FLIGHT CENTRE LIMITED

: Flight Centre Limited Annual Report 2005

Our Vision

To be the world’s most successful travel company, delivering an amazing experience to our people, our customers and our partners.

Contents

Financial Results

	2005	2004	2003	2002
TTV (A$ billion)	6.9	5.9	4.6	3.6
Revenue (A$ million)	899	799	626	482
Profit from ordinary activities before tax (A$ million)	107.0	121.3	102.3	90.5
Earnings before interest & tax (A$ million)	97.7	117.8	96.6	91.0
Net profit after tax (A$ million)	67.9	81.9	70.0	62.0
Earnings per share (cents)	71.9	87.4	77.0	71.6
Dividend per share (cents)	50.5	61.0	43.5	37.5
Special dividend (cents)	-	40.0	-	-

Vision Knowledge Flight Centre Limited ABN 25 003 377 188

Chairman's Welcome by Graham Turner

Welcome to Flight Centre Limited's annual report for 2004/05.

As you will know from our recent result announcement, the year to June 30 2005 was a disappointing period for our company. It was also a period of significant investment and change as we continued to develop our business foundations for the future.

Sales again reached record levels in an increasingly competitive trading environment, but profit was below initial expectations although in line with the company's revised forecasts.

Strategies that are in place to improve profit by reducing costs and improving income margin are outlined in this report.

Financial Performance

Total transaction value increased 17% to $6.9 billion, but our pre tax profit was down 12% at $107.0 million. Profit was affected by increased overhead costs and a decrease in income margin from 13.6% in 2003/04 to 13.1%. This decrease reflects pressure on air margins and insufficient sales growth to reach some top-tier override targets.

Earnings per share decreased 18% to 71.9 cents, while return on shareholders' equity decreased from 19.3% to 17.5%. Capital expenditure was $50.6 million and related predominantly to shop refurbishments, shop and head office fit-outs and IT spend.

Flight Centre Limited's directors declared a final dividend of 28 cents a share fully franked payable on October 14, 2005 to shareholders registered on September 23. This brings total dividends for the year to 50.5 cents a share fully franked.

Global Expansion

The company continued to grow its leisure and corporate travel operations, with selling staff numbers increasing by 11% globally.

In the retail market, Australia's 500th Flight Centre brand shop opened in January and, with our ongoing expansion, our flagship retail brand will surpass 1000 shops globally later this year. This is in addition to the Escape Travel, Student Flights and Travel Associates shops that the company offers to cater for the various market niches.

In corporate, the company launched and expanded the FCm Travel Solutions network by rebranding its existing businesses, acquiring new businesses and through licensing agreements with independent local operators in key international markets. This network now extends to more than 30 countries and will be expanded in 2005/06. Nine of these countries have FCm Travel Solutions businesses that are company owned.

Highlights

Operational highlights included:

- The establishment of a joint venture corporate travel business in China and the acquisitions of travelthere.com and a 51% stake in India's Friends Globe Travels
- The introduction of enhanced leisure online businesses in Australia, Canada and the United States, which helped the company increase online sales significantly
- The RewardPass loyalty program's Australian launch.
- Structural improvement and streamlining roles in Australia and New Zealand support areas to decrease costs and improve efficiency
- The launch, development and expansion of FCm Travel Solutions

The travelthere.com acquisition allowed the company to enhance booking capabilities on its Australian websites, which helped flightcentre.com consolidate its position as Australia's number one travel agency site. Flight Centre Limited's leisure online websites attracted more than 12 million visitors during 2004/05.

Our Customers

In addition to gaining access to enhanced online booking facilities, customers benefited from the introduction of Sunday trading and the creation of Reward Pass, which is arguably Australia's most flexible travel rewards program. RewardPass is now linked to the Diners, ANZ Rewards Visa and Commonwealth Bank programs and will be expanded during 2005/06.

Our People

In conclusion, I would like to thank our people – from our senior management teams to our sales consultants – for their efforts during 2004/05.

