Annual Report

FLIGHT CENTRE LIMITED 04






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2004 Financial Report

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FLIGHT CENTRE LIMITED 04

2004 HIGHLIGHTS

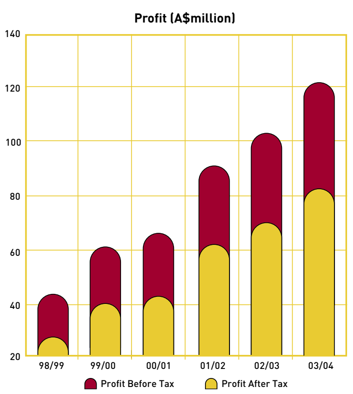
- Increased profit and shareholder returns for ninth consecutive year as a public company
- 21% increase in profit before tax and before amortisation of goodwill, compared to 17% last year.
- 19% increase in profit before tax
- 14% increase in earnings per share
- 16% increase in sales consultants
- Gross margin, revenue as a percentage of total transaction value (TTV), maintained
- An increase in the dividend payout ratio from 55% to 70% - fully franked final dividend of 40.5 cents a share
- A fully franked special dividend of 40 cents per share payable in November 2004
- The share price at 30 June 2004 was $19.11

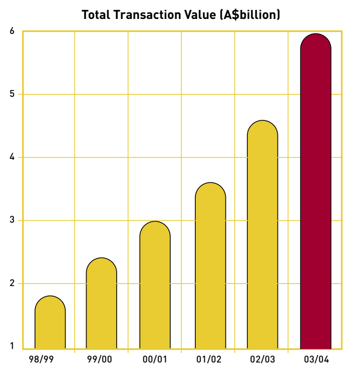
FINANCIAL RESULTS

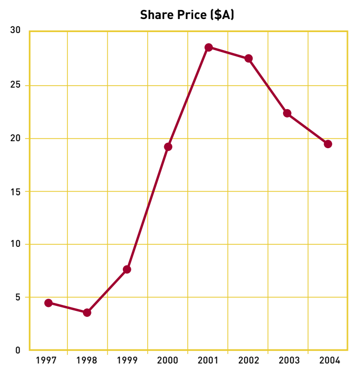
	1999	2000	2001	2002	2003	2004
TTV (A$ billion)	1.8	2.4	3.0	3.6	4.6	5.9
Revenue (A$ million)	221	302	395	482	626	799
Profit from ordinary activities before tax (A$ million)	43.4	61.3	66.0	90.5	102.3	121.3
Earnings before interest & tax (A$ million)	44.0	61.5	66.9	91.0	96.6	117.8
Net profit after tax (A$ million)	27.9	40.3	42.9	62.0	70.0	81.9
Earnings per share (cents)	34.7	48.4	51.8	71.6	77.0	87.4
Dividend per share (cents)	18.0	25.0	27.5	37.5	43.5	61.0
Special dividend (cents)	–	–	60.0	–	–	40.0*

*Payable 26 November 2004

QUARTERLY 2003/04	Sep 03	Dec 03	Mar 04	Jun 04	Total
TTV (A$ billion)	1.4	1.4	1.5	1.6	5.9
Revenue (A$ million)	180	184	203	232	799
Profit from ordinary activities before tax (A$ million)	26.7	24.8	30.2	39.6	121.3







CHAIRMAN'S REVIEW

By Norman Fussell

It gives me great pleasure to report that Flight Centre Limited's growth record continued during the 2003/04 fiscal year. In a volatile environment, the company's people and teams responded to the challenges to ensure Flight Centre Limited increased profit and shareholder returns for the ninth consecutive year as a public company.

In the 12 months to June 30 2004, the company achieved profit growth of:

- 21% before tax and before amortisation of goodwill to $131.4 million,
- 19% before tax to $121.3 million and
- 17% after tax to $81.9 million

Earnings per share increased 14% to 87.4 cents.

Total transaction value increased 29% to $5.9 billion and revenue increased 28% to $799 million.

Dividends for the full year increased 40% to 61 cents a share fully franked, which accords with a new policy decision to increase annual dividends to 70% of net profit.

In November, shareholders will receive an additional fully franked special dividend payment – the second in the past three years – of 40 cents a share. Future special dividends will be considered, subject to the company's operating, capital and acquisition requirements.

Australia was the company's strongest operation in 2003/04, with the established leisure travel business achieving strong results. The United Kingdom businesses also enjoyed healthy growth, while the United States operation continued to improve in its fourth full year. New Zealand and South Africa generated significant profits, but did not enjoy the growth of previous years. Results from Canada were below expectations.

In achieving its strong overall results, Flight Centre Limited has again demonstrated its ability to adapt and grow in a constantly changing market. This adaptability, coupled with an ability to identify and take advantage of new business opportunities, has always been one of the company's great strengths and has ensured that Flight Centre Limited has achieved healthy results throughout its 23-year history.

Clearly, the company continues to benefit from its diversity and the global business expansion undertaken in 2003/04 and in earlier years. This ongoing expansion meant the company started 2004/05 with 1139 retail shops and corporate travel offices. China is our most recent strategic international expansion and is a joint venture corporate travel business based in Beijing.

Once again, the company's generic growth was bolstered by acquisitions. In 2003/04, the company acquired Kistend Travel, a corporate travel business specialising in the academic sector, plus a commercial building in Brisbane.

While not an acquisition, the formation of a unified corporate travel brand, FCm Travel Solutions, creates future growth opportunities, with FCm to be developed as a global network.

Similarly, the continued development of the company's IT business, Flight Centre Technology Pty Ltd, is geared towards building for the future. Already in 2004/05, the company has enhanced its IT and online operations with the acquisition of popular website travelthere.com and its associated software development team.

With the ongoing expansion of its online business, coupled with the continued growth of its global store network, Flight Centre Limited is evolving from a traditional retail operation into a multi-channel travel distribution business. The company has a strong balance sheet and is ready to take advantage of future opportunities when they arise.

In finishing, I would like to congratulate Flight Centre Limited's people throughout the world. These 6900 people – from consultants through to the senior management team headed by managing director Graham Turner and chief executive officer Shane Flynn – focused on exceeding customers' expectations and were intergral to our overall achievements.

OPERATIONAL REVIEW

By Shane Flynn, chief executive officer, executive director

Flight Centre Limited built on its success of previous years to achieve strong growth in the key areas of its business in 2003/04.

The company again proved its resilience in a volatile market to achieve healthy sales growth and improved financial results, including a 19% increase in profit before tax to $121.3 million. Gross margin, revenue as a percentage of total transaction value, was maintained.

Expansion took place in all international markets, as the company continued to develop a strong base for the future. The number of sales consultants increased by 16% as the company opened 120 stores – a 12% increase – and expanded the workforce in existing shops. Growth in total transaction value, at 29%, substantially exceeded growth in shop and staff numbers, a sign that the company enhanced productivity.

Flight Centre Limited also acquired a specialist corporate travel business in Kistend Travel and gained a presence in one of the world's largest markets by forming a joint venture business travel operation in China.

Other significant developments included the launch of a global corporate travel brand, FCm Travel Solutions, and the recent acquisition of travelthere.com. The creation of FCm Travel Solutions has made Flight Centre Limited a major global player in corporate travel, while the travelthere.com acquisition has secured a comprehensive online booking system that can be used throughout the company.

Capital expenditure for the year was $58.5 million and included the $14.2 million acquisition of a commercial building in Brisbane. Benefits from this purchase will include significant cost savings and returns on investment as owner-occupier of the property. Expenditure was otherwise in line with overall growth and primarily related to shop refurbishments, fit-outs and IT spend.

Flight Centre Limited again invested in its people and was recognised in major employer awards during 2003/04. Changes in the shop level wage and incentive structure helped the company achieve good staff retention rates globally, which was a key focus during the past financial year.

In the year ahead, we will strive to grow our business. Our principal global strategies are:

Enhancing productivity
To enhance productivity in our stores and support areas, we will invest a further $10 million in new technology. Through technology, we will make the booking process faster and easier for our consultants, their clients and on-line customers with enhanced access to our product range.

Increasing land-based business
We will use this technological advantage to support our increased focus on higher margin land-based travel and accommodation.

Upstaffing
While we will continue to open new shops, emphasis will be placed on upstaffing – increasing the number of consultants in corporate teams and retail shops. Upstaffing does not incur the high set-up costs and other expenses that new stores face prior to opening and in their early operating periods.

Corporate travel
In the corporate area, we will invest $3 million in the FCm rebranding. Benefits are expected in future years and include enhanced ability to win global accounts, new licensing opportunities and the potential to secure global supplier deals.

Enhancing supplier relationships
We continue to enjoy very good relationships with our business partners and are committed to working closely with and supporting these businesses that clearly support us.

STRATEGIC DIRECTION

By Graham Turner, managing director

Our focus in the year ahead will be on continued profitable growth.

Flight Centre Limited's Australian operation recorded strong growth in 2003/04, particularly in its established leisure operation. Corporate travel was strong in most overseas areas, with Britannic, our acquisition in the UK, continuing to perform well under the management of Alan Spence, the former owner.

Global results in the past year were, by the company's standards, mixed. This year, we will look for improved results in many of the overseas leisure areas and ongoing growth in the corporate areas. We will pursue corporate acquisition opportunities in several regions, with a focus on the USA.

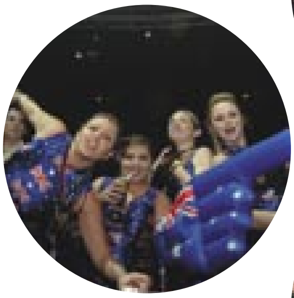
Growth in total transaction value this year will be focused on the UK, North America and New Zealand businesses and to a lesser extent on Australia. This growth will come from corporate team and leisure shop expansion, as well as cost effective upstaffing – increasing the range of services and the size of individual businesses.

In most areas, there has been some difficulty in increasing the company's airfare margins from previous levels. Generally, these margins are holding steady and are not expected to change substantially in the year ahead. In Australia, we have good relationships with Qantas and Virgin Blue and will continue to enhance our relationships. Qantas, Virgin Blue and Flight Centre Limited have substantial market share in their respective fields and are, therefore, dependent on each other for continued success.

The best opportunities to increase margins lie in increasing sales of land and sea product and enhancing productivity from our leisure and corporate sales people. Productivity enhancements will mainly come through the use of off-the-shelf technology systems that the company is currently putting in place.

Like other years, the 2004/05 financial year will be challenging. We anticipate profit growth of 15%. Barring unforeseen circumstances, we will be disappointed if this cannot be achieved.







INTERNATIONAL OVERVIEW

Australia

Flight Centre Limited again achieved strong results in its largest operation, with the Australian business the key contributor to the group's overall profit result.

Australia's leisure travel business was the company's strongest operation in 2003/04, having increased profit by more than 50 per cent. Flight Centre brand achieved strong results in all states, while discount holiday brand Escape Travel's performance improved significantly following its rebranding from Great Holiday Escape.

The corporate travel operation continued to generate significant profit, but was affected by an increase in low margin business in the TQ3 brand and restructuring expenses incurred early in the year.

In the year ahead, performance improvements are expected through enhanced productivity and development of the e-commerce and IT areas.

Shop growth will continue in all retail brands.

In corporate, the focus will be on enhancing "backend" efficiencies through improved systems and new technology, as well as generic expansion of the business. Work will also continue on the rollout of FCm Travel Solutions, the integration of the Kistend and Campus Travel brands and the development of CiEvents.

During 2003/04, the company was judged Australia's best travel group at the National Travel Industry Awards and was highly commended in the country's Best Employer competition.

Factfile

Leisure and corporate travel outlets at June 30, 2004: 646

Increase on 2003: 12%

TTV: $3.8 billion

Revenue: $519.6 million

Retail Brands: Flight Centre, Escape Travel, Student Flights, Travel Associates, Overseas Working Holidays, Cruiseabout

Corporate Brands: FCm Travel Solutions (comprising Corporate Traveller, SBT) CiEvents, Stage&Screen, Kistend Travel, Campus Travel and TQ3 Travel Solutions

Online Retail Brands: flightcentre.com, travelthere.com, quickbeds.com, escapetravel.com.au, studentflights.com.au, travel-associates.com.au

United Kingdom

The overall UK operations made a valuable contribution to Flight Centre Limited's results in 2003/04.

In its first full year as part of the Flight Centre Limited Group, Britannic performed solidly and has successfully adapted to changing commission structures from key airlines. The established corporate and retail businesses also increased profits compared with the previous year and have been earmarked for improvement in 2004/05.

Flight Centre Limited was recognised in several Best Employer awards and continued to expand its UK retail travel operations with new shops opening in several areas, including Brighton, Bristol, Chelmsford and Leeds. In the year ahead, the company aims to increase shop numbers within its generic UK business by 21 per cent. Productivity improvements are also expected, with the introduction of enhanced air and land product databases.

In another new development, the profitable Corporate Traveller businesses have been transferred to Britannic to leverage off the business's efficiencies and synergies.

Emphasis will also be placed on professional development in the year ahead, with a new program called Progression launched to give the company's people the training and development needed to progress to senior management.

Factfile

Leisure and corporate travel outlets at June 30: 124 (including 42 Britannic)

Increase on 2003: 11% in generic UK business

TTV: $792 million

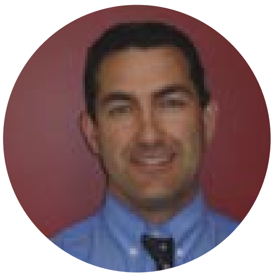
Revenue: $110.0 million

Retail Brands: Flight Centre, Student Flights

Corporate Brands: FCm Travel Solutions (Corporate Traveller), TQ3 Britannic

Online Brands: flightcentre.com





INTERNATIONAL OVERVIEW

New Zealand

The company achieved an $11 million profit before tax in 2003/04, after recording a $15.7 million profit the previous year. Overall results were affected by the cancellation of the NZ-Fiji charter holiday program and costs associated with rebranding Great Holiday Escape to Flight Centre, which together amounted to $3 million.

New Zealand's management team is confident it will improve profit considerably in the year ahead. The business will concentrate on developing one core brand in each market, namely Flight Centre in retail and FCm in corporate travel.

The focus will also be on online operations, with New Zealand set to benefit from the introduction of travelthere.com – to be branded as flightcentre.com in New Zealand – and its associated internet booking engine recently acquired by Flight Centre Limited in Australia.

Factfile

Leisure and corporate travel outlets at June 30, 2004: 140

Increase on 2003: 9%

TTV: $561 million

Revenue: $88.7 million

Retail Brands: Flight Centre, Travel Associates

Corporate Brands: FCm Travel Solutions (Corporate Traveller), TQ3

Online Brands: flightcentre.com

South Africa

In South Africa, the company performed below expectations with overall profit down on the previous year's achievement. A significant factor was the loss of an over-ride bonus payment from the country's major carrier, a cost of nearly $1 million.

Excluding this loss, operational performance was in line with 2002/03. Highlights included strong profit growth from Student Flights brand.

Looking ahead, the South African operation will continue to pursue its growth strategy and will target 10% shop growth. Upstaffing will also help the company improve efficiency and results. An enhanced booking engine will be added to the company's South African website this financial year.

Factfile

Leisure and corporate travel outlets at June 30, 2004: 88

Increase on 2003: 10%

TTV: $299 million

Revenue: $31.2 million

Retail Brands: Flight Centre, Student Flights

Corporate Brands: FCm Travel Solutions (Corporate Traveller)

Online Brands: flightcentre.com

INTERNATIONAL OVERVIEW (CONT.)

Canada

Customer confidence did not rebound as expected after SARS and was severely affected by uncertainty regarding the future of Air Canada and a lack of local airline competition. This prevented Canada from matching the company's success in the United States in 2003/04 and meant the operation recorded a loss of $2.3 million.

Corporate Traveller was again profitable, despite the challenging environment, and will expand in 2004/05.

The overall Canadian operations are expected to improve, with Air Canada expected to leave bankruptcy protection on September 30, WestJet emerging as an alternative carrier and consultant productivity improving with the addition of new technology and systems.

Factfile

Leisure and corporate travel outlets at June 30, 2004: 115

Increase on 2003: 15%

TTV: $336 million

Revenue: $50.7 million

Retail Brands: Flight Centre

Corporate Brands: FCm Travel Solutions (Corporate Traveller)

Online Brands: flightcentre.com

United States

The United States business continued to improve, with a $1.4 million reduction in losses to $2.6 million and the opening of two new retail shops in the operation's fourth full year of trade.

