts

Andrea Slingsby, President
Mark Brinin, CFO
Greg Dixon, Corporate Traveller
Emma Jupp, Product Nation
Hilary Ewart, PeopleWorks
Grahame Hubbard,
East Canada Retail
Michelle McGuffog, USA Retail

THE BOARD

Norman Fussell

Non-Executive Chairman

Graham Turner

Managing Director

Peter Barrow

Non-Executive Director

Chris Greive

Executive Director

Howard Stack

Non-Executive Director

Alternate Directors Non-Executive

Jim Goldberg

Geoff Harris

Bill James

John Whateley, Company Secretary*

**Greg Pringle was appointed
Company Secretary on
September 3, 2003.*

The Board

1. Peter Barrow
2. Howard Stack
3. Norm Fussell
4. Graham Turner
5. Chris Greive



CORPORATE GOVERNANCE

Role & Responsibility

The functions of the Board include:

- Charting the direction, strategies and financial objectives for the group
- Overseeing and monitoring organisational performance against these goals and objectives
- Ensuring the significant risks facing the company and its controlled entities have been identified and appropriate control, monitoring and reporting mechanisms are in place
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
- Enhancing and protecting the reputation of the organisation
- Appointment of, and assessment of the performance of, the Managing Director and the Chief Executive Officer
- Communicating with and protecting the rights and interests of shareholders and all other stakeholders

Composition

- Currently, there are five directors – three non-executive directors, including the Chairman, and two executive directors.
- The Board meets monthly and receives a summary financial report, incorporating consolidated results and forecasts from each operational division, prior to that meeting.

Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

The Audit Committee comprises Messrs N.C. Fussell (Chairman) and P.F. Barrow.

Details of these directors' qualifications, expertise, experience and attendance at audit committee meetings are set out in the directors' report.

The audit committee has appropriate financial expertise and all members have a working knowledge of the

industries in which the group operates.

The committee's main responsibilities include reviewing the effectiveness of the internal control environment, prudent management of financial risks, reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and the maintenance of an effective and efficient audit.

The Remuneration Committee comprises Messrs N.C. Fussell (Chairman) and G.F. Turner.

The Committee periodically reviews and makes recommendations to the Board on remuneration applicable to executives.

Acquisitions

From time to time the Board delegates to nominated Board members authority in respect to the process of acquisitions.

Resources available to Directors

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

Internal Control Framework

Flight Centre is a systems-orientated company. Through its systems many facets of the company's operations are managed, including recruitment, training, appraisals, information sharing, employee rewards and internal audit.

In order to enhance our existing risk management capacity, two full time lawyers have been employed. The company has commenced the development of an integrated business risk management and compliance framework. This will provide the Board and management with an ongoing program to identify, evaluate, monitor and manage significant risks, with a view to enhancing over time the value of the shareholders' investments and safeguarding the assets.

External auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed

annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every seven years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 28 to the full financial report. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

Shareholder Communications

The Board aims to keep shareholders informed of all major developments affecting the group's activities and its state of affairs through distribution of the concise annual report and through announcements to the Australian Stock Exchange and releases to the media. All such announcements and releases are placed on our website, www.flightcentre.com.

Ethical Standards/Business Conduct

Flight Centre actively promotes a set of values designed to assist all employees in their dealings with each other, competitors, customers and the community. The values endorsed include: honesty, integrity, fairness and respect.

Political Contributions

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

Securities Trading & Trading Windows

The Board has established guidelines governing the purchase or sale of securities in the company by directors and any team members who may be in possession of price sensitive information. They must notify the chairman if buying or selling outside the period of one month after the release of half yearly and yearly results or the Annual General Meeting.

DIRECTORS' REPORT

Your directors present their report on the consolidated financial statements for the year ended 30 June 2003.

Directors

The following persons held office as directors of Flight Centre Limited during the whole of the financial year and up to the date of this report except as otherwise noted:

Directors:	N.C. Fussell	Chairman
	G.F. Turner	Managing Director
	P.F. Barrow	
	C. Greive	
	H.L. Stack	
Alternates:	J.J. Goldberg for C. Greive; G.L. Harris for P.F. Barrow; and W.M. James for N.C. Fussell and H.L. Stack	

Principal activities

The principal continuing activities during the year of the consolidated entity constituted by Flight Centre Limited and the entities it controlled from time to time during the year consisted of the selling of international and domestic travel. There were no significant changes in the nature of the activities of the consolidated entity during the year.

Consolidated results	2003 \$ '000	2002 \$ '000
Net profit of the consolidated entity after income tax	70,020	62,010

Earnings per share	2003 Cents	2002 Cents
Basic earnings per share	77.0	71.6
Diluted earnings per share	76.4	70.9

Dividends

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

	2003 \$ '000	2002 \$ '000
Final ordinary dividend for the year ended 30 June 2002 of 25 cents (2001 16.5 cents) per fully paid share paid on 11 October 2002	22,052	14,125
Interim ordinary dividend of 18.5 cents (2002:12.5 cents) per fully paid share paid on 29 April 2003 (2002:11 April, 2002)	17,216	10,794
	39,268	24,919

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 \$23,316,848 (25 cents per share) to be paid on 17 October 2003 out of retained profits at 30 June 2003.

Review of operations

A review of the company and its controlled entities and the results of those operations for the year are contained in other sections of this Annual Report.

Likely developments and expected results of operations

Disclosure of information relating to the future developments in the operations of the consolidated entity which would not, in the opinion of the directors, be prejudicial to the consolidated entity's interest is contained in other sections of this Annual Report.