In another volatile trading environment, our people and teams responded to several challenges to ensure Flight Centre Limited exceeded $100 million in pre tax profit for the third successive year. In this industry, there are plenty of challenges inside our organisation, as well as outside factors. However, it is our frontline in both the corporate and leisure areas that will continue to make the difference for us.

I am confident that this year will see a return to the growth in profitability that we have come to expect from our company.

I would also like to thank you – our customers and valued shareholders – for your ongoing support of our businesses.

Performance

Expansion

Strategic Direction by Graham Turner

Flight Centre Limited will endeavour to grow its business in 2005/06 by ongoing development of its leisure, corporate, wholesale and online travel related networks in its nine countries of operation.

Shorter-term profit growth will primarily come from continued improvement in our shop network operations and in our corporate travel businesses. Our websites' main purpose is to support this growth and to maximise online sales, in addition to providing our customers with very good information and product online.

We continue to make advances online – flightcentre.com was recognised by Hitwise as Australia's most popular travel agency site for 2004 and will almost certainly be again in 2005. This is an investment for the future and an essential link in our travel distribution chain. Our web strategy is as much about delivering great product and information online as it is about online transactions.

Challenges for the year ahead include:

- Ongoing pressure on air margins in most regions
- Recruitment of people to meet growth needs in full labour markets
- Growth in the online market away from retail travel agencies
- Reduced GDS income as the company's web sales increase

To improve returns in 2005/06, the company will focus on:

- Continued business expansion in corporate and leisure travel
- Better retail and online informational and transactional capabilities
- Margin improvement through air and land preferred supplier strategies
- Cost improvements by reducing overheads, structure and having a more effective procurement area
- Acquisitions – the company is still targeting a medium sized corporate business in the USA after the recent acquisition of Friends Globe Travels in India

The current volatility in the global travel market and pressure on some air margins make it difficult to predict 2005/06 results.

Within this environment, the company will target TTV growth of about 15%.

Our policy will be to minimise sales for air and land suppliers that do not adequately reward us for our sales volume. This will be a particular focus in air contracting.

With these strategies and the steps taken through the Full Throttle projects in 2004/05 to build a stronger overall business, we will be disappointed if we cannot achieve profit growth in line with TTV growth, although external challenges mean full year profit is impossible to predict at this stage.

The current volatility in the global travel market and pressure on some air margins make it difficult to predict 2005/06 results.

Challenges

Strategies

Our Leadership Structure

New Team in Place

Flight Centre Limited has returned to a more traditional leadership structure, following chief executive officer Shane Flynn's resignation in September 2005.

All areas of operation now report to Flight Centre Limited founder and executive chairman Graham Turner, who heads an executive team with almost 60 years combined experience within the company.

This senior management team has clear responsibilities and reporting lines to oversee the company's future growth and to help improve performance.

The team comprises:

- Shannon O'Brien (CFO – five years)
- Sue Garrett (leisure – 10 years)
- Anthony Grigson (corporate – five years)
- Gary Hogan (IT and project services – 21 years)
- Mark Aponas (HR – three years)
- Greg Pringle (company secretariat – four years)
- Keith Stanley (marketing and contracting – 11 years)

The move away from a dual leadership structure signals a return to a leaner and simpler leadership system, in line with the company's philosophies.

Tribute to Norman Fussell by Graham Turner

After a decade of outstanding service, Flight Centre Limited this year bid farewell to its founding chairman, Norman Fussell.

Norm formally retired in July on his 10th anniversary as chairman of the company's Board of Directors after deciding to lighten his corporate workload and devote more time to other interests.

During Norm's 10 years in the position, the company achieved a number of milestones including:

- The opening of its 1000th shop
- Expansion into new international markets.
- The acquisition of Britannic Travel in the UK, ITG Limited in Australia and numerous other businesses
- A $100 million pre tax profit for the first time in 2002/03
- Best Employer titles in Australia twice and similar honours overseas

Norm has served the company, its people and its shareholders tirelessly over the past decade. His leadership, knowledge and experience have been key factors in our success.

We will miss Norm and wish him well in his future endeavours.