Corporate Traveller was again profitable, while losses from the Los Angeles retail shops reduced by 38 per cent.

Further expansion is planned in 2004/05 as the company moves towards the critical mass in shop numbers needed to generate consistent profit. The company is also actively pursuing strategic acquisition opportunities in the corporate travel sector.

Factfile

Shop numbers at June 30, 2004: 17

Increase on 2003: 13%

TTV: $56 million

Revenue: $8.0 million

Retail Brands: Flight Centre

Corporate Brands: FCm Travel Solutions (Corporate Traveller)

Online Brands: flightcentre.com

WORLDWIDE TOP PERFORMERS

1.

2.

3.

4.


1. Top Corporate Consultant
Zoe Wong, United Kingdom

2. Top Ticket Centre Consultant
Caroline De Lima,
South Africa

5.


3. Top Infinity Consultant
David Morey, Australia

4. Top Retail Consultant
Scott Martin, Australia

5. Directors' Award
Sue Rennick, Australia

Hall of Fame
Aileen Bratton,
Scott Martin,
Lynaire Monnery






FLIGHT CENTRE

Flight Centre is the company'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, the United Kingdom, South Africa, Canada and the United States and offers 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 value-added travel service, customers can also expect the "lowest airfares guaranteed". In Australia, this guarantee means Flight Centre consultants will beat any quote from a competing travel agency for an available airfare.

Flight Centre's branding and design are consistent worldwide to enhance brand awareness. This means customers immediately recognise the company's shops wherever they are in the world.

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

The business also operates a highly successful website, www.flightcentre.com. This website will be upgraded and expanded during 2004/05 to deliver an improved service to online customers.

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 global shop network.

Flight Centre Direct allows customers to make all of the necessary travel arrangements, without visiting a store or even leaving home.

BRANDS: RETAIL

ESCAPE TRAVEL

Escape Travel is the company's discount holiday specialist and caters for travellers that demand outstanding service, excellent value for money and a world of affordable international and domestic holiday packages.

The brand was originally known as Great Holiday Escape and has operated in Australia since 1993. It was relaunched as Escape Travel in January 2004 to better represent the range of services provided as a full service travel agency.

The brand targets middle market consumers and incorporates the "lowest holiday prices" guarantee along with professional, friendly service, product range and customer loyalty. Escape Travel consultants place great emphasis on providing the right holiday advice and exceeding customers' expectations.

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

Website: www.escapetravel.com.au

The respective
TRAVEL ASSOCIATES stores

These stores are boutique-style travel agencies that are 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 years of 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.

Website: www.travel-associates.com.au

BRANDS: RETAIL

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 and other holiday requirements.

The brand was launched in Australia, but has now expanded 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.

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.

Website: www.studentflights.com.au

OVERSEAS WORKING HOLIDAYS

OVERSEAS WORKING HOLIDAYS

Overseas Working Holidays specialises in the growing working holiday market. It offers programs in more than 80 countries and currently has offices in Australia, New Zealand and the United Kingdom.

OWH deals with partner organisations in various countries to source a range of volunteer programs, paid employment opportunities and travel solutions for its clients.

The brand has become a market leader in working holidays and operates as a traditional wholesaler dealing exclusively with Flight Centre Limited's stores, in addition to offering products directly to the market.

Website: www.owh.com.au

BRANDS: RETAIL

CRUISEABOUT

Cruiseabout and Turramurra Travel became part of Flight Centre Limited in December 2002, with the acquisition signalling the group's intention to become a significant player in the cruise market.

Cruiseabout was originally launched as an offshoot of the established Turramurra 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 and electronic email database. Turramurra Travel now trades under the Travel Associates banner.

Website: www.cruiseabout.com.au

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.

Website: www.shoppertravel.com.au

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 at Australian sporting events.

The business operates in Australia and the United Kingdom and offers three sports and party tour products – Fanatics, Green n' Goldies and Sports Experiences.

Website: www.thefanatics.com

BRANDS: CORPORATE

FCm TRAVEL SOLUTIONS

Flight Centre Limited has created one of the world's largest business travel brands, FCm Travel Solutions, by consolidating and expanding its international corporate travel operations.

FCm encompasses the Corporate Traveller businesses throughout the world, SBT in Australia, AIT in Hong Kong, the company's China joint venture and, eventually, ITG and Britannic in Australasia and the United Kingdom, businesses that are currently branded TQ3. Flight Centre Limited will also expand FCm globally by licensing the name to local operators overseas and, in some cases, strategic acquisition.

FCm Travel Solutions is Flight Centre Limited's corporate flagship and the first Asia-Pacific-based global travel management business. The brand caters for travel accounts of all sizes and offers customers corporate travel solutions with the benefits of local choice and expertise and global support.

The brand's people are another significant point of difference. FCm's people are business oriented, fully engaged in understanding customers' needs and focused on rewarding relationships.

The formation of a global corporate travel network has enabled Flight Centre Limited to gain control of its corporate destiny, to deliver an improved service to customers and to develop a uniform information technology platform.










BRANDS: CORPORATE

KISTEND TRAVEL

Kistend Travel was acquired by Flight Centre Limited in September 2003 and, like Campus Travel, specialises in the academic sector. Kistend was established in 1989 and provides end-to-end travel services to major universities in Victoria, as well as an increasing number of interstate education institutions and secondary schools. Clients range from university staff travelling for business reasons to professors undertaking international study tours.

Website: www.kistend.com.au

CAMPUS TRAVEL

Campus Travel has been tailored 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. The business operates onsite at tertiary institutions or through established off-site offices.

Website: www.campustravel.com.au

STAGE & SCREEN

Stage & Screen provides specialist travel services for the entertainment industry and its supporting businesses. Stage & Screen became part of the Flight Centre Limited group five 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, Australian Idol and Channel Seven's Olympics broadcast.

Website: www.stageandscreen.com.au

CiEVENTS

Conference, incentives and events brand CiEvents was launched in September 2003, following the unification of three Flight Centre Limited businesses that previously specialised in these areas.

The Events Centre, Conference & Incentive Management [CIM] and Convention & Incentive Services [CIS] came together to form the new entity, which taps into a national market worth more than $100 million annually.

CiEvents comprises a team of more than 60 professionals with vast experience in conference and incentive management. This collective experience is tailored to the specialist areas of conferences, incentives, event production, group travel, loyalty marketing and design and print.

The events "super brand" provides a one-stop shop for Australian and international businesses.

Website: www.cievents.com.au



BRANDS: WHOLESALE

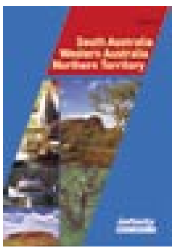
INFINITY HOLIDAYS

Wholesale brand Infinity Holidays supplies accommodation, tours, cruises and car hire to Flight Centre Limited's international shop network and is now the company's largest global supplier of land products.

Infinity is a key part of Product Nation and has been earmarked for significant expansion internationally as Flight Centre Limited increases its focus on land-based sales.

Substantial enhancements were implemented during 2003/04 in Australia in particular, with the business enjoying strong growth in both its domestic and international operations. A new on-line domestic reservation system was also introduced in Australia. This allows both the reservation and accounting aspects of a booking to be captured within one system. This has enabled Infinity to gain control over its product range and pricing of domestic product.

Realignment of the Infinity business within Product Nation globally has ensured that synergies in the business's contracting and fulfillment areas are identified and enhanced.



TICKET CENTRE

Flight Centre Limited's in-house ticketer, Ticket Centre, continues to perform strongly and is a key part of the organisation in every country.

Ticket Centre was originally set up to allow the company's 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 ticketing requirements, adding to the company's overall professionalism and delivering a fast and accurate product to the shops.

Ticket Centre continues to be one of the company's best performing businesses and has been earmarked for improvement in the future, with the introduction of new technology that will enhance productivity and deliver a faster service to the company's shop network.

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, the brand continues to source those hard-to-match fares.

OPERATIONAL REVIEW (CONT.)

GLOBAL OPERATIONS
(including Finance)

The 2003/04 fiscal year was a significant period for Flight Centre Limited's finance teams, with the businesses joining a new and expanded area and driving a number of important initiatives that will benefit the company as a whole.

Previously part of the internal What Counts Nation, the company's finance teams have now joined other related businesses in a new nation that covers the global finance and operational services areas. Businesses that also fall under the Global Operations umbrella include the Business Advisory and Data-related teams.

In one of the most notable achievements of the past year, the General Accounting System was implemented globally. This system effectively automates the general accounting process, substantially improving processing time and the accuracy of profit estimating for each team. In mature markets, GAS has reduced the reporting cycle by two days. Further savings are expected, with additional interfacing.

Work also continued on the rollout of Payments Online, a new system that has eliminated the need for cheque payments, thereby producing cost and time savings.

The company's Australian-based Treasury team again generated solid returns in interest and investment income, while adhering to investment guidelines set by Flight Centre Limited's board of directors. At June 30, this team had more than $460 million in funds under management.

Looking ahead, key projects currently being initiated include the development of a centralised Global Data warehouse project and the introduction of dynamic currency conversion systems in the company's shops. The conversion system will deliver savings to customers, in addition to producing real benefits for the company.

In another new development, closer ties have been established between the Financial Advisory (formerly Fintracs) and Business Advisory teams.

Financial Advisory is the company's internal audit operation and now has a wider scope to ensure financial discipline is maintained. The Business Advisory team reviews individual businesses' operations in strategic, operational, people and financial terms to ensure optimal profit, growth and "one best way" are adopted.

Global Operations has also contributed to Flight Centre Limited's new capital management initiatives, which include an increased dividend payout ratio and a special dividend payment.

BUSINESS IMPROVEMENT GROUP

The Baldrige Quality Program is entrenched as the framework for systematic business improvement in the company. Every nation conducted a structured self-assessment in the past year using the Baldrige Criteria. From this, a number of opportunities for improvement (OFI) have been identified and prioritised. Some of these have formed the basis of OFI projects to improve systems or solve problems. To ensure these projects proceed effectively, each nation has appointed a business improvement manager and a comprehensive Business Improvement Resource intranet site has been built for use by all staff globally.

Furthermore, a number of detailed Business Reviews have been conducted. These are in the nature of an audit to assess how well systems are being followed, as well as to initiate projects to improve those systems.

In the year ahead, there will be a second round of self-assessments to indicate progress made, as well as identify new OFIs. There will be a focus on deploying Quality Improvement Tools training throughout the company to enable staff to be more efficient and better at problem analysis, problem solving and project management.

The FC Research business has grown substantially in the past year. Information from regular global customer surveys, staff feedback and branding research data are all being used as input into improvement initiatives.




OPERATIONAL REVIEW (CONT.)

PRODUCT NATION

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

Product Nation brings together the businesses involved in the product, marketing and distribution areas, including Ticket Centre, Artworks, marketing, air and land contracting, VFR in Australia and Infinity Holidays. These businesses and their people have a similar work focus, 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.

A major focus within Product Nation globally this year will be the introduction of a more disciplined preferred supplier strategy. This will ensure Flight Centre Limited maximises the yields provided by its preferred suppliers.

In addition, the business will focus on delivering standard systems worldwide to take advantage of the synergies that common systems provide.

CADRE

Cadre encompasses many of the businesses that support the company's retail and corporate network. Key businesses include Cadre Technology (Flight Centre Technology), Buying and Branding and the teams in the Hi Ace area.

The Branding teams oversee leasing, shop design, construction and fit-out to ensure brand integrity is maintained and enhanced. The Buying team analyses the company's global purchasing requirements and negotiates bulk deals with external suppliers to deliver significant savings to the company. Hi Ace includes the customer relations and 24-hour customer service teams.

Significant achievements within Cadre during 2003/04 include Cadre Technology's rollout of new ticketing and online reservation systems, the continued growth of Group Buying and the property team's involvement in the purchase of a commercial building in Brisbane.

OPERATIONAL REVIEW (CONT.)

PEOPLEWORKS

The businesses that make up the PeopleWorks area are charged with initially finding and presenting prospective consultants and other professionals to the company's managers and, later, providing training opportunities. Significant resources were invested in this crucial area in 2003/04 as the company continued to focus on its people's personal and professional development.

Productivity enhancements were achieved in all businesses and comprehensive reviews of the company's learning and leadership programs were conducted.

Other key developments included the establishment of the William James School of Business and the launch of MyCareer, a personal career development-planning tool. The William James School of Management is an innovative new tertiary education program that allows Flight Centre Limited's people to work towards gaining bachelor or masters degrees in management in an "on the job" environment. Programs are based on action learning, with students working on real problems in real time, and then writing up the learnings. This helps students develop real problem-solving and leadership skills, benefiting both the individual and the company.

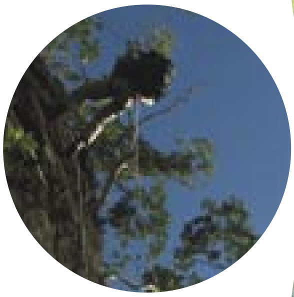
In the year ahead, My Career and the William James School of Business will be rolled out globally, along with the company's ongoing Employee Assistance Program. Individual, area and nation health and wellness indicators will be introduced and a recently developed centralised Learning Library will be implemented.

Overall, a key focus will be on providing specialist learning and recruitment needs to Flight Centre Limited's corporate division.

After being judged Australia's best employer in both 2002 and 2003, Flight Centre Limited was highly commended in 2004. Similar recognition came in the United Kingdom, Canada, South Africa and New Zealand.

Key PeopleWorks Businesses

- Recruitment
- The Learning Centre
- The Leadership Centre
- Healthwise
- Moneywise
- The William James School of Management
- Paymatters (Australia)



OPERATIONAL REVIEW (CONT.)

CADRE TECHNOLOGY

(Flight Centre Technology Pty Ltd)

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

Flight Centre Limited's information technology company, Flight Centre Technology Pty Ltd, aims to provide the most cost effective and efficient services to its customers. Over the past 12 months, information technology has maintained its momentum in achieving this aim, while enhancing product features.

Significant achievements include the completion of a global finance project, deployment of a new ticketing system in Australia and the implementation of a new leadership structure to guide the company into the future.

The company has also established closer ties with its key partners, including Cendent/Galileo, Comindico, IBM, Oracle and Citrix, to achieve mutually beneficial outcomes. An example of these mutually beneficial outcomes is the implementation of Cendent/Galileo's Travelwire fares database within Flight Centre Limited's UK operations.

Flight Centre Limited will invest significant additional resources into the IT area in 2004-2005 and has already acquired a leading Australian travel website and software development team with the purchase of travelthere.com. In the year ahead, Flight Centre Technology will also deploy new sales management systems for Flight Centre Limited's leisure and corporate travel businesses.

eCOMMERCE

Flight Centre Limited has created a dedicated eCommerce division and appointed a global eCommerce leader to drive the growth of this important area.

All Flight Centre Limited web businesses have been consolidated into an eCommerce area creating a successful portfolio of five travel websites including:

- flightcentre.com
- escapetravel.com.au
- studentflights.com.au
- quickbeds.com
- travelthere.com

Continued month-on-month growth has put three of these eCommerce businesses – flightcentre.com, escapetravel.com.au and travelthere.com – among Australia's top travel agency websites.

Australia's number one travel agency site, flightcentre.com, experienced continued success from online sales with a profit growth of 60% in comparison to the previous financial year. flightcentre.com also increased its market share online by more than 30%, giving it a market share of more than twice its nearest travel agency competitor.

quickbeds.com continues to supply accommodation direct to the public and more than 5500 travel agents. The online hotel booking service enjoyed strong growth with total room nights sold increasing by 136% in comparison to the previous financial year.

escapetravel.com.au and studentflights.com.au also improved with the addition of new technology, allowing customers to search and book all domestic airlines in one simple process.

New acquisition travelthere.com and its associated booking technology wil provide a strong future for eCommerce in the area of online travel bookings and dynamic packaging.

Advances have also been made overseas. eCommerce business reviews are underway in all markets and a "pilot" retail shop online booking system has been trialled in North America.

Further growth is planned, with several initiatives currently underway and the establishment of an eCommerce division in each country to drive operations.