DIRECTORS' REPORT (continued)

Information on directors

Director	Experience	Role/responsibilities	Particulars of directors' interests in shares of parent entity	
			Ordinary shares	Options
N.C. Fussell FCPA, FAus IMM, FCIS,FAIM, FAICD	Founding Chairman of Flight Centre Limited. Director of Namoi Cotton Co-operative Ltd. Former Chairman of Anaconda Nickel Ltd, QIDC, Highlands Gold and former Chief Executive Officer of MIM Holdings Limited and the Thiess Group of Companies.	Independent non-executive Chairman Chairman of audit committee Chairman of remuneration committee	136,329	60,000
G.F. Turner BVSc	Founding Director of Flight Centre Limited (Chief Executive Officer for 6 years) with more than 28 years experience in running retail travel businesses in Australia, New Zealand, USA, UK, South Africa and Canada.	Managing Director Member of remuneration committee	17,367,015	-
P.F. Barrow FCA, FAICD	Director of Flight Centre Limited since October, 1995. Director of Cluff Resources NL, senior partner of chartered accounting firm, MacArthur Barrow Thomas. Over 25 years experience with retail travel companies, including 17 years auditing and providing tax advice to Flight Centre Limited.	Independent non-executive director Member of audit committee	100,800	40,000
C. Greive	Director of Flight Centre Limited since 1 August 2001. Managing Director of Flight Centre (NZ) Limited for 10 years. 22 years experience in retail, travel and tour operations in New Zealand, UK and Europe.	Executive director	1,842,133	27,500
H.L. Stack BA, LLB	Director of Flight Centre Limited since August, 1995. Director of Data 3 Limited. Former director of Australian National Industries Limited 1987 - 1997, and former partner of the legal firm, Allens Arthur Robinson.	Independent non-executive director	32,288	50,000
Alternate directors				
J.J. Goldburg BCom, CPA	Director of Flight Centre Limited since 1987, Chairman E Global Pty Ltd, director of Cellnet Group Limited. 17 years experience in retail travel. Prior experience in hospitality, retail and chartered accounting.	Alternate director for C. Greive	6,826,289	-
G.L. Harris Dip. Marketing	Founding director of Flight Centre Limited. In excess of 26 years experience in retail travel. Ran his own successful retail travel business before merging it with Flight Centre in 1987.	Alternate director for P.F. Barrow	16,607,130	-
W.M. James B.Econ, Dip Ed	Founding director of Flight Centre Limited with 28 years experience in the travel business in the UK, Australia, New Zealand, USA.	Alternate director for N.C. Fussell H.L. Stack	14,319,750	-

DIRECTORS' REPORT (continued)

Meetings of directors

The numbers of meetings of the company's directors (including meetings of committees of directors) held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

	Full meetings of directors	Audit	Meetings of committees Remuneration
Number of meetings held	15	3	2
Number of meetings attended by:			
N.C. Fussell	15	3	2
G.F. Turner	13	*	2
G.L. Harris (Alternate)	15	*	*
W.M. James (Alternate)	1	*	*
J.J. Goldburg (Alternate)	5	*	*
H.L. Stack	13	*	*
P.F. Barrow	15	3	*
C. Greive	13	*	*

* Not a member of relevant committee

Retirement, election and continuation in office of directors

H.L. Stack is retiring in accordance with the Constitution at the annual general meeting and, being eligible, offers himself for re-election.

Directors' and executive emoluments

The remuneration committee, consisting of one non-executive director and one executive director, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Employee Option Plan. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

Remuneration and other terms of employment for the Managing Director, the Chief Executive Officer and certain other senior executives are formalised in agreements.

Details of the nature and amount of each element of the emoluments of each director of Flight Centre Limited and each of the five officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive directors of Flight Centre Limited

Name	Directors' fee \$	Super - annuation \$	Options (3) \$	Total \$
P.F. Barrow	25,000	-	43,000	68,000
H.L. Stack	25,000	-	43,000	68,000
N.C. Fussell	50,000	4,500	86,000	140,500

(3) The value attributed to these options is discussed in the "Shares under option" section of this report.

DIRECTORS' REPORT (continued)

Executive directors of Flight Centre Limited

Name	Base salary \$	Bonus \$	Super - annuation \$	Options (3) \$	Total \$
G.F. Turner (Managing Director)	80,000	42,362	7,200	-	129,562
C. Greive (Executive Director)	64,992	67,894	-	-	132,886

Other executives of Flight Centre Limited ⁽¹⁾

Name	Base salary \$	Bonus \$	Debenture interest (2) \$	Super- annuation \$	Options (3) \$	Total \$
D. O'Brien (Global Corporate Leader)	60,000	161,300	444,470	5,400	-	671,170
A. Pollok (Australian Product Leader)	60,565	147,570	188,694	12,426	10,830	420,085
J. Sturgess (Chief Financial Officer)	60,404	150,175	121,380	17,287	10,830	360,076
B. Parker (NSW Flight Centre Brand Leader)	60,000	98,089	184,879	5,400	-	348,368
K. Stanley (Global Marketing Leader)	60,000	130,620	96,889	15,885	10,830	314,224

Other executives of the consolidated entity ⁽¹⁾

Name	Base salary \$	Bonus \$	Debenture interest (2) \$	Super- annuation \$	Options (3) \$	Other benefits (4) \$	Total \$
G. Moore (NZ Managing Director)	53,055	779,373	-	-	-	-	832,428
A. Grigson (Australian Cadre Leader)	60,121	180,031	218,931	18,686	10,830	-	488,599
D. Burns (NZ Corporate Leader)	53,055	202,285	97,138	-	-	-	352,478
V. Astley (former USA Leader resigned 14 February 2003)	105,551	41,047	-	-	-	205,875	352,473
M. McGuffog (USA Leader)	84,397	241,736	3,631	-	-	-	329,764

(1) "Other executives" are officers who are involved in, or who take part in, the management of the affairs of Flight Centre Limited and/or related bodies corporate.