Structure

Norman Fussell

Our 2005 Award Winners

1

5

7

2

6

3

4

Hall of Fame

Norman Fussell	1
Lex Noller	2
Sue Matson	3
Tina Los	4

Directors' Award

Greg Dixon	5
Lee Haymes	6

Major Awards

Left to right 7

Luciana Velardi
(top Infinity Consultant Worldwide)

Allison Bourne
(top Ticket Centre Individual)

Wayne Ackerfeld
(top Retail Consultant Worldwide)

Dara Karlusic
(top Corporate Account Manager Worldwide)

Global Ball 2005

International Overview

Australia

After increasing profit by more than 50% in 2003/04, the Australian leisure travel business improved by a further 15% in 2004/05. Flight Centre brand continued to grow, while the Student Flights and Escape Travel brands were profitable.

Continued modest shop growth is planned in all leisure brands in 2005/06. The company will continue to focus on cost reduction in its support areas and on growing its leisure and leisure online businesses.

In the corporate travel operation, profit improved by 18% during 2004/05, with strongest performances coming in the TMS and conferencing markets. During 2005/06, the focus will be on client acquisition and improving retention.

Other significant events during 2004/05 included the launch of the RewardPass customer loyalty program, the local roll-out of the FCm Travel Solutions network and the introduction of an enhanced booking engine on the flightcentre.com website.

In addition, the company was judged Australia's best travel agency group at the National Travel Industry Awards.

New Zealand

Profit was similar to 2003/04 and below expectations. Retail performance improved, but the company was unable to achieve its major sales targets, which impacted on some override earnings.

In the year ahead, the business will target a return to significant growth, with a streamlined support structure in place, as well as modest retail and corporate growth.

The leisure online business has just been enhanced with an online booking engine added to the flightcentre.com site early in 2005/06.

South Africa

The business achieved 11% profit growth in a year that saw nine new shops opened.

Fourth quarter results were encouraging and the business is geared for growth in 2005/06. Growth will come via increasing selling staff and shop numbers.

A new online booking engine will also be launched during 2005/06.

Factfile (Australia)

Leisure, corporate and complementary outlets at June 30, 2005: 835

TTV: $4.4.billion

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

Corporate Brands: FCm Travel Solutions, Stage&Screen, Kistend and Campus Travel

Leisure Online Brands: flightcentre.com, quickbeds.com, escapetravel.com.au, studentflights.com.au

Australia

Factfile (New Zealand)

Leisure, corporate and complementary travel outlets at June 30, 2005: 172

TTV: $639 million

Leisure Brands: Flight Centre

Corporate Brands: FCm Travel Solutions

Leisure Online Brands: flightcentre.com

New Zealand Contacts

Jeremy Van de Klundert – GM

David Burns – FCm Asia Pacific

Jude Evans – Leisure

New Zealand

Factfile (South Africa)

Leisure, corporate and complementary outlets at June 30, 2005: 116

TTV: $365 million

Leisure Brands: Flight Centre, Student Flights

Corporate Brands: FCm Travel Solutions

Leisure Online Brands: flightcentre.com

South Africa Contacts

Dayle White – EGM

Gary Sayers – CFO

Rick Hamilton – Leisure

Karin Bygate – FCm Travel Solutions

South Africa

United Kingdom

The retail business's profit growth was reasonable, with profit increasing more than $1 million, while business travel brand Britannic performed in line with expectations. Selling staff numbers increased by 27% as the company continued to develop its retail and corporate presence.

The company's Corporate Traveller business has now joined Britannic to become FCm Travel Solutions in the UK.

Further profit growth and expansion are expected during 2005/06.

United States

TTV increased by 16%, but losses were marginally greater than in 2003/04. The company continued to integrate its US and Canada businesses and expects continued modest growth, mainly in its corporate business, during 2005/06.

The company continues to actively pursue strategic acquisition opportunities in the corporate travel sector.

Canada

The business achieved 24% TTV growth and losses in line with 2003/04, while opening six new leisure shops and introducing an enhanced online booking engine. Although leisure was relatively disappointing, corporate profit growth was strong. Overall results were encouraging during the fourth quarter.