Dayle White
EGM, South Africa

Graeme Moore
EGM, New Zealand

Allisa Pollok
EGM, Australia

Andrea Slingsby
EGM, North America

Sue Garrett
EGM, United Kingdom

Executive Teams

Global

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316 Adelaide Street
Brisbane 4000 Australia

Contacts

Graham Turner, MD
Shane Flynn, CEO
Paul Scurrah, EGM – Strategy
Jim Sturgess, CFO
Steven Becker, Global Operations
David Warner, CIO
Anthony Grigson, FCm, Global Corporate Leader
Barry Moore, eCommerce
Keith Stanley, Marketing
Mark Aponas, PeopleWorks
John Ahern, Acquisitions
Gary Hogan, Technology

Australia

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157 Ann Street
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Contacts

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Shannon O'Brien, Corporate
Mark Williams, Product Nation (effective September 28, 2004)
Joell Ogilvie, Cadre
Marg Mulholland, PeopleWorks
Peter Wataman, Technology

New Zealand

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Contacts

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David Burns, Corporate
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Andrew Bliesner, Technology

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Contacts

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Lee-Ann Scholz, Retail
Karin Bygate, Corporate
Ilse Rall, PeopleWorks
Andrew Bliesner, Technology

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Vancouver V6E 2S9 BC Canada

Contacts

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Mark Brinin, CFO
Carole Cooper, Retail – Canada
Michelle McGuffog, Retail – USA
Greg Dixon, Corporate
Emma Jupp, Product Nation
Hilary Ewart, PeopleWorks
Sean Sutherland, Technology

The Board

Norman Fussell
Non-executive chairman
Graham Turner
Managing director
Peter Barrow
Non-executive director
Shane Flynn
Executive director (appointed 29.01.04)
Howard Stack
Non-executive director
Geoff Harris
Alternate director non-executive

Greg Pringle, Company secretary

Norman Fussell

Graham Turner

Peter Barrow

Shane Flynn

Howard Stack

CORPORATE GOVERNANCE PRINCIPLES

1. Lay solid foundations for management and oversight

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

The board's functions include:

- Charting the group's direction, strategies and financial objectives
- Overseeing and monitoring organisational performance
- Identifying risks and implementing appropriate control, monitoring and reporting mechanisms
- Appointment, performance assessment and, where appropriate, removal of the chief executive officer, chief financial officer and company secretary
- Ensuring the board structure and composition is effective
- Approving and monitoring the progress of major capital expenditure, acquisitions and capital management

All significant matters are dealt with by the full board. To assist in its deliberations, the board has established a number of committees that act primarily in a review or advisory capacity.

2. Structure the board to add value

The board includes a majority of non-executive directors with a complimentary mix of skills that provide the desired depth and experience. Currently there are three non-executive directors, including the chairman, and two executive directors.

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

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

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

Nominations Committee
Due to the small size of the Flight Centre Limited board, the full board is considered a more effective and appropriate mechanism to deliberate selection, appointment and performance matters.

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

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

The board is of the view that the current non-executive directors qualify as independent.

3. Promote ethical and responsible decision making

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. These values are incorporated into the company core philosophies and considered the equivalent of a Code of Conduct as it sets out the standards expected of all employees.

Company Philosophies
The company philosophies are included in the annual report.

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

Trading Policy
The board has established guidelines governing the purchase or sale of securities in the company by directors, employees and contractors who may be in possession of price-sensitive information. The board has resolved to confine any dealings in the company's shares to a period of 30 business days following the public release of the company's financial results. Should new price sensitive information emerge during this period, directors, employees and contractors are not permitted to trade in the company's shares.

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

CORPORATE GOVERNANCE PRINCIPLES

4. Safeguard integrity of financial reporting

Audit Committee
Audit committee functions include:

- Recommending the external auditor's appointment / removal, reviewing the auditor's performance and audit scope
- To help the board oversee the risk management framework, including determining the internal audit's scope, ratifying the chief internal auditor's appointment / removal and contributing to the chief internal auditor's performance assessment
- Reviewing the company's published financial results
- Reporting to the board on matters relevant to the committee's role and responsibilities

Committee Composition
The audit committee includes two independent directors, Norman Coldham Fussell (chairman) and Peter Barrow, who report to the full board and have extensive experience and expertise in accountancy, financial management and corporate finance. Details of the directors' qualifications and attendance are set out in the annual report.

The board has reviewed the committee's membership and is satisfied that, given the size of the Flight Centre Limited board, the committee has appropriate financial representation, notwithstanding the fact that the chairman of the audit committee is the chairman of the board.

Refer to **www.flightcentre.com** for audit committee charter

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

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

Certification of Financial Reports
The chief executive officer and chief financial officer certify that the company's accounts are a true and fair representation of the company's financial results and position.

5. Make timely and balanced disclosure

As per Australian Stock Exchange Listing Rules, Flight Centre Limited will immediately disclose to the public any information that a reasonable person would expect to have a material effect on the value of its shares.

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

All information communicated to the ASX is posted on the company website.

All shareholders receive a copy of the company's annual and half-yearly report. The company is investigating opportunities for shareholders to participate using electronic means.

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

6. Respect rights of shareholders

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

CORPORATE GOVERNANCE PRINCIPLES

Auditor Communication
The external auditor is asked to attend the Annual General Meeting to answer shareholder questions concerning the conduct, preparation and content of the audit report.

Refer to **www.flightcentre.com** for the Communications Policy.

7. Recognise and manage risk

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

The company is developing 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, to enhance over time the value of the shareholders' investments and to safeguard assets.

The Company Secretariat includes the Risk Management, Internal Audit and Legal divisions and oversees the group's risk management and compliance matters. The Internal Audit and Business Review divisions are dedicated functions responsible for ensuring the adoption of prudent financial and non-financial risk management measures.

Audit and business reports are provided to the board.

The chief executive officer and chief financial officer have provided the board with a formal sign off regarding the soundness of the risk management and internal controls.

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

Risk Profile
Factors representing general risks include:

- The general state of the Australian and international economies;
- Adverse currency and interest rate movements;
- The outlook of the tourism sector generally;
- Low barriers to entry and modest start-up costs.

Factors which represent specific risks to Flight Centre include:

- Adoption of the internet as a distribution channel;
- Adverse changes in commission arrangements or rates payable to the group;
- The occurrence of significant international armed conflict;
- A dramatic change in customer travel/leisure patterns and tastes;
- Loss of key staff and higher than forecast staff turnover;
- Adverse changes in government regulation.

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

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

Flight Centre Limited's brand and geographical diversity assists the company to achieve continuous growth.

Flight Centre Limited continues to enjoy strong relationships with its business partners and is developing a comprehensive online operation to complement its shop growth and to better satisfy client needs. This operation includes Australia's most popular travel agency website, flightcentre.com, and an online booking system that can be used on the company's websites.

Further IT initiatives and developments will enhance the company's "clicks and mortar" sales strategy and allow it to create a comprehensive multi-channel distribution system.

Flight Centre Limited invests heavily in its people through training and empowerment.

CORPORATE GOVERNANCE PRINCIPLES

8. Encourage enhanced performance

The board evaluates its collective performance, at which time various issues are considered including; the quality of the board's relationship with management, board succession and complementary skill mixes and the board's role, contribution and effectiveness.

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

All senior executives have "one-on-one" meetings with the chief executive officer or managing director. The board receives a monthly information pack including:

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

The board requests additional information as required.

Board members are entitled to seek independent advice once notification has been made to the chairman.

The company secretary facilitates corporate governance and distributes agenda items and information papers. The company secretary is accountable to the board through the chairman.

9. Remunerate fairly and responsibly

It is a fundamental remuneration policy in Flight Centre Limited to link performance and accountability with reward.

The remuneration details of the directors and the highest paid executives are outlined in the annual report.

The board delegates responsibility for remuneration practises to the remuneration committee.

Remuneration Committee
The remuneration committee helps determine appropriate remuneration policies and consists of the chairman and managing director. The board believes that, given its size, the existing committee satisfactorily addresses this function. The board considers a remuneration charter is not necessary at this stage.

Equity Issuance
Executive remuneration consists of a retainer, a performance-based incentive and possible equity participation through the Employee Share Plan or option schemes. Equity based remuneration is issued in accordance with shareholder approval.

The chairman and managing director are not involved in the approval of their own remuneration packages.

Non-executive directors receive no additional retirement benefits other than the statutory requirements.

The remuneration committee's attendance details are outlined in the annual report.

10. Recognise other legitimate interest of stakeholders

Flight Centre Limited's company philosophies are endorsed by the board and apply to all directors and employees. The philosophies require all company personnel to act with integrity and are supported by numerous policies relating to legal and ethical compliance.

The company's philosophies can be viewed in the annual report.

The company recognises its corporate social responsibility and has committed to fulfilling this obligation by contributing to several charitable initiatives.

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.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Flight Centre Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

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

N.C.Fussell
G.F.Turner
P.F.Barrow
H.L.Stack
S.J.Flynn (Appointed 29 January 2004)
C.Greive (Resigned 29 January 2004)
G.L.Harris (Alternate)
Alternate directors J.J.Goldburg and W.M.James resigned effective 29 January 2004.

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 consolidated entity's activities during the year.

Dividends - Flight Centre Limited

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

	2004 **$'000**	2003 $'000
Final ordinary dividend for the year ended 30 June 2003 of 25 cents paid 17 October 2003 (2002 - 25 cents) per fully paid share	**23,381**	22,052
Interim ordinary dividend for the year ended 30 June 2004 of 20.5 cents paid 26 March 2004 (2003 - 18.5 cents) per fully paid share	**19,240**	17,216
	42,621	39,268

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $38,235,466 (40.5 cents per fully paid share) on 15 October 2004. In addition, the directors have recommended the payment of a special dividend of $37,763,424 (40 cents per share) on 26 November 2004.

Review of operations

A summary of consolidated results is set out below:

	2004 **$'000**	2003 $'000
Profit from ordinary activities before income tax expense	**121,326**	102,325
Income tax expense	**(39,399)**	(32,305)
Profit from ordinary activities after income tax expense	**81,927**	70,020

A review of the company and its controlled entities and the results of those operations for the year are contained in the Directors' Review and the Operations Report.

Earnings per share

	2004 **Cents**	2003 Cents
Basic earnings per share	**87.4**	77.0
Diluted earnings per share	**87.2**	76.4

DIRECTORS' REPORT (CONTINUED)

Matters subsequent to the end of the financial year

Since 30 June 2004, Flight Centre Limited and its controlled entities acquired the assets and operations of travelthere.com and the software assets of Contal Pty Ltd for total consideration of $5,000,000. travelthere.com is an internet travel site that facilitates the integrated booking of travel. The purchase provides software to enhance the booking of travel on the internet by providing multiple airfares in one easy to use screen.

Except for the acquisition discussed above, no other matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

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

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 the Directors' Review and the Operations Report in the annual report.

Environmental 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.

DIRECTORS' REPORT (CONTINUED)

Information on directors

Director	**Experience**	**Special responsibilities**	**Particulars of directors' interests in shares and options of: Flight Centre Limited** Ordinary shares	Options
N.C.Fussell FCPA, FAus IMM, FCIS, FAIM, FAICD Age: 66	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. Audit committee chairman. Remuneration committee chairman.	136,329	60,000
G.F.Turner BVSc Age: 55	Founding director of Flight Centre Limited (chief executive officer for six years) with significant experience in running retail travel business in Australia, New Zealand, USA, UK, South Africa and Canada.	Managing director. Member of remuneration committee.	17,217,015	-
P.F.Barrow FCA, FAICD Age: 53	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 prior to being publicly listed.	Independent non-executive director. Member of audit committee.	70,800	40,000
H.L.Stack BA, LLB Age: 59	Director of Flight Centre Limited since August, 1995. Director of Data 3 Limited and former director of Voxson Ltd. 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	40,000
S.J.Flynn Age: 44	Flight Centre executive for 18 years with extensive experience in retail and corporate travel. Former executive general manager of Flight Centre South Africa.	Executive director. Appointed 29/01/04. Chief executive officer.	400,133	20,800
G.L.Harris Dip.Marketing Age: 53	Founding director of Flight Centre Limited. In excess of 25 years experience in retail travel. Ran his own successful retail travel business before merging it with Flight Centre in 1987. Director of Boost Juice.	Alternate.	16,457,130	-

DIRECTORS' REPORT (CONTINUED)

Company secretary

The company secretary is Mr G.Pringle BA, LLB, MBA (UQ), PG Dip IR. Mr Pringle was appointed to the position of company secretary in September 2003. Before joining Flight Centre Limited he was a senior risk management advisor with PricewaterhouseCoopers, head of compliance of a large financial institution and a former magistrate and barrister.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees Audit		Meetings of committees Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
N.C.Fussell	20	20	5	5	4	4
G.F.Turner	16	20	*	*	4	4
H.L.Stack	19	20	*	*	*	*
P.F.Barrow	19	20	5	5	*	*
S.J.Flynn (Appointed 29/01/04)	6	9	*	*	*	*
G.L.Harris (Alternate)	12	20	*	*	*	*
C.Greive (Resigned 29/01/04)	11	12	*	*	*	*
W.M.James (Alternate - resigned 29/01/04)	-	12	*	*	*	*
J.J.Goldburg (Alternate - resigned 29/01/04)	4	12	*	*	*	*

Total description

A Number of meetings attended

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

* Not a member of the relevant committee

Remuneration report

(a) Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. Underpinning this framework is the core philosophy of 'ownership by our people', which ensures opportunities for employees to invest in their own success. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As people gain seniority within the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

(i) Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The chairman is not present at any discussions relating to determination of his own remuneration. Directors do not participate in the Flight Centre Limited Employee Option Plan.

(ii) Directors' fees

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

DIRECTORS' REPORT (CONTINUED)

(iii) Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the Flight Centre Limited Employee Option Plan and Employee Share Plan
- other remuneration such as superannuation contributions.

The combination of these comprise an executive's total remuneration.

(iv) Base pay

Executives are offered a base pay element which has been capped by the remuneration committee at $80,000 for executive directors and $60,000 for executives. In keeping with Flight Centre's philosophy of 'what gets rewarded gets done', an executive's pay is heavily weighted towards short-term incentives.

There are no guaranteed base pay increases in any senior executive's contract.

(v) Superannuation contributions

Executives receive the benefit of superannuation contributions paid to a defined contribution superannuation fund sponsored by Flight Centre Limited. Payments are made in accordance with relevant government legislation.

(vi) Short-term incentives

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

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

(vii) BOS Interest

An integral part of an executive's position is the opportunity to participate in the Business Ownership Scheme (BOS) unsecured note program. The BOS program enables invited staff to invest directly in the operations of their division.

A cash investment is made at the discretion of the executive and entitles the executive to participate in the growth in profits of the business area through the receipt of an interest return on investment. The executive is exposed to the risks and rewards of his or her business as investments and returns are not guaranteed by Flight Centre Limited or any of its group companies.

(viii) Share based compensation

For details on the Flight Centre Limited Employee Option Plan and Employee Share Plan refer to note 29 and note 34 in the financial statements.

(b) Details of remuneration

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 consisting of Flight Centre Limited and the entities it controlled receiving the highest emoluments for the year ended 30 June 2004 are set out in the following tables.

(i) Non-executive directors of Flight Centre Limited

Name	Directors' base fee $	Super - annuation $	Total $
N.C.Fussell	145,000	13,050	158,050
P.F.Barrow	70,000	-	70,000
H.L.Stack	60,000	4,500	64,500

DIRECTORS' REPORT (CONTINUED)

(ii) Executive directors of Flight Centre Limited

	Primary		Other	Post-employment	
Name	**Cash salary and fees $**	**Incentive $**	**BOS Interest $**	**Super - annuation $**	**Total $**
G.F.Turner Managing director	80,000	127,182	-	7,200	214,382
S.J.Flynn* Chief executive officer (appointed 29/01/04)	80,000	385,123	160,980	16,200	642,303
C.Greive Executive director (resigned 29/01/04)	21,545	46,353	-	-	67,898

* S.J.Flynn was appointed as director on 29 January 2004. He remains the company's chief executive officer, the position he held prior to his appointment as director. Amounts shown above include all Mr Flynn's remuneration during the reporting period whether as a director or as chief executive officer.