(2) Debentures are an integral part of Flight Centre management remuneration.

(3) The value attributed to these options is discussed in the "Shares under option" section of this report.

(4) Shares issued on the completion of employment, and other benefits issued during employment.

DIRECTORS' REPORT (continued)

Share options granted to directors and most highly remunerated officers

Options over unissued ordinary shares of Flight Centre Limited granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration were as follows:

	Options issued 31/10/02	Options issued 06/09/02	Options granted 14/07/03
Directors			
N.C. Fussell	20,000		
P.F. Barrow	10,000		
H.L. Stack	10,000		
Other executives of Flight Centre Limited			
D. O'Brien		–	3,600
A. Pollok		3,000	3,600
J. Sturgess		3,000	3,600
B. Parker		–	3,600
K. Stanley		3,000	3,600
Other executives of the consolidated entity			
G. Moore		–	3,600
A. Grigson		3,000	3,600
D. Burns		–	3,600
M. McGuffog		–	3,600

Options were issued under the Employee Option Plan on 6 September 2002 and 31 October 2002, and were granted on 14 July 2003. The options are valued at balance date using the Black-Scholes option pricing model.

Shares under option

The company established an Employee Option Plan in 1997 (amended 31 October 2002). Employees and directors of the company (excluding Messrs Turner, Harris, James and Goldberg) are eligible to participate in the plan.

Options, with a life of five years, are granted over fully paid unissued ordinary shares of the company. The options are issued for no consideration and are granted at prevailing market prices. The exercise price is generally calculated at 5% above the weighted average market price during the five day period prior to the options being granted. The following is a summary of the unissued ordinary shares of Flight Centre Limited under option or committed to at the date of this report:

Options issued	Number	Issue date	Issue price of share \$	Expiry date
Flight Centre Employee Option Plan options	130,000	27/11/98	3.73	27/11/03
Flight Centre Employee Option Plan options	704,092	13/08/99	7.62	13/08/04
Flight Centre Employee Option Plan options	20,000	27/11/99	14.15	27/11/04
Flight Centre Employee Option Plan options	316,010	14/08/00	19.71	14/08/05
Flight Centre Employee Option Plan options	40,000	30/11/00	23.49	30/11/05
Flight Centre Employee Option Plan options	31,379	01/07/01	23.52	01/07/06
Flight Centre Employee Option Plan options	526,176	24/08/01	28.68	24/08/06
Flight Centre Employee Option Plan options	40,000	30/11/01	21.98	30/11/06
Flight Centre Employee Option Plan options	18,000	06/09/02	28.40	06/09/07
Flight Centre Employee Option Plan options	40,000	31/10/02	23.73	31/10/07
Flight Centre Employee Option Plan options	25,997	22/01/03	19.69	22/01/06
Options granted				
Flight Centre Employee Option Plan options	1,050,000	14/07/03	22.46	14/07/08

Of the 2.1 million options granted last year, only 18,000 were issued based on hurdle achievement. Employee options are offered to all eligible employees. Key performance indicators and challenging performance hurdles are set annually and options are only issued upon achieving those hurdles. The performance hurdles are generally two-fold based on the total group profit being met and individual businesses meeting or improving upon a pre-determined 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 un-exercised options does not exceed 5% of the company's then issued capital. No option holder has any right under the options to participate in any other share issue of the company.

DIRECTORS' REPORT (continued)

Option valuation

The amounts disclosed for remuneration of directors and executives in this report include the assessed fair values of options issued to directors and executives during the year ended 30 June 2003. Fair values have been assessed using the Black-Scholes option pricing model. Factors taken into account by this model include the exercise price, the expected term of the option, the current price 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 following key assumptions have been adopted: risk free rate 4.73%, expected life of options three years, annual volatility of share price 24.29% and dividend yield of 1.56% (October 2002) and 2.02% (July 2003).

The Black-Scholes pricing model values executive officers options granted 14 July 2003 at \$3.72 and directors options issued 31 October 2002 at \$4.30 (6 September 2002 at \$3.61 and 30 November 2001 \$5.18 respectively).

Shares issued on the exercise of options

The following ordinary shares of Flight Centre Limited were issued on the exercise of options granted under the Flight Centre Limited Employee Option Plan. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares \$	Number under option
During the year ended 30 June 2003		
27 November 1999	14.15	20,000
1 July 2001	23.52	150
27 November 1998	3.73	30,000
13 August 1999	7.62	171,172
14 August 2000	19.71	29,103
Subsequent to year end		
27 November 1998	3.73	20,000
13 August 1999	7.62	15,675
14 August 2000	19.71	1,000

Insurance of officers

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or its controlled entities.

The officers of the company covered by the insurance policy include all the directors and the company secretary. Disclosure of the premiums paid is prohibited by the insurance contract.

Agreement to indemnify officers

Flight Centre has agreed to indemnify the directors and secretaries of the company and its controlled entities.

The indemnity relates to any liability:

- (a) to a third party (other than the company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith, and
- (b) for legal costs incurred in successfully defending civil or criminal proceedings or in connection with proceedings in which relief is granted under the Corporations Act 2001.

No liability has arisen under this indemnity as at the date of this report.

Environment regulation

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

Matters subsequent to the end of the financial year

1,050,000 options have been granted to employees of the group on a similar basis to last year as referred to in the "Shares under option" section. The options were granted, on 14 July 2003, with an exercise price of \$22.46.