Leisure and corporate growth is planned during 2005/06, along with ongoing revenue growth through the leisure online business.

Factfile

Leisure, corporate and complementary outlets at June 30, 2005: 164

TTV: $909 million

Leisure Brands: Flight Centre, Student Flights

Corporate Brands: FCm Travel Solutions

Leisure Online Brands: flightcentre.com

United Kingdom Contacts

Chris Galanty – EGM

Alan Spence – FCm Travel Solutions

Emma Tustin – Leisure

Paul Ryan – CFO

United Kingdom

Factfile

Leisure, corporate and complementary outlets at June 30, 2005: 27

TTV: $65 million

Leisure Brands: Flight Centre

Corporate Brands: FCm Travel Solutions

Leisure Online Brands: flightcentre.com

United States

Factfile

Leisure, corporate and complementary outlets at June 30, 2005: 154

TTV: $415 million

Leisure Brands: Flight Centre

Corporate Brands: FCm Travel Solutions

Leisure Online Brands: flightcentre.com

North America Contacts

Andrea Slingsby – EGM

Mark Brinin – CFO

Carole Cooper – Leisure Canada

Jenna Abell – Leisure USA

Greg Dixon – FCm Travel Solutions

Canada

Operational Overview

Technology

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. The technology teams also work closely with Flight Centre Limited's leisure, corporate and support businesses to help the company achieve its overall aims.

During 2004/05, IT was involved in the introduction of new payroll and payments systems, the deployment of a new airfares database in the UK and the continued development of improved in-store systems. IT teams also enhanced the Lumina corporate travel tool to provide additional reporting capabilities to major corporate clients.

In the year ahead, the company will continue to develop closer ties with its key partners, including Cendant/Galileo, IBM, Oracle and Citrix, to achieve mutually beneficial outcomes. The company will also focus on priority IT projects that will deliver the greatest return on investment.

Project Services

Flight Centre Limited has created a dedicated project services area to ensure that key business improvement initiatives progress seamlessly from the idea stage through to implementation.

The centralised project services team initially evaluates the various business improvement projects prior to their presentation and prioritisation by the company's executive team, ensures the appropriate governance systems are in place and ultimately helps implement change.

The team's work includes assessing the project's impact on the overall business and IT architecture and the likely return on investment.

By creating this centralised project area, the company can:

- Fast-track projects that offer the greatest returns
- Reduce duplication
- Ensure that clear visibility is maintained and that projects are aligned with business goals

Full Throttle

The Full Throttle program was initiated late in 2004/05 to “future proof FCL” by focusing on revenue, margin and cost opportunities throughout the business globally.

The program consists of a number of key initiatives that vary in duration from six months to three years. These initiatives are aligned with company objectives and will help build a stronger base for the years ahead.

Initiatives that are currently underway include margin management, in-store productivity and corporate business strategy.

Full Throttle was launched with the assistance of Bain International and is managed within the business.

The Full Throttle program was initiated late in 2004/05 to “future proof FCL” by focusing on revenue, margin and cost opportunities throughout the business globally.

Review

Improve

Operational Overview

Finance

Flight Centre Limited continues to develop and improve its finance area.

The primary aim is to employ, retain and develop high calibre professionals to deliver quality information and advice to front line staff to improve earnings and minimise costs.

Over the past year, the company has focused on treasury and banking initiatives, improving reporting quality and timing and preparing for the transition to IFRS.

To enhance productivity within finance, interfaces were developed between the Payments Online and General Accounting systems and between the Commission Wage Incentive Calculator and Payroll systems. These improvements have led to a significant reduction in the reporting cycle.

The Australian-based Treasury team again generated solid returns in interest and investment income, while adhering to investment guidelines set by Flight Centre Limited's Board of Directors. During 2004/05, average funds under management in Australia increased from $251 million to $260 million. Average yields also increased, from 7.21% to 7.35%, resulting in increased interest income for the year. Importantly, Flight Centre maintained its strong "A" credit rating on its investment portfolio.