(iii) Other executives of Flight Centre Limited (1)

	Primary		Other	Post-employment	Equity	
Name	**Cash salary & fees $**	**Incentive $**	**BOS Interest (2) $**	**Super - annuation $**	**Options (3) $**	**Total $**
D.O'Brien Global corporate manager	60,000	100,000	1,053,914	5,400	-	1,219,314
B.Parker NSW Flight Centre brand leader	60,000	235,998	259,322	5,400	6,696	567,416
A.Pollok Executive general manager - Australia	60,000	210,416	253,899	16,849	6,696	547,860
J.Sturgess Chief financial officer	60,000	161,618	290,242	8,251	6,696	526,807
A.Grigson Global corporate manager (appointed 1 Feb 2004)*	60,000	115,193	288,564	16,110	-	479,867

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

(2) An amount of $642,000 was paid to D.O'Brien in relation to deferred BOS interest for the restructure of the unsecured note outstanding.

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

* A. Grigson was appointed global corporate manager on 1 February 2004 and was previously leader - Australian Cadre during 2003 and 2004.

DIRECTORS' REPORT (CONTINUED)

(iv) Other executives of the consolidated entity (1)

	Primary			Other	Post-employment	Equity	
Name	**Cash salary & fees $**	**Incentive $**	**Other benefits $**	**BOS Interest (2) $**	**Super - annuation $**	**Options (3) $**	**Total $**
A. Spence Executive general manager - TQ3 UK	375,343	-	315,916	-	37,047	-	728,306
M. de Groot Leader West Canada (Resigned 30 Sept 2003)	15,243	-	29,254	408,284	-	-	452,781
D. Warner Chief information officer	60,000	246,175	-	115,086	12,600	6,696	440,557
J. Ogilvie Leader Australian Cadre *	60,000	202,966	-	-	25,548	6,696	295,210
G. Hogan Leader - Technology **	123,488	-	-	156,445	-	-	279,933

(1) "Other executives" are officers who are involved in, or who take part in, the management of the affairs of Flight Centre Limited.
(2) An amount of $408,284 was paid to M. de Groot in deferred interest to terminate the BOS unsecured note agreement.
(3) The value attributed to these options is discussed in the "Shares under option" section of this report.
* J. Ogilvie was appointed leader of Australian Cadre in January 2004 and was previously leader of Flight Centre Queensland during 2003.
** G. Hogan was previously executive general manager - UK prior to appointment as Technology leader on 31 March 2004.

(c) Share-based compensation

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
14 July 2003	14 July 2008	$22.46	$3.72	14 July 2004

Options are granted under the terms of the Flight Centre Limited Employee Option Plan which was established in October 1997 (amended 31 October 2002). Employees and directors of the group (excluding Messrs Turner, Harris, James and Goldburg) are eligible to participate in the plan.

Effective from 1 July 2003, the directors have elected to no longer participate in the Flight Centre Limited Employee Option Plan.

Options are granted under the plan for no consideration. Options are exercisable over fully paid unissued ordinary shares of the company. When exercisable, each option is convertible into one ordinary share. The exercise price of the options is fixed at the time of grant. The exercise price is calculated at 5% above the weighted average market price during the five-day period prior to the options being granted.

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

Options have been granted to specified executives as remuneration on achievement of specified KPIs for their division. All staff are set challenging performance hurdles annually on grant date and options vest upon achieving those hurdles. The performance hurdles are generally two fold:

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

The amounts disclosed for emoluments relating to options above are the assessed fair value at grant date of options granted to executive directors and other executives. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

DIRECTORS' REPORT (CONTINUED)

The value of each option granted for the 2004 year was $3.72.

The key model inputs for options granted during the year ended 30 June 2004 included:
(a) Dividend yield (2.02%)
(b) Share volatility (24.29%)
(c) Risk free interest rate (4.73%)

Share options granted to directors and the 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:

Directors

None

Other executives of Flight Centre Limited

B. Parker	1,800
A. Pollok	1,800
J. Sturgess	1,800

Other executives of the Consolidated Entity

D. Warner	1,800
J. Ogilvie	1,800

Options were granted under the Flight Centre Limited Employee Option Plan on 14 July 2003 and vested on 14 July 2004. The options are valued at grant date using the Black-Scholes option pricing model.

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
27 November 1999	27 November 2004	$14.15	20,000
14 August 2000	14 August 2005	$19.71	221,905
30 November 2000	30 November 2005	$23.49	40,000
1 July 2001	1 July 2006	$23.52	9,665
24 August 2001	24 August 2006	$28.68	583,330
30 November 2001	30 November 2006	$21.98	40,000
6 September 2002	6 September 2007	$28.40	18,000
1 November 2002	1 November 2007	$23.73	40,000
14 February 2003	14 February 2008	$19.69	25,997
14 July 2003	14 July 2008	$22.46	19,800
			1,018,697

Of the 1,050,000 options granted last year, only 19,800 vested on hurdle achievements.
The remainder have lapsed during the year.

No option holder has any right under the options to participate in any other share issue of the company.

Shares issued on the exercise of options

The following ordinary shares of Flight Centre Limited were issued during the year ended 30 June 2004 on the exercise of options granted under the Flight Centre Limited Employee Option Plan.

DIRECTORS' REPORT (CONTINUED)

Date options granted	Issue price of shares	Number of shares issued
27 November 1998	$3.73	68,000
13 August 1999	$7.62	238,550
14 August 2000	$19.71	25,088
		331,638

The following ordinary shares of Flight Centre Limited were issued since 30 June 2004 to the date of this report on the exercise of options granted under the Flight Centre Limited Employee Option Plan.

Date options granted	Issue price of shares	Number of shares issued
13 August 1999	$7.62	369,814
14 August 2000	$19.71	640
		370,454

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.

Proceedings on behalf of the company

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

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

Indemnification of Officers

Flight Centre Limited 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;

(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.

Rounding of amounts

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

Auditor

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

N.C.Fussell
Chairman
Brisbane, 26 August 2004

G.F.Turner
Managing director
Brisbane, 26 August 2004

STATEMENTS OF FINANCIAL PERFORMANCE
for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Revenue from ordinary activities	2	**799,011**	626,039	**496,563**	379,124
Retail shop expenses		**(599,918)**	(476,025)	**(316,245)**	(244,572)
Administration/support expenses		**(59,191)**	(36,970)	**(62,893)**	(38,582)
Borrowing costs expense	3	**(18,576)**	(10,719)	**(14,830)**	(8,132)
Profit from ordinary activities before income tax expense	3	**121,326**	102,325	**102,595**	87,838
Income tax expense	4	**(39,399)**	(32,305)	**(30,762)**	(26,155)
Net profit attributable to members of Flight Centre Limited	26(b)	**81,927**	70,020	**71,833**	61,683
Net increase (decrease) in foreign currency translation reserve		**5,824**	(9,230)	-	-
Total changes in equity attributable to members of Flight Centre Limited other than those resulting from transactions with owners as owners	27	**87,751**	60,790	**71,833**	61,683
		Cents	Cents		
Basic earnings per share	40	**87.4**	77.0		
Diluted earnings per share	40	**87.2**	76.4		

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

STATEMENTS OF FINANCIAL POSITION
for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	6	**258,139**	194,579	**124,568**	85,083
Receivables	7	**171,749**	161,484	**211,822**	142,712
Other financial assets	8	**223,591**	174,793	**207,136**	172,629
Other	9	**13,830**	9,366	**6,916**	2,629
Total current assets		**667,309**	540,222	**550,442**	403,053
Non-current assets					
Property, plant and equipment	10	**106,659**	76,957	**47,030**	24,928
Other financial assets	11	**3,064**	34	**110,375**	160,816
Intangible assets	12	**168,634**	167,608	**8,261**	6,740
Deferred tax assets	13	**15,034**	10,939	**9,572**	4,345
Other	14	**438**	601	**414**	580
Total non-current assets		**293,829**	256,139	**175,652**	197,409
Total assets		**961,138**	796,361	**726,094**	600,462
Current liabilities					
Payables	15	**444,021**	342,354	**238,762**	179,793
Interest bearing liabilities	16	**41,494**	34,083	**61,026**	44,550
Current tax liabilities	17	**4,648**	11,482	**4,762**	9,573
Provisions	18	**2,505**	2,186	**2,230**	1,650
Other	19	**1,914**	4,382	**1,914**	4,382
Total current liabilities		**494,582**	394,487	**308,694**	239,948
Non-current liabilities					
Payables	20	**16,464**	23,317	**-**	-
Interest bearing liabilities	21	**15,000**	-	**15,000**	-
Deferred tax liabilities	22	**7,654**	3,215	**7,193**	1,410
Provisions	23	**2,014**	1,856	**1,866**	1,783
Other	24	**1,189**	5,876	**1,189**	5,876
Total non-current liabilities		**42,321**	34,264	**25,248**	9,069
Total liabilities		**536,903**	428,751	**333,942**	249,017
Net assets		**424,235**	367,610	**392,152**	351,445
Equity					
Parent entity interest					
Contributed equity	25	**256,598**	245,103	**256,598**	245,103
Reserves	26(a)	**15,770**	9,946	**46**	46
Retained profits	26(b)	**151,867**	112,561	**135,508**	106,296
Total equity	27	**424,235**	367,610	**392,152**	351,445

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

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash flows from operating activities					
Net receipts		**849,345**	603,387	**496,676**	378,179
Payments to suppliers and employees		**(626,255)**	(451,383)	**(348,800)**	(278,314)
Dividends received		**-**	-	**2,912**	833
Interest received		**23,496**	15,652	**18,460**	14,469
Royalties received		**-**	-	**8,958**	-
Borrowing costs		**(17,206)**	(10,170)	**(14,155)**	(8,541)
Income taxes paid		**(45,843)**	(30,237)	**(35,794)**	(29,263)
Net cash inflow (outflow) from operating activities	38	**183,537**	127,249	**128,257**	77,363
Cash flows from investing activities					
Payment for purchase of controlled entity, net of cash acquired	35	**(1,525)**	(63,638)	**(1,025)**	(79,400)
Redemption preference shares in subsidiary		**-**	-	**54,500**	-
Payments for property, plant and equipment		**(58,512)**	(38,162)	**(32,740)**	(13,122)
Payments for investments in joint ventures		**(3,064)**	-	**(3,064)**	-
Loans to related parties		**-**	-	**(59,317)**	(7,783)
Proceeds from sale of property, plant and equipment		**635**	625	**340**	304
Proceeds from sale of investments		**1,680**	1,668	**1,581**	1,668
Repayment of loans by related parties		**-**	-	**2,163**	10,488
Payments for intangibles		**(1,199)**	(1,551)	**(1,124)**	(745)
Payments for investments		**(49,135)**	(76,076)	**(34,865)**	(73,928)
Net cash inflow (outflow) from investing activities		**(111,120)**	(177,134)	**(73,551)**	(162,518)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**6,254**	86,324	**6,254**	86,324
Proceeds from borrowings		**33,549**	18,351	**29,453**	15,317
Repayment of borrowings		**(12,708)**	(13,247)	**(8,259)**	(7,194)
Dividends paid	5	**(42,621)**	(39,268)	**(42,621)**	(39,268)
Repayment of lease liabilities		**(40)**	(163)	**-**	(31)
Net cash inflow (outflow) from financing activities		**(15,566)**	51,997	**(15,173)**	55,148
Net increase (decrease) in cash held		**56,851**	2,112	**39,533**	(30,007)
Cash at the beginning of the financial year		**194,579**	194,523	**85,083**	111,986
Effects of exchange rate changes on cash		**6,709**	(2,056)	**(48)**	3,104
Cash at the end of the financial year	6	**258,139**	194,579	**124,568**	85,083
Financing arrangements	21				
Non-cash financing and investing activities	39				

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

Annual Report
FLIGHT CENTRE LIMITED 04

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Flight Centre Limited ('company' or 'parent entity') at balance date and the results of all controlled entities for the year then ended. Flight Centre Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statements of financial performance and statements of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

(b) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of distributions from controlled entities and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Flight Centre Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Flight Centre Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under the proposed tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the proposed tax sharing agreement are recognised as a component of income tax expense (revenue).

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) 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 hedging 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 statements 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 statements of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statements of financial performance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

1. Summary of significant accounting policies (continued)

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 statements 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 hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

(iii) Foreign controlled entity
As all foreign controlled entities are self-sustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

(d) Acquisition of assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) 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.

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.

(f) Receivables
Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Trade debtors relating to the sale of travel services are recognised at the amount receivable as they are due for settlement within 90 days of travel being undertaken.

Trade debtors relating to volume incentives are recognised at the amount receivable when it is likely the annual targets will be achieved.

(g) Recoverable amount of non-current assets
The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

1. Summary of significant accounting policies (continued)

(h) Investments
Interests in listed securities, other than controlled entities, are brought to account at cost and dividend income is recognised in the statements of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

Corporate bonds and various asset backed securities have been purchased in the market at a premium or discount to face value. The securities are carried at an amount representing cost and a portion of the premium or discount recognised as income on an effective yield basis. The premium or discount brought to account each period is accounted for as interest received.

Change in Accounting Disclosure

Corporate bonds and asset backed securities previously classified as cash due to their high liquidity have been reclassified as current investments this financial year. Comparatives have also been reclassified.

(i) Depreciation of property, plant and equipment
Depreciation is calculated on either a diminishing value or a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made regularly for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Category	Useful life
Buildings	40 years
Plant and equipment	2–5 years

(j) Leasehold improvements
The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the company, whichever is the shorter.

(k) Leased assets
A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease or, where it is likely that the company will obtain ownership of the asset, the life of the asset.

Other operating lease payments are charged to the statements of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) Intangible assets and expenditure carried forward
(i) Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis for periods not greater than 20 years, being the period during which the benefits are expected to arise.

(ii) Software Licenses
Licenses are brought to account when it is probable that they will derive future economic benefits and when the carrying amount can be reliably measured. Licenses are amortised over ten years, being the period during which benefits are expected to arise.

Subsequent to the initial recognition, software licenses are measured at fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of the licenses does not differ materially from their fair value at balance date. Annual assessments are made by the directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except when an increment reverses a revaluation decrement recognised as an expense in the net profit or loss. In this case, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expense in the net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

1. Summary of significant accounting policies (continued)

(m) Trade and other creditors
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Interest bearing liabilities
Loans and unsecured notes are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Unsecured notes are issued by the consolidated entity under a business ownership scheme. Interest is payable based on the profitability of the businesses. Deferred interest may be payable where holders have been participants in the scheme for more than three years. Loans are repaid, together with any deferred interest, when the note is redeemed.

(o) 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.

(p) Website costs
Costs in relation to websites controlled by a controlled entity are charged as an expense in the period in which they are incurred unless they relate to the acquisition of an asset, in which case these are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from two to five years.

(q) Employee benefits
(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Profit sharing and bonus plans
A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:
• there are formal terms in the plan for determining the amount of the benefit
• the amounts to be paid are determined before the time of completion of the financial report, or
• past practice gives clear evidence of the amount of the obligation.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Employee benefit on-costs
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

1. Summary of significant accounting policies (continued)

(v) Equity-based compensation benefits
Equity-based compensation benefits are provided to employees via the Flight Centre Limited Employee Option Plan and the employee share scheme. Information relating to those schemes is set out in note 34.

No accounting entries are made in relation to the Flight Centre Limited Employee Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statements of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 29 include the assessed fair values of options at the date they were granted.

All full time employees are eligible to participate in Employee Share Plans whereby shares are issued at a 10% discount to the market price.

Information relating to the plans is set out in note 34. No accounting entries are made in relation to the Employee Share Plans until shares are acquired, at which time the amounts receivable from employees are recognised in the statements of financial position as share capital.

(r) Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred and include:
• interest on bank overdrafts and short-term and long-term borrowings; and
• finance lease charges.

(s) Cash
For purposes of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Change in Accounting Disclosure
Corporate bonds and various asset backed securities previously classified as cash due to their high liquidity have been reclassified as current investments for this financial year. Comparatives have also been reclassified.