Since 30 June 2003 Flight Centre (NZ) Limited has acquired the remaining interest in Infinity Holidays, New Zealand for \$2,894,484 from Amrak Limited of which Graeme Moore, an executive of the consolidated entity, is a significant shareholder.

At the date of this report there is no other matter or circumstance which has arisen since 30 June 2003 that has significantly affected or may significantly affect:

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

DIRECTORS' REPORT (continued)

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

An increase in contributed equity of \$88,120,193 (from \$156,983,013 to \$245,103,206).

	Number of shares	Issue price \$	\$ '000
Shares issued pursuant to purchase agreements:			
Convention and Incentive Services	15,111	24.94	377
Conference and Incentive Management	20,052	24.94	500
Stage & Screen Travel & Freight Services Pty Limited, Traveland Pty Ltd (formerly Radreel Pty Limited) & Frequent Flyers Pty Limited	70,000	6.00	420
ITG Limited	22,452	26.00	584
Acquisition of new businesses:			
Turramurra Travel	14,083	22.33	314
Itchy Feet	1,121	18.48	21
Shares issued pursuant to employee share plans:			
Employee Option Plan	20,000	14.15	283
Employee Option Plan	150	23.52	4
Employee Option Plan	30,000	3.73	112
Employee Option Plan	171,172	7.62	1,306
Employee Option Plan	29,103	19.71	574
Employee Share Plan	115,666	20.24	2,341
Employee Share Plan	188,872	16.19	3,058
Employee Share Plan	22,566	19.70	445
Other shares issued:			
Executive remuneration	8,375	22.02	184
Non-renounceable entitlement offer	4,422,873	18.00	79,612
Non-renounceable entitlement offer costs			(2,015)
Increase in contributed equity	5,151,596		88,120

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts have been rounded off in the directors' report 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 the directors.



Norman Fussell, Director
Brisbane, 28 August 2003



Graham Turner, Director

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	Notes	Consolidated 2003 \$ '000	2002 \$ '000
Revenue from ordinary activities	3	626,039	482,231
Less			
Retail shop expenses		(476,025)	(356,454)
Administration / support expenses		(36,970)	(24,467)
Borrowing cost expenses		(10,719)	(10,782)
Profit from ordinary activities before income tax expense		102,325	90,528
Income tax expense		32,305	28,518
Net profit attributable to members of Flight Centre Limited		70,020	62,010
Net increase in asset revaluation reserve		-	20,431
Net exchange differences on translation of the financial report of foreign controlled entities		(9,230)	(385)
Total revenues, expenses and valuation adjustments attributable to members of Flight Centre Limited recognised directly in equity		(9,230)	20,046
Total changes in equity other than those resulting from transactions with owners as owners		60,790	82,056
		Cents	Cents
Basic earnings per share	6	77.0	71.6
Diluted earnings per share	6	76.4	70.9

The above statements of financial performance should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June 2003

	Consolidated	
	2003	2002
	\$ '000	\$ '000
CURRENT ASSETS		
Cash assets	369,371	293,274
Receivables	161,177	131,532
Other	9,366	4,644
Total current assets	539,914	429,450
NON-CURRENT ASSETS		
Plant & equipment	76,957	60,477
Other financial assets	34	60
Intangibles	167,608	81,263
Deferred tax assets	10,438	9,960
Other	601	845
Total non-current assets	255,638	152,605
TOTAL ASSETS	795,552	582,055
CURRENT LIABILITIES		
Payables	341,851	279,998
Interest bearing liabilities	3,297	1,805
Current tax liabilities	11,482	8,571
Provisions	1,880	23,504
Other	240	165
Total current liabilities	358,750	314,043
NON-CURRENT LIABILITIES		
Payables	23,819	893
Interest bearing liabilities	30,786	27,335
Deferred tax liabilities	2,714	2,132
Provisions	1,856	1,370
Other	10,017	343
Total non-current liabilities	69,192	32,073
TOTAL LIABILITIES	427,942	346,116
NET ASSETS	367,610	235,939
EQUITY PARENT ENTITY INTEREST		
Contributed equity	245,103	156,983
Reserves	9,945	19,175
Retained profits	112,562	59,781
TOTAL SHAREHOLDERS' EQUITY	367,610	235,939

The above statements of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 June 2003

	Consolidated	
	2003	2002
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net receipts	603,387	441,474
Payments to suppliers and employees	(451,383)	(296,908)
Interest received	15,652	8,140
Interest and other costs of finance paid	(10,170)	(9,469)
Income taxes paid	(30,237)	(29,062)
Net cash inflow from operating activities	127,249	114,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Net inflow (outflow) of cash from acquisition of/increase in ownership interest in controlled entity	(63,638)	3,407
Payments for intangibles	(1,551)	(441)
Payments for plant & equipment	(38,162)	(28,261)
Payment for investments	(34)	(787)
Proceeds from sale of plant & equipment	625	1,302
Proceeds from sale of investments	1,668	806
Net cash outflow from investing activities	(101,092)	(23,974)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	86,324	8,714
Proceeds from borrowings	18,351	12,898
Repayment of borrowings	(13,247)	(9,784)
Repayment of lease liabilities	(163)	(120)
Dividends paid	(39,268)	(24,919)
Net cash inflow (outflow) from financing activities	51,997	(13,211)
Net increase in cash held	78,154	76,990
Cash at the beginning of the financial year	293,273	215,308
Effects of exchange rates changes on cash	(2,056)	975
Cash at the end of the financial year	369,371	293,273