During 2005/06, the company will review its working capital processes, particularly the timing and method of making supplier payments. This review is expected to yield further improvements to the company's working capital position, which will in turn benefit Flight Centre's funds management portfolio.

This year, the company has created a centralised procurement area to oversee and improve the company's indirect purchasing, reduce risk and generally increase the value to Flight Centre through development and compliance to purchasing policies and contracts. This area will look at what, where and how the company buys its products, potentially outsourcing some non-core activities and developing closer and more synergistic relationships with suppliers.

A centralised Shared Services area has also been developed to improve processes and to reduce finance-related costs. Where possible, the company will continue to centralise finance operations to improve control, efficiency and to reduce costs.

PeopleWorks

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

Businesses that operate in this important area include:

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

In the learning and leadership areas, the company introduced numerous innovations during 2004/05, including an enhanced Novice program in Australia. This program allows new consultants to learn key systems online, in their shop and at their own pace, before progressing to a specially created "sales lab". Within this lab, consultants learn how to source and sell products in a pressurised, simulated shop environment.

This year, a new leadership program will be launched in Australia and New Zealand. This program will see all corporate and leisure area leaders improve their abilities by earning a Masters Degree from the William James School of Business while working on the job.

The William James School of Business is set for further expansion this year. Members of the company's senior leadership team will soon begin a Masters of Leadership as part of the company's formal leadership development process, while the school's first graduates will complete their courses in November.

Moneywise and Healthwise, the company's in-house financial planning and health services, continued to prove popular, with Moneywise's financial planners undertaking more than 3000 evaluations during 2004/05.

Thanks to the company's culture and unique development programs, Flight Centre Limited again figured prominently in Best Employer competitions in Australia and overseas as outlined below:

Australia
Highly Commended – Hewitt & Associates

New Zealand
Best Large Employer (14th overall) – Unlimited Magazine

South Africa
4th – Best Company To Work For
(Deloitte's/Financial Mail)
1st place in Travel, Tourism and Leisure sector

United Kingdom
11th – Financial Times Best Workplaces
14th – Sunday Times Top 100 Companies

Canada
Top Four – Best Employer (Globe and Mail

Operational Overview

Marketing

Flight Centre Limited's brands are core assets and care is taken to ensure they are consistently presented to customers in all advertising and marketing initiatives to improve brand recognition and awareness.

This approach ensured that Flight Centre maintained its standing as one of Australia's most valuable brands in 2004 and, in fact, recorded one of the highest increases in brand value (Source: Interbrand).

The company's marketing strategy for 2004/05 was again geared towards developing the company's range of leisure, corporate and leisure online brands to cater for specific niches in the ever-changing travel market. By carefully tailoring its marketing campaigns, the company ensured customers could organise their travel via the sales channel (shop, internet, telephone or email) that best suited their needs.

Flight Centre's marketing teams also focused on increasing enquiry and decreasing the cost of enquiry per consultant to deliver a cost effective service to the shops.

In corporate, marketing teams in each country were instrumental in the successful launch and expansion of FCm Travel Solutions, with a consistent approach adopted in each market.

To improve the effectiveness of its marketing and advertising investment this year, the company has initiated a comprehensive research program that has led to the creation of an enhanced customer segmentation system.

The RewardPass customer loyalty program was launched in Australia in December 2004.

Designed to bring the company repeat bookings and incremental revenue, the program is also one of the country's most flexible travel rewards programs.

RewardPass members earn one reward point for every dollar spent at Flight Centre Limited's retail stores in Australia. Members can then use their points as payment for any product they can purchase from the company's shops.

Members can earn points in multiple programs in a single transaction and can even use RewardPass points to pay for taxes on airfares.

To join RewardPass, simply visit any Flight Centre, Escape Travel, Student Flights or Travel Associates shop in Australia, or visit www.rewardpass.com.au

Members can earn points in multiple programs in a single transaction and can even use RewardPass points to pay for taxes on airfares.

Recognition

RewardPass Brochure

Leisure Brands

Flight Centre

Flight Centre is the company's best-known travel business and is 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 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 flights, tours and accommodation to car hire and visas.