(t) Earnings per share
(i) Basic earnings per share
Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

2. Revenue

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Total Transaction Value (TTV)	**5,884,811**	4,555,255	**3,393,494**	2,550,944
Revenue from operating activities				
Commissions and fees from the provision of travel services	**567,239**	444,896	**349,540**	267,664
Other revenue from the provision of travel services	**192,987**	148,799	**96,786**	74,509
Other revenue	**14,069**	12,217	**17,499**	6,007
	774,295	605,912	**463,825**	348,180
Revenue from outside the operating activities				
Interest	**22,120**	16,410	**20,314**	14,469
Dividends	**-**	-	**2,240**	833
Foreign exchange gains	**1,961**	3,092	**886**	851
Royalties	**-**	-	**8,958**	14,487
Sale of non-current assets	**635**	625	**340**	304
	24,716	20,127	**32,738**	30,944
	799,011	626,039	**496,563**	379,124

Total Transaction Value (TTV)

Total Transaction Value 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

3. Profit from ordinary activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
(a) Net gains and expenses				
Net Gains				
Net gain on disposal				
Investments	**1,218**	1,482	**1,169**	1,482
Net foreign exchange gains	**1,961**	3,092	**886**	851
Expenses				
Depreciation				
Plant and equipment	**25,850**	21,808	**8,516**	6,856
Amortisation				
Leasehold improvements	**602**	254	**-**	-
Plant and equipment under finance leases	**188**	138	**-**	12
Goodwill	**10,028**	5,814	**695**	412
Software licenses	**2,208**	2,043	**-**	-
Shop premium	**-**	18	**-**	-
Other intangibles	**360**	281	**355**	262
Total amortisation	**13,386**	8,548	**1,050**	686
Other charges against assets				
Bad and doubtful debts	**1,822**	3,765	**960**	1,561
Borrowing costs				
Interest and finance charges paid/payable	**18,576**	10,719	**14,830**	8,132
Net loss on disposal of property, plant and equipment	**1,222**	1,112	**662**	960
Rental expense relating to operating leases				
Minimum lease payments	**54,870**	45,936	**29,541**	24,769

4. Income tax

	Consolidated		Parent entity	
	2004	2003	**2004**	2004
	$'000	$'000	**$'000**	$'000
(a) The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	**121,326**	102,325	**102,595**	87,838
Income tax calculated @ 30% (2003 - 30%)	**36,398**	30,698	**30,778**	26,351

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

4. Income Tax (continued)

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:				
Non-deductible depreciation and amortisation	**3,027**	1,699	**209**	121
Exempt dividends	**-**	(48)	**(672)**	(250)
Non deductible (assessable) amounts	**1,322**	1,118	**252**	285
Other amounts	**(392)**	(894)	**64**	(388)
	40,355	32,573	**30,631**	26,119
Effect of lower rates of tax on overseas income	**(298)**	(166)	**-**	-
Under (over) provision in prior year	**(658)**	(102)	**131**	36
Aggregate income tax expense	**39,399**	32,305	**30,762**	26,155
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			**11,389**	-
Income tax calculated @ 30% (2003 – 30%)			**3,417**	-
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation			**26**	-
Exempt dividends			**(322)**	-
Prior year adjustments			**(634)**	-
Other amounts			**(316)**	-
Income tax adjusted for permanent differences			**2,171**	-
			32,933	26,155
Compensation received from tax consolidated group entities			**(2,171)**	-
Aggregate income tax expense			**30,762**	26,155
Aggregate income tax expense comprises:				
Current taxation provision	**39,713**	31,942	**33,562**	27,242
Deferred income tax provision	**4,439**	583	**539**	(180)
Future income tax benefit	**(4,095)**	(118)	**(3,470)**	(943)
Under (over) provision in prior year	**(658)**	(102)	**131**	36
	39,399	32,305	**30,762**	26,155
Amounts recognised directly in equity				
(b) Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited in equity				
Current tax - credited directly to equity	**(109)**	-	**(109)**	-
Tax losses				
(c) The directors estimate that the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is	**1,791**	870	**-**	-

This benefit for tax losses will only be obtained if:

(i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or

(ii) the entity continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

4. Income Tax (continued)

Tax consolidation legislation

Flight Centre Limited and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(b). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The wholly-owned entities have fully compensated Flight Centre Limited for deferred tax liabilities assumed by Flight Centre Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Flight Centre Limited.

The entities have also agreed to enter into a tax sharing and funding agreement. Under the proposed terms of this agreement, the wholly-owned entities reimburse Flight Centre Limited for any current income tax payable by Flight Centre Limited arising in respect of their activities. The reimbursements will be payable at the same time as the associated income tax liability falls due and have, therefore, been recognised as a current tax-related receivable by Flight Centre Limited (see note 7). In the opinion of the directors, the proposed tax sharing agreement shall be a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Flight Centre Limited.

5. Dividends

	Parent entity	
	2004 $'000	2003 $'000
Ordinary shares		
Under provision final dividend	-	23
Interim dividend paid		
Fully franked - 20.5 cents per share paid 26 March 2004 (2003: 18.5 cents)	**19,240**	17,216
Final dividend paid		
Fully franked - 25 cents per share paid 17 October 2003 (2002: 25 cents)	**23,381**	22,029
Total dividends provided for or paid	**42,621**	39,268
Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a fully franked final dividend of 40.5 cents per fully paid ordinary share (payable 15 October 2004), plus the payment of a fully franked special dividend of 40 cents per share (payable 26 November 2004). The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2004, but not recognised as a liability at year end, is	**75,999**	23,316

Franked dividends

The franked portions of the dividends recommended after 30 June 2004 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 2005.

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2003 - 30%)	**54,174**	37,874	**54,174**	29,694

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

Franking credits of $8,983,434 were transferred from wholly-owned entities to the parent entity at the time these entities entered the tax consolidation group on 1 July 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

6. Current assets - Cash assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**126,626**	83,739	61,001	11,305
Client account	**131,513**	110,840	**63,567**	73,778
	258,139	194,579	**124,568**	85,083

Corporate bonds and various asset backed securities were previously classified as cash due to the high liquidity associated with these investments. The securities are considered more appropriately classified as investments and, therefore, have been reclassified from cash on hand to investments. Comparatives have also been reclassified.

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Restrictions on cash				
Total cash available	**258,139**	194,579	**124,568**	85,083
Restricted client funds	**(131,513)**	(110,840)	**(63,567)**	(73,778)
Deposits subject to restrictions	**(25,964)**	(19,925)	**(25,964)**	(19,925)
	100,662	63,814	**35,037**	(8,620)

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

7. Current assets - Receivables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Trade debtors	**155,632**	143,439	**78,425**	65,549
Client debtors	**22,453**	14,822	**4,434**	1,956
Less: Provision for doubtful debts	**(9,714)**	(9,442)	**(7,299)**	(4,752)
	168,371	148,819	**75,560**	62,753
Other debtors	**3,241**	907	**51**	57
Amounts receivable from controlled entities	**-**	-	**132,645**	68,341
Tax related amounts receivable from wholly-owned entities	**-**	-	**3,487**	-
Foreign exchange contract receivable *	**21**	10,576	**-**	10,576
Other receivables	**116**	1,182	**79**	985
	171,749	161,484	**211,822**	142,712

The amounts receivable from controlled entities are repayable on demand. Until that time they bear interest at rates varying between 0% and 12% (2003: varying amounts between 0% and 5.25%).

* Details of the foreign exchange contracts are set out in note 28.

8. Current assets - Other financial assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
Investments - cost				
Investment securities	**223,591**	174,793	**207,136**	172,629

Investments are made in corporate bonds and various asset backed securities.

Corporate bonds and various asset backed securities were previously classified as cash due to the high liquidity associated with these investments. The securities are considered more appropriately classified as investments and, therefore, have been reclassified from cash on hand to investments. Comparatives have also been reclassified.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

9. Current assets - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Prepayments	**13,830**	9,366	**6,916**	2,629

10. Non-current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Buildings				
At cost	**14,227**	56	**14,164**	-
Less: Accumulated depreciation	**(578)**	(22)	**(551)**	-
	13,649	34	**13,613**	-
Leasehold improvements				
At cost	**2,227**	2,650	**-**	-
Less: Accumulated amortisation	**(1,282)**	(1,061)	**-**	-
	945	1,589	**-**	-
Plant and equipment				
At cost	**178,686**	138,834	**63,333**	47,937
Less: Accumulated depreciation	**(86,685)**	(63,764)	**(29,916)**	(23,009)
	92,001	75,070	**33,417**	24,928
Plant and equipment under finance lease	**2,565**	2,567	**66**	66
Less: Accumulated amortisation	**(2,501)**	(2,303)	**(66)**	(66)
	64	264	**-**	-
	106,659	76,957	**47,030**	24,928

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Buildings	Leasehold improvements	Plant and equipment	Leased plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Consolidated					
Carrying amount at 1 July 2003	34	1,589	75,070	264	**76,957**
Additions	14,171	49	44,292	2	**58,514**
Disposals	-	(118)	(1,727)	(11)	**(1,856)**
Depreciation/amortisation expense (note 3(a))	(556)	(602)	(25,294)	(188)	**(26,640)**
Foreign currency exchange differences	-	27	1,301	(3)	**1,325**
Provision for write down of fixed assets	-	-	(1,641)	-	**(1,641)**
Carrying amount at 30 June 2004	13,649	945	92,001	64	**106,659**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

10. Non-current assets - Property, plant & equipment (continued)

	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
Parent entity					
Carrying amount at 1 July 2003	-	-	24,928	-	**24,928**
Additions	14,164	-	18,576	-	**32,740**
Disposals	-	-	(965)	-	**(965)**
Depreciation/amortisation expense (note 3(a))	(551)	-	(7,965)	-	**(8,516)**
Provision for write down of fixed assets	-	-	(1,157)	-	**(1,157)**
Carrying amount at 30 June 2004	13,613	-	33,417	-	**47,030**

11. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Investments				
Shares in unlisted corporations	-	34	-	-
Shares in controlled entities - at cost (note 35)	-	-	**107,311**	160,816
Investment in joint venture	**3,064**	-	**3,064**	-
	3,064	34	**110,375**	160,816

Investment in joint venture

On 17 April 2004, Flight Centre Limited entered into a 50% joint venture with China Comfort Travel Co., Ltd. as part of the strategic expansion of the Flight Centre corporate business into Asia. The investment in the joint venture is expected to complement the company's presence in Asia and the global expansion of its corporate network.

No material gains or losses have occurred with the joint venture at balance date.

12. Non-current assets - Intangible assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Goodwill at cost	**172,247**	159,141	**8,671**	6,707
Less: Accumulated amortisation	**(21,278)**	(11,032)	**(1,747)**	(1,052)
Software licenses - at valuation	**20,432**	20,432	**-**	-
Less: Accumulated amortisation	**(4,251)**	(2,043)	**-**	-
Other intangibles at cost	**2,760**	2,026	**2,192**	1,600
Less: Accumulated amortisation	**(1,276)**	(916)	**(855)**	(515)
	168,634	167,608	**8,261**	6,740

Software licenses were valued in 2002 based on a directors' valuation. The valuation was made in accordance with company policy disclosed in Note 1(l).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

13. Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Doubtful debts	**2,558**	2,083	**2,190**	1,426
Employee benefits	**4,105**	2,919	**2,951**	2,451
Deferred interest	**157**	182	**157**	182
Depreciation	**571**	524	**-**	-
Investment write-down	**150**	150	**150**	150
Foreign exchange movements	**1,512**	-	**1,512**	-
Other	**2,315**	1,235	**855**	136
Tax losses*	**3,666**	3,846	**-**	-
	15,034	10,939	**7,815**	4,345
Deferred tax assets relating to wholly-owned tax associated entities	**-**	-	**1,757**	-
Net deferred tax assets	**15,034**	10,939	**9,572**	4,345

* For details of the future deductibility of tax losses and unrecognised tax losses see note 4

14. Non-current assets - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Unearned discount on securities	**438**	601	**414**	580

15. Current liabilities - Payables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Trade creditors	**286,464**	205,793	**156,793**	95,250
Client creditors	**144,179**	125,662	**67,435**	75,734
Accrued unsecured note interest	**4,185**	3,477	**3,509**	2,616
Annual leave	**9,193**	7,422	**5,742**	4,739
Amounts owing to controlled entities	**-**	-	**5,283**	1,454
	444,021	342,354	**238,762**	179,793

16. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Unsecured notes principal	**41,473**	34,028	**33,643**	26,965
Lease liabilities - secured	**21**	55	**-**	-
Amounts owing to controlled entities - unsecured	**-**	-	**24,785**	17,585
Tax related amounts payable to wholly -owned entities	**-**	-	**2,598**	-
	41,494	34,083	**61,026**	44,550

Controlled Entities

The amounts payable to controlled entities are payable on demand. Until that time they incur interest at rates varying between 0% and 12% (2003: varying amounts between 0% and 5.25%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

16. Current liabilities - Interest bearing liabilities (continued)

Unsecured notes

The unsecured notes are repayable on demand by either party or upon termination of employment of the note holder. Interest is generally payable monthly, two months in arrears. The interest amount relates to a calculation that is based on between 0.1% and 25% of the underlying division's profitability.

17. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Provision for taxation	**4,648**	11,482	**4,762**	9,573

18. Current liabilities - Provisions

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Provisions - long service leave	**2,505**	2,186	**2,230**	1,650

19. Current liabilities - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Lease incentive liability	**186**	241	**186**	241
Deferred hedge gains (note 28)	**1,728**	4,141	**1,728**	4,141
	1,914	4,382	**1,914**	4,382

20. Non-current liabilities - Payables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Deferred settlement - Britannic Travel Limited	**16,464**	23,317	-	-

21. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Bank loan - unsecured	**15,000**	-	**15,000**	-

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank loan facilities				
Total facilities	**50,000**	-	**50,000**	-
Used at balance date	**(15,000)**	-	**(15,000)**	-
Unused at balance date	**35,000**	-	**35,000**	-

Bank loan facilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

21. Non-current liabilities - Interest bearing liabilities (continued)

Multi-option facility

The company is party to a secured multi-option credit facility of $20,000,000 (2003: $20,000,000). The facility is secured by a floating charge on investments held. Amounts may be drawn at any time and may be terminated by the bank without notice. The total letters of credit provided under the facility at balance date was $14,755,376 (2003: $11,315,243). The total value of the securities held under charge is $23,000,000 (2003: $23,000,000).

Letter of credit facilities

An unsecured letter of credit facility of $15,000,000 was established by the company during the year. The total letters of credit issued under this facility was $4,255,907 (2003: nil).

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

22. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Prepayments	**101**	37	**-**	37
Receivables	**1,404**	1,095	**1,404**	1,059
Depreciation	**3,962**	1,699	**185**	-
Other	**2,187**	384	**360**	314
	7,654	3,215	**1,949**	1,410
Deferred tax liabilities relating to wholly -owned tax consolidated entities	**-**	-	**5,244**	-
Net deferred tax liability	**7,654**	3,215	**7,193**	1,410

23. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Provisions - long service leave	**2,014**	1,856	**1,866**	1,783

24. Non-current liabilities - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Lease incentive liabilities	**382**	422	**382**	422
Deferred hedge gains (note 28)	**807**	5,454	**807**	5,454
	1,189	5,876	**1,189**	5,876

25. Contributed equity

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	Shares	Shares	**Shares**	Shares
(a) Share capital				
Ordinary shares				
Issued and paid up capital	**94,036,088**	93,267,391	**256,598**	245,103

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

25. Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$'000
1 July 2003	Opening balance		93,267,391		245,103
	Shares issued pursuant to purchase agreements				
26 August 2003	ITG Executive shares	(d)	2,064	$26.00	54
15 October 2003	CIM Final purchase agreement	(e)	28,376	$22.47	638
	Acquisition of new businesses				
19 September 2003	Amrak Limited acquisition	(f)	132,175	$21.92	2,897
30 September 2003	Kistend acquisition	(f)	69,704	$22.09	1,540
	Shares issued pursuant to employee share plan				
	Employee Option Plan	(g)	68,000	$3.73	254
	Employee Option Plan	(g)	238,550	$7.62	1,818
	Employee Option Plan	(g)	25,088	$19.71	495
2 December 2003	Employee Share Plan	(h)	91,330	$19.32	1,765
30 December 2003	Employee Share Plan	(h)	110	$16.19	2
30 December 2003	Employee Share Plan	(h)	2,985	$19.70	59
30 April 2004	Employee Share Plan	(h)	110,315	$16.90	1,864
	Tax effect of previous issue costs				109
30 June 2004	Balance		94,036,088		256,598

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

(d) ITG executive shares
Shares issued relate to incentives earned by ITG staff. Shares were available for purchase at $26.00 if staff achieved agreed KPIs.

(e) CIM purchase
Shares were issued in compensation for the deferred settlement of the acquisition of CIM. Shares were valued at market price on the date of issue.