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

DISCUSSION AND ANALYSIS

Discussion and analysis of consolidated statement of financial performance

- The Group's revenue for the year is \$626.0 million. This represents an increase of 30% or \$143.8 million from \$482.2 million in 2002.
- Revenue growth was in line with the growth in shop numbers, up 222, a 27% increase on the prior year.
- Based on recent industry trends the company has changed the disclosure of its revenue. Full details of the changes in disclosure are summarised in note 2(a) and note 3.
- Expenses from ordinary activities for the year are \$523.7 million. This represents an increase of 34%, or \$132.0 million, from \$391.7 million in 2002.
- Retail shop expenses increased 33.5% to \$476.0 million from \$356.5 million. These increases are attributable to:
 - 27% growth in shop numbers
 - 4% increase in remuneration costs following the implementation of a revised wages system with the intention of improving staff retention, and
 - 8% increase in advertising costs aimed at maximising market share.
- The net profit attributable to members of Flight Centre Limited is \$70.0 million. This represents an increase of 13%, or \$8.0 million, from \$62.0 million in 2002. Following a strong first half, up 47% on the same period in the prior year, the second half was significantly impacted by the prevailing world events including the war in Iraq, the SARS virus and the concern of terrorism threats.

Discussion and analysis of consolidated statement of financial position

- The consolidated net assets have increased 56% to \$367.6 million.
- The increase in the net assets is primarily the result of the purchase of Britannic Travel Limited and growth in the operations.
- The primary movements in the statement of financial position are:

	\$Millions
Assets	
Increase in cash	76.1
Increase in receivables	29.6
Increase in plant & equipment	16.5
Increase in intangibles on acquisition	86.3
Liabilities	
Increase in current payables	61.9
Decrease in provisions	(21.1)
Increase in non-current payables	22.9
Increase in other liabilities	9.7
Equity	
Increase in contributed equity	88.1

- The increase in contributed equity of \$88.1 million is the result of the equity raising used for the purchase of Britannic Travel Limited, and the issue of shares to employees under the existing employee share plans.

Discussion and analysis of consolidated statement of cash flows

- Cash at the end of the year is represented by cash at bank, \$258.5 million, and client cash of \$110.8 million. The client cash is held on behalf of clients until suppliers are paid.

Operating cashflow

- The net cash inflow from operating activities is \$127.2 million. This represents an increase of 11% from the net cash inflow for the prior year of \$114.2 million. The increase is primarily the result of increased revenue.

Investing cashflow

- The net cash outflow from investing activities is \$101.1 million. This represents an increase of 321% from the net cash outflow for the prior year of \$24.0 million.
- This increase is principally the result of:
 - a \$63.6 million net cash outflow on the acquisition of Britannic Travel Limited and other entities
 - a \$9.9 million increase in the amount of cash paid for plant and equipment in 2003.

Financing cashflow

- The cash inflow from financing activities for the 2003 year is \$52.0 million, compared to a cash outflow in 2002 of \$13.2 million.
- The cash inflow is principally the result of the proceeds from the issue of shares \$86.3 million, which is an increase of \$77.6 million.
- Dividends paid in 2003 of \$39.3 million represent an increase of 58%, or \$14.3 million, on that paid in the prior year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2003

1. CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1039 'Concise Financial Reports' and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The full financial report and auditor's report will be sent to members on request or alternatively it is available at www.flightcentre.com.

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 to the nearest dollar.

2. CHANGES IN ACCOUNTING POLICIES

(a) Revenue recognition

(i) Revenue recognition

Revenue from the sale of travel services is recorded at the time of issuing travel documents. Volume incentives are recorded on a monthly basis in accordance with various supplier contracts.

Included in receipts are rebates that relate to airline sectors flown, accommodation and other related services in all countries in which the company operates. The company's operating activities rely on contracts negotiated with numerous airline, accommodation, and related service providers. Periodically these contracts are renegotiated, resulting in additional commissions, rebates, or other bonuses related to past performance, and are received at the conclusion of the ending contract. Because contracts are re-negotiable on a recurring, periodical basis, the company recognises the additional commissions, rebates, or other bonuses as operating revenue at the time a binding contract is signed by both parties.

(ii) Total Transaction Value

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. TTV is stated net of GST payable.

(iii) Change in accounting policy for classification of revenue

Based on recent industry and accounting disclosure trends the company has changed the disclosure of its revenue from recognising the gross price (TTV – refer (ii) above) at which travel products and services have been sold to recognising as revenue the net commission value ultimately retained by the company. Information on the company's TTV has also been disclosed.

The change was made on the basis that the company acts as an agent arranging international and domestic travel and generally does not take ownership of the products or services being sold. Despite the historical industry practice of disclosing such revenue on a gross basis, the company has made the change as it considers that this disclosure of TTV and revenue gives users a better understanding of the company's financial performance.

As a result of the change in accounting policy the comparative information disclosed has been restated on a consistent basis resulting in a reduction in each of revenue and retail shop expenses of \$3,131,355,589 as disclosed in note 3.

(b) Foreign currency translation

(i) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates.

Gains or costs arising upon entry into a transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred in the statement of financial position from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale. The net amounts receivable or payable under the hedging transaction are also recorded in the statement of financial position. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the designated hedged period are accounted for as having been hedged until the amounts of those transactions in the designated period are fully allocated against the hedged amounts.