Flight Centre's branding and design are consistent worldwide to enhance brand awareness and recognition. 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.

flightcentre.com

The flightcentre.com website is Australia's number one travel agency website (Source: Hitwise) and the highest profile business in the company's stable of leisure online brands.

flightcentre.com supports the company's extensive shop network, generates enquiry and allows Flight Centre Limited to:

- Maximise online sales
- Provide customers with easily accessible travel and product information
- Cost effectively service low margin enquiry

In Australia, an enhanced booking engine was added to the flightcentre.com.au site during 2004/05. Visitors to this site can now search, compare and book all major domestic carriers, as well as rooms at more than 17000 hotels worldwide, travel insurance, rail passes and car hire.

The company's website was also upgraded in Canada during 2004/05 and in New Zealand early in 2005/06. Further enhancements will take place globally during 2005/06.

Flight Centre

Leisure Brands

Escape Travel

Escape Travel is the 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 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 "low holiday prices" guarantee along with professional, friendly service, product range and customer loyalty.

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

escapetravel.com.au

escapetravel.com.au receives more than 120,000 visitors per month and consistently ranks among Australia's10 most popular travel agency websites. The site hosts a range of more than 500 products online, as well as an online domestic booking engine. Escape also has a dedicated cruise website which allows customers to search and enquire on more than 100 international cruises.

Student Flights

Student Flights satisfies the travel needs of the youth market - students, backpackers, young professionals and those travelling or working overseas - and specialises in cheap airfares and other holiday requirements.

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.

studentflights.com.au

studentflights.com.au has a strong affinity with its primary target market, the 18-24 age group, given the group's high propensity for internet usage against the general population. The website highlights latest campaign products, airfares for students and other travellers and various hot deals, in addition to generating enquiry for the shops. The site attracts 120,000 unique visitors every month, a figure that is rapidly growing.

Overseas Working Holidays

Overseas Working Holidays is a niche brand that specialises in the growing working holiday market.

It offers programs in more than 80 countries and currently has offices in Australia 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

Escape Travel | Student Flights | Overseas Working Holidays

The respective Travel Associates stores

These boutique-style travel agencies 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 Toowoomba.

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 to call upon.

Future development relies upon a combination of the right market niches, such as Canberra and the Gold and Sunshine coasts, and the right people, so growth will be planned, gradual and profitable.

Website

travel-associates.com.au

Cruiseabout

Cruiseabout is one of Australia's largest specialist retail cruise agencies.

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. Flight Centre Limited acquired Cruiseabout in December 2002, along with the associated Turramurra Travel business.

Website

www.cruiseabout.com.au

Because of their clients' discerning tastes, team leaders are experienced, knowledgeable and well travelled.

Travel Associates

Cruiseabout

Corporate Brands

FCm Travel Solutions

FCm Travel Solutions is Flight Centre Limited's flagship corporate brand and the first Asia-Pacific based global corporate travel and expense management specialist.

The FCm Travel Solutions network extends throughout the three major corporate regions – Asia-Pacific, Europe-UK-Middle East and Africa (EMEA) and the Americas – and is growing rapidly through strategic acquisitions and licensing agreements with leading local companies in key international markets.

Network members are selected according to synergies in culture, commitment to service excellence and focus on achieving true efficiencies for clients. These members are local industry leaders who are able to offer clients the benefits of:

- Local market knowledge
- FCm Travel Solutions' 24/7 global support network
- A flexible business model that creates tailored solutions for every client.

FCm Travel Solutions' key point of difference in the global corporate travel industry is its people and culture, as reflected in its positioning statement "Our People. Your Guarantee".

Website

www.fcmtravel.com

FCm Travel Solutions' account managers continuously monitor how their clients travel, identify efficiencies and proactively create solutions that make travel less complex and more cost effective.

FCm Travel Solutions

CiEvents

Conference, incentives and events brand CiEvents has continued its impressive growth and embarked on a controlled expansion strategy, both in terms of product offering and geographical representation.

CiEvents now provides an integrated service offering to clients by delivering:

- Inbound and outbound conferences
- Incentive and event management
- Corporate event concept and production
- Graphic design and communications
- Loyalty and incentive marketing program design and management and merchandise reward fulfilment.