(f) Acquisition of businesses
Shares issued in consideration for acquisition of businesses (note 35).

(g) Employee Option Plan
Information relating to the Flight Centre Limited Employee Option Plan, including details of options issued, exercised and lapsed, and options outstanding under the plan, are set out in note 34.

(h) Employee Share Plan
Information relating to the Flight Centre Limited Employee Share Plan, including details of shares issued during the financial year are set out in note 34.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

26. Reserves and retained profits

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(a) Reserves				
Asset revaluation reserve	**20,432**	20,432	**-**	-
Foreign currency translation reserve	**(4,708)**	(10,532)	**-**	-
Capital profits reserve	**46**	46	**46**	46
	15,770	9,946	**46**	46
Movements:				
Foreign currency translation reserve				
Balance 1 July 2003	**(10,532)**	(1,302)	**-**	-
Net exchange differences on translation of foreign controlled entity	**5,824**	(9,230)	**-**	-
Balance 30 June 2004	**(4,708)**	(10,532)	**-**	-

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(b) Retained profits					
Retained profits at the beginning of the financial year		**112,561**	59,780	**106,296**	61,852
Net profit attributable to members of Flight Centre Limited		**81,927**	70,020	**71,833**	61,683
Dividends provided for or paid	5	**(42,621)**	(39,268)	**(42,621)**	(39,268)
Adjustment resulting from change in accounting policy for dividends		**-**	22,029	**-**	22,029
Retained profits at the end of the financial year		**151,867**	112,561	**135,508**	106,296

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(l)(ii). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(c)(iii).

27. Equity

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Total equity at the beginning of the financial year		**367,610**	235,940	**351,445**	218,882
Adjustment to retained earnings at the beginning of the financial year resulting from change in accounting policy for providing for dividends		**-**	22,029	**-**	22,029
Total changes in equity recognised in the statements of financial performance		**87,751**	60,790	**71,833**	61,683
Transactions with owners as owners:					
Contributions of equity, net of transaction costs	25	**11,495**	88,119	**11,495**	88,119
Dividends provided for or paid	5	**(42,621)**	(39,268)	**(42,621)**	(39,268)
Total equity at the end of the financial year		**424,235**	367,610	**392,152**	351,445

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

28. Financial instruments

Forward exchange contracts

Flight Centre Limited and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuation in foreign exchange rates.

Flight Centre Limited earns income in accordance with long-term contracts to which it is a party and hence has exposure to exchange rate fluctuations. To protect against adverse movements, the parent entity has entered into forward exchange contracts.

Flight Centre Limited holds receivables which are subject to fluctuations in the exchange rate. To protect against adverse movements the parent entity may enter into swap contracts which compensate for these fluctuations.

The contracts are timed to mature in conjunction with expected receipt and payment of the cash flows.

Forward exchange contracts were terminated during the year, resulting in a gain of $8,460,500.

As these contracts were to hedge anticipated future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Included in the amounts deferred are any realised gains and losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur as designated.

During the year, the entity revised the forecast revenue anticipated under the long-term contract to which the forward contracts relate. Exchange gains of $1,943,000 (2003: $1,500,000) have been recognised in the statements of financial performance as anticipated transactions are no longer expected to occur.

The following gains, losses and costs have been deferred at 30 June 2004:

	Consolidated	
	2004	2003
	$'000	$'000
Realised gains (note 19 and note 24)	**2,535**	-
Unrealised gain/(loss) - foreign exchange contracts	**-**	9,547
Unrealised gain/(loss) - other	**157**	48
Net gains and costs	**2,692**	9,595

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statements of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Corporate bonds and various asset backed securities which have been purchased at a discount to face value are carried on the statements of financial position at a discounted value. Investment securities purchased at a premium are carried at realisable value. The total credit risk exposure of the consolidated entity could also be considered to include the difference between the carrying amount and the realisable amount.

Cash and investments are made in accordance with the board approved treasury policy. The policy provides rules on the types of investments and the counterparties to investments. All investments are with financial institutions or investment grade bonds.

Cash at bank and investment securities are included in the financial statements as follows:

	2004	2003
	$'000	$'000
General and client cash at bank and on hand (note 6)	**258,139**	194,579
Investment securities - current (note 8)	**223,591**	174,793
	481,730	369,372

A large portion of the consolidated entity's debtors result from incentive agreements with suppliers which expose the group to a level of risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

28. Financial instruments

(b) Interest rate risk exposures

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

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

2004	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash and deposits	6	258,076	-	-	-	63	258,139
Receivables	7	2,546	-	-	-	169,203	171,749
Other financial assets - investment securities	8	187,591	500	30,500	5,000	-	223,591
		448,213	500	30,500	5,000	169,266	653,479
Weighted average interest rate		5.94%	5.36%	7.25%	7.25%		
Financial liabilities							
Bank overdraft and loans	21	15,000	-	-	-	-	15,000
Trade and other creditors	15,20	-	-	-	-	456,300	456,300
Interest on unsecured notes	15	-	-	-	-	4,185	4,185
Unsecured notes	16	41,473	-	-	-	-	41,473
Lease liabilities	16	21	-	-	-	-	21
		56,494	-	-	-	460,485	516,979
Weighted average interest rate		28.28%	- %	- %	- %		
Net financial assets (liabilities)		391,719	500	30,500	5,000	(291,219)	136,500

2003	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash and deposits	6	194,523	-	-	-	56	194,579
Receivables	7	-	-	325	-	161,159	161,484
Other financial assets - investment securities	8	153,659	3,000	6,900	11,200	34	174,793
		348,182	3,000	7,225	11,200	161,249	530,856
Weighted average interest rate		5.30%	8.25%	7.79%	7.07%		
Financial liabilities							
Trade and other creditors	15,20	-	-	-	-	362,194	362,194
Interest on unsecured notes	15	-	-	-	-	3,477	3,477
Unsecured notes	16	34,028	-	-	-	-	34,028
Lease liabilities	16	-	55	-	-	-	55
		34,028	55	-	-	365,671	399,754
Weighted average interest rate		28.24%	3.58%	- %	- %		
Net financial assets (liabilities)		314,154	2,945	7,225	11,200	(204,422)	131,102

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

28. Financial instruments (continued)

(c) Net fair value of financial assets and liabilities
(i) Recognised

The net fair values of financial assets and financial liabilities of the consolidated entity are not materially different from their carrying values.

(ii) Off-balance sheet
The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 31. No material losses are anticipated in regard to any contingencies.

For forward exchange contracts, the net fair value is taken to be unrealised gain or loss at balance date.

29. Director and executive disclosures

Directors
The following persons were directors of Flight Centre Limited during the financial year:

Chairman
N.C.Fussell

Executive directors
G.F.Turner
S.J.Flynn (Appointed 29 January 2004)
C.Greive (Resigned 29 January 2004)

Non-executive directors
H.L.Stack
P.F.Barrow
G.L.Harris (Alternate for P.F. Barrow)
W.M.James (Alternate - Resigned 29 January 2004)
J.J.Goldburg (Alternate - Resigned 29 January 2004)

Executives (other than directors) with the greatest authority for strategic direction and management
The following persons were the executives with the greatest authority for the strategic direction and management of the consolidated entity ('specified executives') during the financial year:

Name	Position	Employer
J.Sturgess	Chief financial officer	Flight Centre Limited
A.Grigson	Global corporate manager (appointed 1 Feb 2004)	Flight Centre Limited
D.Warner	Chief information officer	Flight Centre Technology Pty Ltd
K.Stanley	Global marketing manager	Flight Centre Limited
M.Aponas	Global human resource manager	Flight Centre Limited
D.O'Brien	Global corporate manager	Flight Centre Limited

Remuneration report
(a) Principles used to determine the nature and amount of remuneration
The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. Underpinning this framework is the core philosophy of 'ownership by our people', which ensures opportunities for employees to invest in their own success. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As people gain seniority within the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

29. Director and executive disclosures (continued)

(i) Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The chairman is not present at any discussions relating to determination of his own remuneration. Directors do not participate in the Flight Centre Limited Employee Option Plan.

(ii) Directors' fees

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

(iii) Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the Flight Centre Limited Employee Option Plan, and Employee Share Plan
- other remuneration such as superannuation contributions.

The combination of these comprise an executive's total remuneration.

(iv) Base pay

Executives are offered a base pay element that has been capped by the remuneration committee at $80,000 for executive directors and $60,000 for executives. In keeping with Flight Centre's philosophy of 'what gets rewarded gets done', an executive's pay is heavily weighted towards short-term incentives.

There are no guaranteed base pay increases in any senior executive's contract.

(v) Superannuation contributions

Executives receive the benefit of superannuation contributions paid to a defined superannuation fund sponsored by Flight Centre Limited. Payments are made in accordance with relevant government legislation.

(vi) Short-term incentives

Executives become entitled to short-term incentives (STI) if the company achieves a pre-determined profit target or other outcome based key performance indicators (KPIs) and they achieve a prescribed profit within their division. Annual profit targets are set by the remuneration committee and are payable monthly. Using a profit target ensures a variable award is only available when value has been created for shareholders and when profit is consistent with the business plan.

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

(vii) BOS Interest

An integral part of an executive's position is the opportunity to participate in the Business Ownership Scheme (BOS) unsecured note program. The BOS program enables invited staff to invest directly in their division's operations.

A cash investment is made at the discretion of the executive and entitles the executive to participate in the growth in profits in the business area through the receipt of an interest return on investment. The executive is exposed to the risks and rewards of his or her business, as investments and returns are not guaranteed by Flight Centre Limited or any of its group companies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

29. Director and executive disclosures (continued)

(viii) Share based compensation

Information on the Flight Centre Limited Employee Option Plan is set out below.

(b) Details of remuneration

Details of the remuneration of each director of Flight Centre Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables:

(i) Directors of Flight Centre Limited

2004	Primary		Other	Post-employment	
	Cash salary and fees $	Incentive $	BOS Interest $	Super - annuation $	Total $
Non-executive directors					
N.C.Fussell	145,000	-	-	13,050	158,050
P.F.Barrow	70,000	-	-	-	70,000
H.L.Stack	60,000	-	-	4,500	64,500
Executive directors					
G.F.Turner	80,000	127,182	-	7,200	214,382
S.J.Flynn (Appointed 29/01/04) *	80,000	385,123	160,980	16,200	642,303
C.Greive (Resigned 29/01/04)	21,545	46,353	-	-	67,898
Total	456,545	558,658	160,980	40,950	1,217,133

* S.J.Flynn was appointed as director on 29 January 2004. He remains the company's chief executive officer, the position he held prior to his appointment as director. Amounts shown above include all Mr Flynn's remuneration during the reporting period whether as a director or as chief executive officer.

Total remuneration of directors of Flight Centre Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

2003	Primary		Other	Post-employment		Equity	
	Cash salary and fees $	Incentive $	BOS interest $	Super- annuation $	Retirement benefits $	Options $	Total $
Total	244,992	110,256	-	11,700	-	172,000	538,948

(ii) Specified executives of the consolidated entity

2004	Primary		Other	Post- employment $	Equity	
	Cash salary and fees $	Incentive $	BOS interest (1) $	Super- annuation $	Options $	Total $
D.O'Brien	60,000	100,000	1,053,914	5,400	-	1,219,314
J.Sturgess	60,000	161,618	290,242	8,251	6,696	526,807
A.Grigson *	60,000	115,193	288,564	16,110	-	479,867
D.Warner	60,000	246,175	115,086	12,600	6,696	440,557
K.Stanley	60,000	147,051	94,306	13,583	-	314,940
M.Aponas	60,000	59,154	18,508	7,917	-	145,579
Total	360,000	829,191	1,860,620	63,861	13,392	3,127,064

* A.Grigson was appointed global corporate manager on 1 February 2004. Previously he was leader Australian Cadre.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

29. Director and executive disclosures (continued)

(1) An amount of $642,000 was paid to D.O'Brien in relation to deferred BOS interest for the restructure of the unsecured note outstanding.

Total remuneration of specified executives for the year ended 30 June 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities. In some cases, different individuals are included than those specified in the year ended 30 June 2004.

2003	Primary		Other	Post-employment		Equity	
	Cash salary and fees $	Incentive $	BOS interest $	Super-annuation $	Retirement benefits $	Options $	Total $
Total	441,858	1,002,861	959,901	90,387	-	43,320	2,538,327

Service agreements
There are no fixed term service agreements with any director or specified executive with the company. Directors and specified executives may terminate employment with the company in accordance with statutory notice periods. Termination benefits may become payable in accordance with statutory requirements. There are no termination benefits payable in accordance with any contractual arrangements.

The principles and levels of remuneration of directors and specified executives are outlined in the remuneration report.

Share-based compensation
The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
14 July 2003	14 July 2008	$22.46	$3.72	14 July 2004, subject to vesting conditions

Options are granted under the Flight Centre Limited Employee Option Plan which was established in October 1997 (amended 31 October 2002). Employees and directors of the group (excluding Messrs Turner, James, Harris and Goldburg) are eligible to participate in the plan. Further information on the option plan is set out in note 34.

Effective 1 July 2003, the directors' have elected not to participate in the Flight Centre Limited Employee Option Plan.

Equity instrument disclosures relating to directors and executives
(a)Options provided as remuneration
Details of options over ordinary shares in the company provided as remuneration to each director of Flight Centre Limited and each of the specified executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Flight Centre Limited. Further information on the options is set out in note 34.

	Number of options granted during the year	Number of options vested during the year
Directors of Flight Centre Limited		
None	-	-
Specified executives of the consolidated entity		
J.Sturgess	1,800	1,800
D.Warner	1,800	1,800

Options have been granted to specified executives under the terms of their service agreements on achievement of specified KPIs for their division.

The amounts disclosed for emoluments relating to options above are the assessed fair value at grant date of options granted to executive directors and other executives. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The valuation of each option granted for the 2004 year was $3.72.

The key model inputs for options granted during the year ended 30 June 2004 included:
(a) expected dividend yield (2.02%)
(b) share volatility (24.29%)
(c) risk free interest rate (4.73%)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

29. Director and executive disclosures (continued)

(b) Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Flight Centre Limited and each of the specified executives of the consolidated entity are set out below.

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year
Directors of Flight Centre Limited		
H.L.Stack	18 November 2003	10,000
Specified executives of the consolidated entity		
D.Warner	9 October 2003	14,000
K.Stanley	12 August 2003 11 September 2003	3,000 6,000
D.O'Brien	15 July 2003	20,000

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

Exercise date	Amount paid per share
15 July 2003	$3.73
12 August 2003	$3.73
11 September 2003	$3.73
9 October 2003	$3.73
18 November 2003	$3.73

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

(c) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Flight Centre Limited and each of the specified executives of the consolidated entity are set out below.

	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Flight Centre Limited						
N.C.Fussell	60,000	-	-	-	60,000	60,000
H.L.Stack	50,000	-	(10,000)	-	40,000	40,000
P.F.Barrow	40,000	-	-	-	40,000	40,000
S.J.Flynn	20,800	-	-	-	20,800	20,800
Specified executives of the consolidated entity						
J.Sturgess	11,000	1,800	-	-	12,800	12,800
D.Warner	31,250	1,800	(14,000)	-	19,050	19,050
K.Stanley	46,500	-	(9,000)	-	37,500	37,500
A.Grigson	14,900	-	-	-	14,900	14,900
M.Aponas	-	-	-	-	-	-
D.O'Brien	60,900	-	(20,000)	-	40,900	40,900

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

29. Director and executive disclosures (continued)

(d) Share holdings

The numbers of shares in the company held during the financial year by each director of Flight Centre Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Flight Centre Limited Ordinary Shares				
N.C.Fussell	136,329	-	-	136,329
G.F.Turner	17,367,015	-	(150,000)	17,217,015
H.L.Stack	32,288	10,000	(10,000)	32,288
P.F.Barrow	100,800	-	(30,000)	70,800
S.J.Flynn	415,133	-	(15,000)	400,133
G.L.Harris	16,607,130	-	(150,000)	16,457,130

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Specified executives of the consolidated entity Ordinary Shares				
J.Sturgess	13,392	-	-	13,392
D.Warner	3,200	14,000	(6,500)	39,500
K.Stanley	155	9,000	(200)	8,955
A.Grigson	2,678	-	250	2,928
M.Aponas	250	-	-	250
D.O'Brien	60,350	20,000	-	80,350

Other transactions with directors and specified executives of Flight Centre Limited

The company has entered into a lease agreement with Four Direct Properties Pty Ltd, of which Messrs Goldburg, Turner, Harris and James are directors. The lease agreement which was signed in 1996 is for the rental of the premises at 181 George Street, Brisbane to Flight Centre Limited. Independent advice was sought as to the monthly rentals to be paid. Rental paid during the year was $77,012.