(ii) Change in accounting policy

The policy of reflecting the net amounts receivable or payable under the hedging transaction was adopted with effect from 1 July 2002 to comply with AASB 1012 Foreign Currency Translation. In previous years the amounts were not required to be reflected in the statement of financial position. If the change in accounting policy had been adopted in the prior year other liabilities and other assets would have increased by \$6,035,534.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2003

2. CHANGES IN ACCOUNTING POLICIES (continued)

(c) Dividends

Provision is made for the amount of any dividend declared, or determined by the directors on or before the end of the financial year but not distributed at balance date.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets. In previous years provision was also made for any dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed or declared between the end of the year and the completion of the financial report. An adjustment of \$22,028,949 was made against the consolidated and parent entity retained profits at the beginning of the financial year to reverse the amount provided at 30 June 2002 for the proposed final dividend for that year that was recommended by the directors between the end of the financial year and completion of the financial report. This reduced the consolidated and parent entity current liabilities – provisions and total liabilities at the beginning of the financial year by \$22,028,949 with corresponding increases in their net assets, retained profits, total equity and the total dividends provided for or paid during the current year. The restatements set out below show the information that would have been disclosed had the new accounting policy always been applied.

	2003	Consolidated
	\$'000	2002
	(Restated)	(Restated)
Restatement of retained profits		
Previously reported retained profits at the end of the previous financial year	59,781	30,612
Change in accounting policy	22,029	14,107
Restated retained profits at the beginning of the financial year	81,810	44,719
Net profit attributable to members of Flight Centre Limited	70,020	62,010
Dividends provided for or paid (see below)	(39,268)	(24,919)
Restated retained profits at the end of the financial year	112,562	81,810
Restatement of current liabilities - provisions		
Previously reported carrying amount at the end of the financial year	1,880	23,504
Adjustment for change in accounting policy	-	(22,029)
Restated carrying amount at the end of the year	1,880	1,475
Restatement of dividends provided for or paid		
Previously reported total dividends provided for or paid during the financial year	39,268	32,841
Adjustment for change in accounting policy	-	(7,922)
Restated total dividends provided for or paid during the financial year	39,268	24,919

(d) Reclassification of liabilities for certain employee benefits

The liabilities for wages and salaries, annual leave and related on-costs expected to be settled within 12 months of reporting date have been reclassified from provisions to other creditors in the current year as a result of the adoption of the new accounting standard AASB 1044 Provisions, Contingent Liabilities and Contingent Assets. The directors do not believe there are any significant uncertainties relating to the amount and timing of future payments included in the liabilities for these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2003

3. REVENUE FROM ORDINARY ACTIVITIES

	Consolidated	
	2003	2002
	\$'000	\$'000
Total Transaction Value (TTV)*	4,555,255	3,613,586
Revenue from operating activities		
Commissions and fees from the provision of travel services	444,896	380,786
Other revenue from the provision of travel services	148,799	85,217
Other revenue	12,217	3,521
Revenue from outside the operating activities		
Interest	16,410	10,211
Sale of non-current assets	625	1,302
Foreign exchange gains	3,092	1,194
	626,039	482,231

* 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.

Accounting policy note 2(a) (iii) sets out the accounting policy change for the disclosure of revenue. As a result of this change the comparative information has been restated on a consistent basis. In no way does the change in disclosure impact on the reported profit from ordinary activities in either the current period or in any previous period. As a result of the change in accounting policy the comparative figures for revenue and retail shop expenses were each reduced by \$3,131,355,589.

4. EVENTS OCCURRING AFTER BALANCE DATE

1,050,000 options have been granted to employees of the group on a similar basis to last year as referred to in the "Shares under option" section of the directors' report. The options were granted, on 14 July 2003, with an exercise price of \$22.46.

Since 30 June 2003 Flight Centre (NZ) Limited has acquired the remaining interest in Infinity Holidays, New Zealand for \$2,894,484 from Amrak Limited of which Graeme Moore, an executive of the consolidated entity, is a significant shareholder.

At the date of this report there is no other matter or circumstance which has arisen since 30 June 2003 that has significantly affected or may significantly affect:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2003

5. DIVIDENDS

	2003 \$'000	2002 \$'000
Ordinary shares		
Under provision final dividend	23	18
Interim dividend paid		
Franked @ 30% – 12.5 cents per share	-	10,794
Franked @ 30% – 18.5 cents per share	17,216	-
Final dividend recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (note 2(c))		
Franked @ 30% – 25 cents per share	22,029	22,029
Total dividends provided for or paid	39,268	32,841

Dividends not recognised at year end

In addition to the above dividend, since year end the directors have recommended the payment of a final dividend of 25 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 17 October, 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year end as a result of the change in accounting policy for providing dividends (note 2(c)), is \$23,316,848.

Franked dividends

The franked portions of the final dividends recommended after 30 June 2003 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 2004.

	2003 \$'000	Consolidated 2002 \$'000
Franking credits available for the subsequent financial years based on a tax rate of 30% (2002 30%)	37,874	18,993

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

- franking credits that will arise from the payment of the current tax liability
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- franking credits that may be prevented from being distributed in subsequent financial years.

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

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking credits available at 30 June 2002 for the consolidated entity of \$44,317,646 based on after tax profits, were converted so that the opening balance on 1 July 2002 reflected a tax paid amount of \$18,993,277 which is shown as a comparative amount above.

6. EARNINGS PER SHARE

	2003 cents	Consolidated 2002 cents
Basic earnings per share	77.0	71.6
Diluted earnings per share	76.4	70.9
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	Shares 90,971,725	Shares 86,280,054
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	91,605,794	87,120,061
Earnings used in calculating earnings per share	\$ '000 70,020	\$ '000 62,010

Options granted to directors and employees under the Flight Centre Employee 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2003

7. SEGMENT INFORMATION

Business Segments

Flight Centre Limited and its controlled entities operate predominately in one business segment being the sale of travel and travel-related services and products.

Geographic Segments

June 2003

	Australia \$ ' 000	New Zealand \$ ' 000	United Kingdom \$ ' 000	Other \$ ' 000	Eliminations \$ ' 000	Consolidated \$ ' 000
Total Transaction Value	2,991,731	510,970	467,321	591,989	(6,756)	4,555,255
Sales to customers outside the economic entity	388,163	74,266	66,304	77,179	-	605,912
Inter-segment sales	4,415	38	-	280	(4,733)	-
Total segment revenue	392,578	74,304	66,304	77,459	(4,733)	605,912
Unallocated revenue						20,127
Total revenue						626,039
Segment result pre royalties	73,851	15,696	2,293	3,071	(2,991)	91,920
Royalties	14,487	(10,695)	-	(3,792)	-	-
Segment result	88,338	5,001	2,293	(721)	(2,991)	91,920
Unallocated revenue less unallocated expenses						10,405
Profit from ordinary activities before income tax						102,325
Less income tax						(32,305)
Net profit						70,020
Segment assets	480,141	39,992	195,079	58,312	(690)	772,834
Unallocated assets						22,718
Total assets						795,552
Segment liabilities	238,962	31,544	110,140	25,970	859	407,475
Unallocated liabilities						20,467
Total liabilities						427,942
Acquisitions of plant, equipment, intangibles and other non-current assets	23,096	5,474	106,292	8,758	-	143,620
Depreciation and amortisation	20,030	1,983	3,605	4,738	-	30,356
Other non cash expenses	2,755	178	1,435	(217)	-	4,151

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2003

7. SEGMENT INFORMATION (continued)

June 2002	Australia \$ ' 000	New Zealand \$ ' 000	United Kingdom \$ ' 000	Other \$ ' 000	Eliminations \$ ' 000	Consolidated \$ ' 000
Total Transaction Value	2,515,068	365,623	272,385	486,114	(25,604)	3,613,586
Sales to customers outside the economic entity	320,496	47,012	39,646	62,371	-	469,525
Inter-segment sales	3,473	(16)	-	238	(3,695)	-
Total segment revenue	323,969	46,996	39,646	62,609	(3,695)	469,525
Unallocated revenue						12,706
Total revenue						482,231
Segment result pre royalties	69,812	13,134	3,851	3,845	(449)	90,193
Royalties	12,927	(8,867)	(1,510)	(2,550)	-	-
Segment result	82,739	4,267	2,341	1,295	(449)	90,193
Unallocated revenue less unallocated expenses						335
Profit from ordinary activities before income tax						90,528
Less income tax						(28,518)
Net profit						62,010
Segment assets	403,981	45,012	32,724	31,671	61,296	574,684
Unallocated assets						7,371
Total assets						582,055
Segment liabilities	230,115	27,108	26,524	13,450	4,616	301,813
Unallocated liabilities						44,303
Total liabilities						346,116
Acquisitions of plant, equipment, intangibles and other non-current assets	17,580	2,166	2,347	6,609	-	28,702
Depreciation and amortisation	13,576	1,490	1,258	3,673	1,100	21,097
Other non cash expenses	5,386	107	61	425	(23)	5,956

Note to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity. The geographical segments are different to the geographical segments identified in previous years, as the United Kingdom segment has been separated from Other segments. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment assets and liabilities do not include income taxes.

(b) Unallocated revenue and expenses

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

DIRECTORS' DECLARATION

The directors declare that, in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2003 as set out on pages 26 to 35 complies with the Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



Norman Fussell
Director



Graham Turner
Director

Brisbane
28 August 2003

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FLIGHT CENTRE LIMITED

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Flight Centre Limited (the company) for the financial year ended 30 June 2003 included on Flight Centre Limited's web site. The company's directors are responsible for the integrity of the Flight Centre Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the concise financial report of Flight Centre Limited for the year ended 30 June 2003 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration, for the company for the year ended 30 June 2003.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the company for the financial year ended 30 June 2003. Our audit report on the full financial report was signed on 28 August 2003, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



R J Roach
Partner

Brisbane
28 August 2003

SHAREHOLDER INFORMATION

30 June 2003

The shareholder information set out below was applicable as at 25 August 2003.

A. DISTRIBUTION OF EQUITY SECURITIES

(a) Analysis of numbers of shareholders by size of holding:

Range	Holders	Ordinary shares	Percentage of issued shares
1 – 1,000	9,819	2,704,018	2.90%
1,001 – 5,000	1,908	3,977,443	4.26%
5,001 – 10,000	240	1,665,743	1.79%
10,001 – 100,000	172	4,384,016	4.70%
100,001 – over	44	80,574,398	86.35%

(b) There are 22 holders of less than a marketable parcel of ordinary shares.

(c) The percentage of the total holding of the twenty largest holders of each class of shares was:

Ordinary shares	83.52%
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B. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of shares are listed below:

Name	Number of ordinary shares held	Percentage of issued shares
Gainsdale Pty Ltd (ATF G F Turner Family A/C)	17,248,077	18.49%
Gehar Pty Ltd (ATF Geoffrey Harris Family A/C)	16,598,302	17.79%
James Management Services Pty Limited (ATF The James Management A/C)	14,309,500	15.34%
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund A/C)	6,308,904	6.76%
Friday Investments Pty Ltd (ATF The Goldburg Family A/C)	4,478,502	4.80%
Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	3,648,910	3.91%
Westpac Custodian Nominees Limited	2,487,046	2.67%
Trinity Holdings Ltd	1,841,833	1.97%
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	1,784,126	1.91%
National Nominees Limited	1,709,973	1.83%
J P Morgan Nominees Australia Limited	1,620,641	1.74%
RBC Global Services Australia Nominees Pty Limited (JBEMEP A/C)	1,323,026	1.42%
Citicorp Nominees Pty Limited (CFS WSLE Aust Share Fund A/C)	1,144,085	1.23%
Citicorp Nominees Pty Limited (CFS WSLE Industrial Share A/C)	819,786	0.88%
Commonwealth Custodial Services Limited	536,431	0.57%
RBC Global Services Australia Nominees Pty Limited (MLWSIF A/C)	526,287	0.56%
Suncorp Custodian Services Pty Limited (AET)	456,474	0.49%
Uniglobe Holdings Pty Ltd	423,773	0.45%
Mr Shane Joseph Flynn	375,133	0.40%
Citicorp Nominees Pty Limited	288,613	0.31%