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

Aggregate amounts of each of the above types of other transactions with directors of Flight Centre Limited:

	2004 $'000	2003 $'000
Amounts recognised as expense		
Rental of office buildings	**77**	51

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

30. Remuneration of auditors

During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**293,769**	190,000	**169,389**	134,100
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**372,599**	191,099	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the consolidated entity	-	153,528	**-**	-
Total remuneration for audit services	**666,368**	534,627	**169,389**	134,10
2. Other assurance services				
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**12,619**	21,874	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**93**	-	**-**	-
Total remuneration for other assurance services	**12,712**	21,874	**-**	-
Total remuneration for assurance services	**679,080**	556,501	**169,389**	134,100
Taxation services				
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**95,462**	-	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**17,347**	-	**-**	-
Total remuneration for taxation services	**112,809**	-	**-**	-
Advisory services				
Fees paid to PricewaterhouseCoopers Australian firm	**2,573**	166,270	**11,573**	21,700
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**-**	69,056	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**5,848**	28,515	**-**	-
Total remuneration for advisory services	**8,421**	263,841	**11,573**	21,700

31. Contingent liabilities

Unsecured notes were previously issued to overseas executives as part consideration for their equity interest in their particular subsidiary company. Final payments are likely to be made, however such payments cannot be readily determined at balance date.

The parent entity has guaranteed leases of other related entities.

Bank guarantees in respect of shop lease obligations are secured by a mortgage of marketable securities amounting to $3,000,000.

Standard industry operating practice requires the group to issue letters of credit to the International Air Transport Association for the benefit of the travelling public in offshore businesses. Australian customers are covered via membership of the Travel Compensation Fund and International Air Transport Regulatons (refer note 21).

Included in investment in controlled entities (note 35) is liabilities payable on the acquisition of various entities and businesses. Additional installments may become payable and are dependent on future events.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

32. Commitments for expenditure

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**46,669**	39,310	**24,224**	19,581
Later than one year but not later than five years	**122,280**	97,883	**62,948**	43,460
Later than five years	**40,043**	35,516	**5,858**	536
	208,992	172,709	**93,030**	63,577

The operating leases above relate primarily to occupancy leases of varying terms.

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	**22**	47	**-**	-
Later than one year but not later than five years	**-**	16	**-**	-
Minimum lease payments	**22**	63	**-**	-
Less: Future finance charges	**(1)**	(8)	**-**	-
Total lease liabilities	**21**	55	**-**	-
Representing lease liabilities:				
Current (note 16)	**21**	55	**-**	-

33. Related parties

Transactions with directors and director-related entities
Details of all transactions with directors or specified executives are disclosed in note 29.

Wholly-owned group
Flight Centre Limited is the ultimate chief entity in the wholly-owned group comprising the parent entity and its wholly-owned controlled entities. Further details of these entities and other controlled entities are set out in note 35.
Transactions between Flight Centre Limited and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of:
(a) loans advanced by/to Flight Centre Limited
(b) loans repaid to Flight Centre Limited
(c) the payment of interest on the above loans
(d) the provision of management services by Flight Centre Limited
(e) the sales of travel products and services to Flight Centre Limited
(f) the payment of royalties and dividends to Flight Centre Limited
(g) the provision of information technology services to Flight Centre Limited
(h) transactions between Flight Centre Limited and its wholly-owned Australian controlled entities under the tax sharing agreements described in note 4.

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by and advanced to Flight Centre Limited. The interest rate charged on the loans during the year was between 0% and 12% (2003: between 0% and 5.25%).

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33. Related parties (continued)

	Parent entity 2004 $'000	Parent entity 2003 $'000
Aggregate amounts included in the determination of net profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:		
Dividend revenue	**2,240**	833
Royalty revenue	**8,958**	14,487
Interest revenue	**3,110**	2,732
Aggregate amounts receivable from/payable to subsidiaries in the wholly-owned group at balance date:		
Current receivables - loans	**136,132**	68,341
Current payables - loans	**27,383**	17,585
Current payables - trade creditors	**5,283**	1,454

34. Employee benefits

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Employee benefit and related on-costs liabilities				
Included in other creditors - current (note 15)	**9,193**	7,422	**5,742**	4,739
Provision for long service leave - current (note 18)	**2,505**	2,186	**2,230**	1,650
Provision for long service leave - non-current (note 23)	**2,014**	1,856	**1,866**	1,783
Aggregate employee benefit and related on-costs liabilities	**13,712**	11,464	**9,838**	8,172

	2004 Number	2003 Number	**2004 Number**	2003 Number
Employee numbers				
Average number of employees during the financial year:				
Selling Staff	**4,795**	3,980	**2,698**	2,560
Support Staff	**1,601**	1,208	**975**	123
	6,396	5,188	**3,673**	2,683

Flight Centre Limited Employee Option Plan

Options are granted under the Flight Centre Limited Employee Option Plan which was established in October 1997 (amended 31 October 2002). Employees and directors of the group (excluding Messrs Turner, Harris, James and Goldburg) are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options are exercisable over fully paid unissued ordinary shares of the company. When exercisable, each option is convertible into one ordinary share. The exercise prices of the options are fixed at the time of grant. The exercise price is calculated at 5% above the weighted average market price during the five-day period prior to the options being granted.

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

34. Employee benefits (continued)

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

Particulars of options granted to and exercised by directors and employees of the company during the financial year are as follows:

Consolidated and parent entity - 2004

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
			Number	Number	Number	Number	Number
27/11/98	27/11/03	$3.73	130,000	-	(68,000)	(62,000)	-
13/08/99	13/08/04	$7.62	704,092	-	(238,550)	(93,071)	372,471
27/11/99	27/11/04	$14.15	20,000	-	-	-	20,000
14/08/00	14/08/05	$19.71	316,010	-	(25,088)	(68,377)	222,545
30/11/00	30/11/05	$23.49	40,000	-	-	-	40,000
01/07/01	01/07/06	$23.52	31,379	-	-	(21,714)	9,665
24/08/01	24/08/06	$28.68	526,176	-	-	57,154	583,330
30/11/01	30/11/06	$21.98	40,000	-	-	-	40,000
06/09/02	06/09/07	$28.40	18,000	-	-	-	18,000
31/10/02	31/10/07	$23.73	40,000	-	-	-	40,000
14/02/03	14/02/08	$19.69	25,997	-	-	-	25,997
14/07/03	14/07/08	$22.46	-	1,050,000	-	(1,030,200)	19,800
			1,891,654	1,050,000	(331,638)	(1,218,208)	1,391,808

Consolidated and parent entity - 2003

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
			Number	Number	Number	Number	Number
27/11/98	27/11/03	$3.73	160,000	-	(30,000)	-	130,000
13/08/99	13/08/04	$7.62	875,264	-	(171,172)	-	704,092
27/11/99	27/11/04	$14.15	40,000	-	(20,000)	-	20,000
01/07/00	01/07/05	$6.00	30,000	40,000	(70,000)	-	-
14/08/00	14/08/05	$19.71	345,113	-	(29,103)	-	316,010
30/11/00	30/11/05	$23.49	40,000	-	-	-	40,000
01/07/01	01/07/06	$23.52	31,529	-	(150)	-	31,379
24/08/01	24/08/06	$28.68	1,900,000	-	-	(1,373,824)	526,176
30/11/01	30/11/06	$21.98	40,000	-	-	-	40,000
06/09/02	06/09/07	$28.40	-	2,100,000	-	(2,082,000)	18,000
31/10/02	31/10/07	$23.73	-	40,000	-	-	40,000
14/02/03	14/02/08	$19.69	-	25,997	-	-	25,997
			3,461,906	2,205,997	(320,425)	(3,455,824)	1,891,654

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

34. Employee benefits (continued)

Options exercised during the financial year and number of shares issued to employees on the exercise of options.

		Consolidated		Parent entity	
	Weighted average fair value of shares at	**2004**	2003	**2004**	2003
Quarter ending	**issue date**	**Number**	Number	**Number**	Number
31 December 2002	$21.51	**-**	144,423	**-**	144,423
31 March 2003	$19.54	**-**	115,752	**-**	115,752
30 June 2003	$18.87	**-**	60,250	**-**	60,250
30 September 2003	$22.34	**112,640**	-	**112,640**	-
31 December 2003	$21.78	**81,828**	-	**81,828**	-
31 March 2004	$21.16	**79,070**	-	**79,070**	-
30 June 2004	$17.63	**58,100**	-	**58,100**	-
`		**331,638**	320,425	**331,638**	320,425

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	**2,567**	2,699	**2,567**	2,699

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Fair value of shares issued to employees on the exercise of options as at their issue date	**6,996**	6,505	**6,996**	6,505

Employee share scheme

The company established Employee Share Plans in 1997 (amended 31 October 2002). Shares can be purchased from unissued capital under those plans at a 10% discount to the market price. The market price is calculated as the average price of shares during the five days preceeding the offer to employees.

All full time employees of the group are eligible to participate in the plan.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the consolidated entity. In all other respects the shares rank equally with other fully-paid shares on issue (see note 25(c)).

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Aggregate proceeds received from employees on the issue of shares	**3,631**	5,844	**3,631**	5,844
	Number	Number	**Number**	Number
Shares issued under the plan to participating employees	**201,755**	327,104	**201,755**	327,104

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

35. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding 2004 %	Equity holding 2003 %	Cost of parent entity's investment 2004 $'000	Cost of parent entity's investment 2003 $'000
Parent Entity						
Flight Centre Limited	Australia					
Controlled entities						
Flight Centre (New South Wales) Pty Ltd**	Australia	Ordinary	**100**	100	**1,339**	1,339
Flight Centre Technology Pty Ltd ***	Australia	Ordinary	**100**	100	**3,756**	3,756
Flight Centre (Victoria) Pty Ltd**	Australia	Ordinary	**100**	100	**1,814**	1,814
Publishing Pty Ltd**	Australia	Ordinary	**100**	100	**25**	25
Flight Centre (NZ) Limited*	New Zealand	Ordinary	**100**	100	**3,967**	3,967
Great Holiday Escape (NZ) Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Flight Centre (UK) Limited*	United Kingdom	Ordinary	**100**	100	**3,783**	3,783
Flight Centre (South Africa) Pty Ltd*	RSA	Ordinary	**100**	100	**9,426**	9,426
The Great Holiday Escape Pty Ltd**	Australia	Ordinary	**100**	100	**9**	9
Group & Conference Travel Pty Ltd**	Australia	Ordinary	**100**	100	**105**	105
Inifinity Holidays Pty Ltd**	Australia	Ordinary	**100**	100	**76**	76
Retail Detail Pty Ltd**	Australia	Ordinary	**100**	100	**105**	105
Flight Centre (China) Pty Ltd (formerly Merchandising Pty Ltd)*	Australia	Ordinary	**100**	100	**40**	40
The Discount Flight Specialist Inc*	Canada	Ordinary	**-**	100	**-**	309
The Discount Flight Specialist Inc*	Canada	Preference	**-**	100	**-**	1,925
The Flight Shops Inc*	Canada	Ordinary	**100**	100	**1,354**	532
The Flight Shops Inc*	Canada	Preference	**100**	100	**2,969**	532
Traveland Pty Ltd (formerly Radreel Pty Ltd)	Australia	Ordinary	**100**	100	**14,792**	14,792
Frequent Flyers Pty Limited	Australia	Ordinary	**100**	100	**-**	-
Stage & Screen Travel & Freight Services Pty Limited	Australia	Ordinary	**100**	100	**-**	-
Flight Centre (USA) Inc.*	USA	Ordinary	**100**	100	**2**	2
Flight Centre (PNG) Limited *	Papua New Guinea	Ordinary	**100**	100	**1**	1
ITG Pty Ltd***	Australia	Ordinary	**100**	100	**38,848**	38,878
GTM Internet Travel Pty Limited	Australia	Ordinary	**100**	100	**-**	-
Internet Travel Australia Pty Limited	Australia	Ordinary	**100**	100	**-**	-
Internet E. Travel Pty Limited	Australia	Ordinary	**100**	100	**-**	-
Intravel Group Pty Ltd	Australia	Ordinary	**100**	100	**-**	-
GTM Travel Australia Pty Limited	Australia	Ordinary	**100**	100	**-**	-
ITL Overseas Holdings Pty Limited	Australia	Ordinary	**100**	100	**-**	-
Internet Travel Group (NZ) Holdings Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Globalnet Technologies Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
Lumina Technologies Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
Lumina Marketing Pty Limited**	Australia	Ordinary	**100**	100	**-**	-
American International Travel Limited*	Hong Kong	Ordinary	**100**	100	**2,840**	2,840
BDI Solutions Pty Ltd**	Australia	Ordinary	**100**	100	**839**	839
Flight Centre (UK) Holdings Limited*	United Kingdom	Ordinary	**100**	100	**21,182**	21,182
Flight Centre (UK) Corporate Limited*	United Kingdom	Ordinary	**100**	100	**39**	39
Flight Centre (UK) Corporate Limited*	United Kingdom	Preference	**100**	100	**-**	54,500

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

35. Investments in controlled entities (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2004 %	Equity holding 2003 %	Cost of parent entity's investment 2004 $'000	Cost of parent entity's investment 2003 $'000
Controlled entities (continued)						
Flight Centre (UK) Finance Limited*	United Kingdom	Ordinary	**100**	100	**-**	-
Britannic Travel Limited*	United Kingdom	Ordinary	**100**	100	**-**	-
Seymour College Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Tamaki Makaurau Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Hamilton Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Wellington Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Christchurch Limited*	New Zealand	Ordinary	**100**	100	**-**	-
					107,311	160,816

All controlled entities are directly controlled by Flight Centre Limited.

* Controlled entity of which PricewaterhouseCoopers in Australia has not acted as auditor.

** Small proprietary companies for which no financial report is prepared under sections 293 and 294 of the Corporations Act 2001.

*** These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with class orders 98/1418 issued by Australian Securities and Investment Commission. For further information see note 39.

Acquisition of businesses

On 22 September 2003, Flight Centre (NZ) Limited acquired the remaining interest in Infinity Holidays, New Zealand for $2,897,976 from Amrak Limited of which Graeme Moore, an executive of the consolidated entity, is a significant shareholder. On 30 September 2003, the parent entity acquired the business, Kistend, for $2,586,339. Kistend provides travel services to Australian universities and other higher education institutions.

On 16 October 2003, Flight Centre Limited made the final deferred payment of $1,025,022 for the remaining minority interest in The Flight Shops Inc.

Details of the acquisitions are as follows:

	2004 Kistend $'000	2004 Others $'000	2004 Total $'000
Fair value of identifiable net assets of controlled entity acquired			
Plant and equipment	10	-	10
Goodwill on consolidation	2,576	3,923	6,499
Consideration	2,586	3,923	6,509
Consideration			
Cash			1,525
Shares issued (note 25)			4,437
Unsecured notes issued			360
Deferred settlement			100
Costs of acquisition			87
			6,509

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

36. Events occurring after reporting date

Acquisition of assets of Contal Pty Ltd

On 17 August 2004, Flight Centre Limited and its controlled entities purchased the assets of travelthere.com and the software assets of Contal Pty Ltd for total consideration of $5,000,000. travelthere.com is an internet travel site that facilitates the integrated booking of travel. The purchase provides software to enhance the booking of travel on the internet by providing multiple airfares and other travel products in one easy to use screen.

At the date of this report there is no other matter or circumstance which has arisen since 30 June 2004 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.

37. 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.