C. SUBSTANTIAL SHAREHOLDERS

An extract of the company's register of substantial shareholders is set out below:

Name	Number of ordinary shares held	Percentage of issued shares
Gainsdale Pty Ltd (ATF G F Turner Family A/C)	17,248,077	18.49%
Gehar Pty Ltd (ATF Geoffrey Harris Family A/C)	16,598,302	17.79%
Citicorp Nominees Pty Limited	14,349,974	15.38%
James Management Services Pty Limited (ATF The James Management A/C)	14,309,500	15.34%
Friday Investments Pty Ltd (ATF The Goldburg Family A/C)	6,824,502	7.31%

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 (previously Hirlway 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 as at 25 August 2003 held 1,841,833 shares (1.97%).

D. VOTING RIGHTS

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

Ordinary shares

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

NOTICE OF ANNUAL GENERAL MEETING:

The annual general meeting of Flight Centre Limited

will be held at: Rendezvous Hotel, 255 Ann Street, Brisbane
time: 11.30am
date: 30 October 2003

Directors: N.C. Fussell Chairman
G.F. Turner Managing Director
P.F. Barrow
H.L. Stack
C. Greive

Alternates: J.J. Goldberg for C. Greive, G.L. Harris for P.F. Barrow, W.M. James for N.C. Fussell and H.L. Stack

Secretary: J.A. Whateley (G. Pringle appointed Company Secretary September 3, 2003)

Principal registered office in Australia:

Level 12, 157 Ann Street
Brisbane QLD 4000
Phone (07) 3011 7220

Share register:

Computershare Investor Services Pty Ltd
Central Plaza One
Level 32, 345 Queen Street
Brisbane QLD 4000

Auditor:

PricewaterhouseCoopers
Waterfront Place
Level 17
1 Eagle Street
Brisbane QLD 4000

Solicitors:

Allens Arthur Robinson
Level 32, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Bankers:

Commonwealth Bank of Australia
Level 11, 240 Queen Street,
Brisbane Qld 4000

Stock Exchange listings:

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

COMPANY PURPOSE AND PHILOSOPHIES

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

Our Purpose

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

For people in our company this means our purpose is to open up their world by helping them develop professionally and personally, and for customers, to open up their world through the exciting medium of well organised and targeted travel experiences.

Our Philosophies

1 Our People

Our company is our people. We care for our health and well being, our personal and professional development and our financial security.

2 The Customer is Paramount

We recognise our customers (inside and outside the company) always have a choice. By understanding and exceeding their expectations we will experience ongoing customer loyalty. All customer and company dealings (inside and outside) are done with honesty and integrity.

3 Profit

Profit is the best measure of our success. We believe that the only measure as to whether we are offering something of value to our community is medium and long term individual, team and company profitability.

4 Ownership

We believe that each individual has the opportunity to own part of their success. This happens through profit share or our Business Ownership Scheme (BOS). Ownership means we see the

business that we own part of, and work in, as our business – not just Flight Centre Limited’s business. In all ownership areas (particularly BOS) we have global consistency. We all have the opportunity to own a share of the company by acquiring shares and participating in Option Plans.

5 Incentives

We believe that “What gets rewarded gets done”. Incentives are only based on quantitative outcomes, particularly profit, profit increase, turnover increase, staff retention, numbers of staff developed (leaders) and net income. They are never calculated on qualitative outcomes, nor on subjective performance appraisals. We recognise and celebrate our individual and collective success.

6 “Brightness of Future”

We believe our people have the right to belong to a Team, Area and Nation that provides an exciting “Brightness of Future”. Our people need to see a clear pathway to achieving their hopes, aspirations and dreams. Flight Centre Limited is the vehicle for this journey.

7 Standard Systems – One Best Way

In our businesses there is a best way and everybody operates that way. However, by welcoming change, by valuing common sense over conventional wisdom and through commitment to continuous improvement, we will change to a clearly superior way if it is demonstrated and proven. We encourage open communication and sharing of power, so that as individuals we can make a difference.

8 Our Structure

Our structure is simple, lean and flat. There is a maximum of 4–5 layers:

1. Business teams (Min 3 Max 7 Members)
2. Area Leadership (Min 7 Max 25 Teams)
3. National Leadership (Min 3 Max 10 Areas)
4. Regional Leadership (Min 4 Max 10 Nations)
5. Global SWOT/Board.

Our structure is based on Families (Teams), Villages (4–5 geographical teams that work supporting each other) and Tribes (Areas). All disciplines are set up as corporatised businesses or profit centres with essentially the same structure as above.

9 Taking Responsibility

We take responsibility for our own success or failure. We do not externalise, rather if we have success or problems we “look within” for the reasons. We accept we have total ownership and responsibility but not always total control. It is our own choice whether or not we turn the pressure of work into stress.

10 Egalitarianism & Unity in the Workplace

In our company we believe that every individual should have equal privileges. We will never have separate offices, receptionists or secretaries. Promotion from within will always be our first choice. We believe that work should be challenging and fun for everyone. Within our company there is no “them and us”. We are all going forward together.





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