Primary reporting - geographical segments

	Australia	New Zealand	United Kingdom	Other	Inter-segment eliminations/ unallocated	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2004						
Total Transaction Value	3,812,612	561,435	792,131	732,545	(13,912)	5,884,811
Sales to external customers	488,454	85,243	108,711	91,887	-	774,295
Intersegment sales	5,699	635	66	213	(6,613)	-
Total sales revenue	494,153	85,878	108,777	92,100	(6,613)	774,295
Unallocated revenue	-	-	-	-	24,716	24,716
Total segment revenue	494,153	85,878	108,777	92,100	18,103	799,011
Segment result pre Royalties	96,618	11,137	9,044	(888)	(2,724)	113,187
Royalties	8,686	(7,014)	-	(2,420)	748	-
Segment result	105,304	4,123	9,044	(3,308)	(1,976)	113,187
Unallocated revenue less unallocated expenses						8,139
Profit from ordinary activities before income tax expense						121,326
Income tax expense						(39,399)
Net profit						81,927
Segment assets	604,345	80,359	203,836	64,904	(9,444)	944,000
Unallocated assets						17,138
Total assets						961,138
Segment liabilities	283,832	57,153	117,866	31,862	(11,474)	479,239
Unallocated liabilities						57,664
Total liabilities						536,903
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	49,924	5,793	3,095	6,411	-	65,223
Depreciation expense	15,185	2,591	3,037	5,037	-	25,850
Amortisation expense	7,797	845	4,741	3	-	13,386
Other non-cash expenses	3,149	742	(134)	1,251	-	5,008

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37. Segment information (continued)

Primary reporting - geographical segments (continued)

	Australia	New Zealand	United Kingdom	Other	Inter-segment eliminations/ unallocated	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2003						
Total Transaction Value	2,991,731	510,970	467,321	591,989	(6,756)	4,555,255
Sales to external customers	388,163	74,266	66,304	77,179	-	605,912
Intersegment sales	4,415	38	-	280	(4,733)	-
Total sales revenue	392,578	74,304	66,304	77,459	(4,733)	605,912
Unallocated revenue	-	-	-	-	20,127	20,127
Total segment revenue	392,578	74,304	66,304	77,459	15,394	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 expense						102,325
Income tax expense						(32,305)
Net profit						70,020
Segment assets	480,448	39,992	195,079	58,312	(689)	773,142
Unallocated assets						23,219
Total assets						796,361
Segment liabilities	239,267	32,047	110,140	25,970	859	408,283
Unallocated liabilities						20,468
Total liabilities						428,751
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	22,486	4,954	104,975	8,197	-	140,612
Depreciation expense	12,972	1,852	2,246	4,738	-	21,808
Amortisation expense	7,057	132	1,359	-	-	8,548
Other non-cash expenses	2,755	178	1,435	(217)	-	4,151

Notes to and forming part of the segment information

(a) Accounting policies
Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can reasonably be allocated to the segment. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

38. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Profit from ordinary activities after income tax	**81,927**	70,020	**71,833**	61,683
Depreciation and amortisation	**39,238**	30,356	**9,566**	7,542
Write down of non-current assets	**2,187**	(1,363)	**1,157**	745
Provision for doubtful debts	**272**	3,765	**2,547**	2,557
Amortisation of premium on bonds	**1,938**	117	**-**	146
Net gain on sale of non-current assets	**1,222**	1,112	**662**	960
Net (profit) loss on sale of investments	**(1,218)**	(1,482)	**(1,169)**	(1,482)
Non cash financing costs	**-**	632	**-**	-
Net exchange differences	**(7,712)**	(1,257)	**(6)**	(852)
Decrease (increase) in trade debtors and bills of exchange	**(20,035)**	4,714	**(11,813)**	6,924
Decrease (increase) in deferred tax assets	**(4,096)**	(118)	**(5,228)**	(943)
Decrease (increase) in prepaid expenses	**(4,463)**	(3,486)	**(4,287)**	(1,012)
Decrease (increase) in other operating assets	**4,933**	4,080	**6,118**	703
Decrease (increase) in related party loans	**-**	-	**(1,179)**	-
Increase (decrease) in trade creditors	**89,411**	16,962	**58,167**	1,446
Increase (decrease) in other operating liabilities	**(87)**	92	**30**	154
Increase (decrease) in provision for income taxes payable	**(6,834)**	1,598	**(5,699)**	(1,985)
Increase (decrease) in provision for deferred income tax	**4,495**	566	**5,783**	(180)
Increase (decrease) in other provisions	**2,250**	941	**1,666**	957
Increase (decrease) in equity - tax expense	**109**	-	**109**	-
Net cash inflow from operating activities	**183,537**	127,249	**128,257**	77,363

39. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Acquisition of plant and equipment by means of finance leases	**2**	212	**2**	-

Deferred settlement of part proceeds on the acquisition of controlled entities and businesses are disclosed in note 35.
Acquisition of controlled entities and businesses satisfied by the issue of shares are shown in note 25.

40. Earnings per share

	Consolidated	
Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	**93,685,610**	90,971,725
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	**93,938,920**	91,605,794

	Consolidated	
	2004	2003
Reconciliations of earnings used in calculating earnings per share	**$'000**	$'000
Net profit	**81,927**	70,020

Options granted to directors and employees under the Flight Centre Limited 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. Details relating to the options are set out in note 34.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

41. Impact of adopting AASB equivalents to IASB Standards

Flight Centre Limited has commenced transitioning policies and financial reporting from current Australian standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact analysis to isolate key areas that will be impacted by the transition to IFRS. As a result Flight Centre Limited has graded impact areas as critical, moderate or low and is addressing each of the areas in order of priority as represented by the gradings. An IFRS steering committee has been established to oversee progress and make necessary decisions. Flight Centre Limited has focused key project resources on the impact Australian equivalents to IFRS will have on the long-term decisions and strategies of the company. This has involved an analysis of the information systems, business structures and strategies of the group.

As part of the transition to Australian equivalents of IFRS, priority has been given to considering the preparation of an opening balance sheet in accordance with the standards as at 1 July 2004. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Flight Centre Limited. Analysis of the financial and operational impact of the Australian equivalents continues and the following is not an exhaustive list of differences.

At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments
Under AASB 139 'Financial Instruments: Recognition and Measurement', financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to the net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting
Under AASB 139, in order for a financial instrument to qualify for hedge accounting, the company is required to meet the following criteria:
- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in the current accounting policy, which applies hedge accounting to its forward foreign exchange contracts. The contracts are general hedges and are currently not separately identified and documented in accordance with the requirements of AASB 139. New procedural requirements are being implemented to ensure that hedge accounting, in accordance with AASB 139, can be applied.

The current requirements of AASB 1012 'Foreign Currency Translation', regarding the early termination of foreign exchange hedges, enables the deferral of gains and losses in the balance sheet until the anticipated transaction occurs. Under AASB 139, all gains and losses from early termination of foreign currency hedges will go through the Statement of Changes in Equity until the anticipated transaction occurs.
Reliable estimation of the future financial effect of the change in accounting policy has not yet been measured.

Goodwill
Under AASB3 'Business Combinations', goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises goodwill over its estimated useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets
Under AASB 136 'Impairment of Assets', the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted net cash flows. Under the new policy, the value in use shall be calculated using forecasted operational cash flows, using a discount rate appropriate to the risk of the asset. This method may reduce the calculated value in use and therefore increase the probability of impairment. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

41. Impact of adopting AASB equivalents to IASB Standards (continued)

Intangible Assets

Under AASB 138 'Intangible Assets', costs incurred in the research phase of the development of an internally generated intangible must be expensed. As a result, the group's current accounting policy, which allows for the capitalisation of costs incurred in the research phase of an internally generated intangible asset where future economic benefits are expected beyond reasonable doubt, shall be required to be adjusted. Under the new policy, all research costs will be written off as incurred and all research costs currently capitalised will be derecognised against opening retained earnings. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

The requirements of AASB 138 do not allow the recognition of internally generated software licenses. This differs from the current accounting policy in the recognition and revaluation of internally generated software licenses. The change in accounting policy will require Flight Centre Limited to derecognise internally generated software licenses of $16,181,000 against the asset revaluation reserve and opening retained earnings as at 1 July 2004.

Share Based Payments

Under AASB 2 'Share based payments', the company will be required to determine the fair value of options issued to employees as remuneration and recognise and expense in the Statements of Financial Performance. Flight Centre Limited's current policy is not to recognise an expense for share based payments. This standard is not limited to options and also extends to other forms of equity based remuneration as described in Note 34. The standard applies to all share based payments issued after 7 November 2002, which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

42. Deed of cross guarantee

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

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

1) ITG Pty Ltd
2) Flight Centre Technology Pty Ltd

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

Set out below is a consolidated statements of financial performance for the year ended 30 June 2004 comprising the company and the subsidiaries listed above.

	Flight Centre Limited & ITG Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Revenue from ordinary activities	**518,920**	403,379	**496,067**	383,829
Retail shop expenses	**(336,159)**	(264,594)	**(316,245)**	(244,572)
Administration / support expenses	**(62,484)**	(40,591)	**(58,022)**	(39,428)
Borrowing costs expense	**(15,148)**	(8,356)	**(15,342)**	(8,431)
Profit from ordinary activities before related income tax expense	**105,129**	89,838	**106,458**	91,398
Income tax expense	**(31,598)**	(27,363)	**(30,965)**	(27,052)
Profit from ordinary activities after income tax expense/net profit	**73,531**	62,475	**75,493**	64,346
Total changes in equity other than those resulting from transactions with owners as owners	**73,531**	62,475	**75,493**	64,346

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2004

42. Deed of cross guarantee (continued)

Set out below is a summary of movements in consolidated retained profits for the year ended 30 June 2004 of the company and its subsidiaries.

	Flight Centre Limited & ITG Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	**106,787**	62,241	**108,255**	61,148
Adjustment resulting from change in accounting policy for providing for dividends	**-**	22,029	**-**	22,029
Profit from ordinary activities after income tax expense/net profit	**73,531**	62,475	**75,493**	64,346
Adjustment to retained earnings	**-**	(690)	**-**	-
Dividends provided for or paid	**(42,621)**	(39,268)	**(42,621)**	(39,268)
Retained profits at the end of the financial year	**137,697**	106,787	**141,127**	108,255

Set out below are consolidated statements of financial position as at 30 June 2004 of the company and the subsidiaries listed above.

	Flight Centre Limited & ITG Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Current assets				
Cash assets	**134,596**	94,214	**126,316**	89,021
Receivables	**193,698**	167,940	**186,844**	144,546
Other financial assets	**207,136**	172,629	**207,136**	172,629
Other	**7,350**	4,174	**7,654**	2,686
Total current assets	**542,780**	438,957	**527,950**	408,882
Non-current assets				
Other financial assets	**124,174**	122,008	**106,619**	157,060
Property, plant and equipment	**50,033**	26,372	**66,550**	37,227
Deferred tax assets	**9,572**	5,045	**9,573**	4,493
Intangible assets	**29,443**	29,116	**24,400**	25,088
Other	**414**	580	**414**	580
Total non-current assets	**213,636**	183,121	**207,556**	224,448
Total assets	**756,416**	622,078	**735,506**	633,330
Current liabilities				
Payables	**256,442**	199,437	**240,195**	179,640
Interest bearing liabilities	**70,301**	44,549	**62,503**	73,945
Current tax liabilities	**5,259**	9,669	**1,167**	9,480
Provisions	**2,354**	2,554	**2,292**	1,752
Other	**1,914**	4,382	**1,914**	4,614
Total current liabilities	**336,270**	260,591	**308,071**	269,431
Non-current liabilities				
Payables	**-**	419	**-**	419
Interest bearing liabilities	**15,000**	-	**15,000**	-
Deferred tax liabilities	**6,599**	1,410	**11,479**	2,377
Provisions	**1,866**	1,846	**1,996**	1,823
Other	**1,189**	5,876	**1,189**	5,876
Total non-current liabilities	**24,654**	9,551	**29,664**	10,495
Total liabilities	**360,924**	270,142	**337,735**	279,926
Net assets	**395,492**	351,936	**397,771**	353,404
Equity				
Contributed equity	**256,598**	245,103	**256,598**	245,103
Reserves	**1,197**	46	**46**	46
Retained profits	**137,697**	106,787	**141,127**	108,255
Total equity	**395,492**	**351,936**	**397,771**	**353,404**

DIRECTORS' DECLARATION 30 June 2004

The directors declare that the financial statements and notes set out on pages 27 to 80:

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

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 42 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 42.

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

N.C.Fussell
Chairman

G.F.Turner
Managing director

Brisbane, 26 August 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS

30 June 2004

Audit opinion

In our opinion, the financial report of Flight Centre Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Flight Centre Limited and the Flight Centre group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Flight Centre Limited (the company) and Flight Centre group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion 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 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 performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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.

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

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

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, 26 August 2004

SHAREHOLDER INFORMATION 30 June 2004

The shareholder information set out below was applicable as at 4 August 2004.

A. Distribution of equity securities

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

	Class of equity security		
Range	**Holders**	**Shares**	**Percentage of issued shares**
1–1,000	10,186	3,098,852	3.29%
1,001–5,000	2,154	4,458,689	4.74%
5,001–10,000	247	1,728,278	1.84%
10,001–100,000	161	3,777,526	4.01%
100,001 and over	29	81,052,317	86.12%

There were 26 holders of less than a marketable parcel of ordinary shares.

The percentage of the total holding of the 20 largest holders of each class of shares was 84.99%.

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Number of ordinary shares held	Percentage of issued shares
Gainsdale Pty Ltd (G.F. Turner Family a/c)	17,098,077	18.18%
Gehar Pty Ltd (Geoffrey Harris Family a/c)	16,448,302	17.48%
James Management Services Pty Limited (ATF The James Management a/c)	14,229,500	15.12%
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund a/c)	5,764,470	6.12%
Invia Custodian Pty Limited (PIB Friday Investments Pty Ltd ad#1 a/c)	4,900,000	5.21%
JP Morgan Nominees Australia Limited	3,852,919	4.09%
Citicorp Nominees Pty Limited (CFS Imputation Fund a/c)	3,590,207	3.81%
Invia Custodian Pty limited (PIB Friday Investments Pty Ltd ad#2 a/c)	1,824,502	1.94%
Trinity Holdings Limited	1,741,833	1.85%
National Nominees Limited	1,623,542	1.73%
Citicorp Nominees Pty Limited (CFS Future Leaders Fund a/c)	1,572,126	1.67%
Citicorp Nominees Pty Limited (CFS WSLE Aust Share Fund a/c)	1,510,019	1.60%
RBC Global Services Australia Nominees Pty Limited (GSJBW a/c)	1,495,637	1.59%
Citicorp Nominees Pty Limited (CFS WSLE industrial Share a/c)	1,176,487	1.25%
Westpac Custodian Nominees Limited	712,773	0.76%
Health Super Pty Limited	692,080	0.74%
Cogent Nominees Pty Limited	490,427	0.52%
Citicorp Nominee Pty Limited	424,388	0.45%
Uniglobe Holdings Pty Limited	413,773	0.44%
RBC Global Services Australia Nominees Pty Limited (Pooled a/c)	411,889	0.44%
		84.99%

C. Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	**Percentage of issued shares**
Gainsdale Pty Ltd (G.F.Turner Family a/c)	17,098,077	18.18%
Gehar Pty Ltd (Geoffrey Harris Family a/c)	16,448,302	17.48%
Commonwealth Bank of Australia	14,349,974	15.38%
James Management Services Pty Limited (ATF The James Management a/c)	14,229,500	15.12%
Friday Investments Pty Ltd (ATF The Goldburg Family a/c)	6,724,502	7.15%

Trinity Holdings Pty Ltd is potentially a substantial shareholder as it is party to a pre-emptive agreement dated 5 October 1995 between Gainsdale Pty Ltd, Gehar Pty Ltd, James Management Services Pty Ltd and Friday Investments Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Trinity Holdings Pty Ltd held 1,741,833 shares (1.85%) as at 5 August 2004.

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

Ordinary shares

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

CORPORATE DIRECTORY 30 June 2004

Notice of Annual General Meeting

Flight Centre Limited's Annual General Meeting,

Will be held at:	Rendezvous Hotel, 255 Ann Street, Brisbane
Time:	11.30am
Date:	28 October 2004

A formal notice of meeting is enclosed

Directors	N.C.Fussell G.F.Turner P.F.Barrow H.L.Stack S.J.Flynn (Appointed 29 January 2004) G.L.Harris (Alternate)
Secretary	G.Pringle

Principal registered office in Australia
Level 13, 316 Adelaide Street
Brisbane QLD 4000

Share and debenture registers
Computershare Investor Services Pty Ltd
Central Plaza One
Level 27, 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.

Website address
www.flightcentre.com.au

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TRAVEL ASSOCIATES

CAMPUS TRAVEL

CiEVENTS