CiEvents has rebranded offices in Brisbane and Auckland and has embarked on a global expansion to key markets to develop new revenue opportunities, as well as servicing the growing list of global clients that seek CiEvents' expertise and consistent level of service internationally.

Website

www.cievents.com.au.

Campus Travel

Campus Travel has been tailored specifically for the unique requirements of universities and colleges.

Offering a "one stop shop" philosophy for the sophisticated needs within the education sector, Campus Travel offers total solutions in leisure, corporate, conference and research-grant travel. The business operates onsite at tertiary institutions or through established offsite offices.

Website

www.campustravel.com.au.

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, TAFE Colleges and secondary schools. Clients range from university staff travelling for business reasons to professors undertaking international study tours.

Website

www.kistend.com.au.

Stage & Screen

Stage & Screen Travel provides specialist travel services for the entertainment industry and its supporting businesses.

Stage & Screen operates in Brisbane, Sydney, Melbourne and Auckland and played a key role in a number of major productions during the past year, including Big Brother, Australian Idol and Cher's national tour.

Website

www.stageandscreen.com.au.

CiEvents

Campus Travel

Kistend Travel

Stage & Screen

Complementary Brands

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.

Substantial enhancements were implemented during 2004/05 in Australia in particular, with the business enjoying strong profit and sales growth in both its domestic and international operations. The quickbeds.com business also grew substantially and delivered healthy profit for the year.

Infinity moved to develop a stronger consumer presence during 2004/05 with the release of a new range of in-store international and domestic travel brochures.

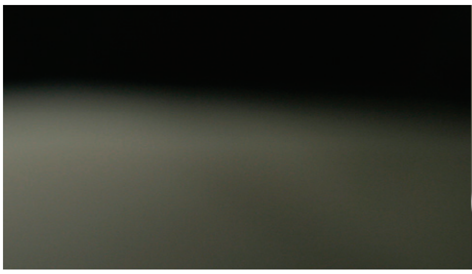
The realignment of the Infinity business within Product Nation around the world has ensured that synergies in the business's contracting and fulfillment areas are identified and enhanced. The recent integration of the Infinity businesses in Australia and New Zealand will also allow the company to secure greater benefits through joint buying and consolidation.

Ticket Centre

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

Ticket Centre 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.

The business has been earmarked for future improvement, with the introduction of new technology that will enhance productivity and deliver a faster service to the company's shop network throughout the world.



Infinity Holidays

Ticket Centre

Governance

Flight Centre Limited Corporate Governance Principles

1. Lay solid foundations for management and oversight

The Board acknowledges that its primary role 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 has a complementary mix of skills that provide the desired depth and experience. Currently, there are two non-executive Directors and one executive Director. A further independent non-executive Director will be appointed to the Board in due course.

The Chairman is the Managing Director and therefore not an independent Director. The Board believes the Chairman provides unbiased leadership, independent judgement and direction, in line with the position's roles and responsibilities.

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 a Director who 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 believes the current non-executive Directors qualify as independent.

3. Promote Ethical & 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. Notwithstanding, should new price sensitive information emerge during this period, Directors, employees and contractors are not permitted to trade in the company's shares until the information has been publicly released.

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

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

Lay solid foundations for management and oversight

Structure the Board to add value

Promote ethical & responsible decision making

Governance (cont)

Committee Composition
The Audit Committee includes two independent Directors, Peter Barrow (Chairman) and Howard Stack (newly appointed committee member), who report to the full Board and have extensive experience and expertise in accountancy, financial management, risk management, legal compliance 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 Flight Centre Limited Board's, the committee has appropriate financial representation. The Chairman of the Audit Committee is not Chairman of the Board of Directors.

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 Executive Chairman 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 ASX Listing Rules, Flight Centre Limited will immediately disclose to the public any information that a reasonable person will 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 Australian Stock Exchange (ASX) is to be posted on the company website.

All shareholders receive a copy of the company's annual and half yearly report, unless otherwise requested. 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, Australian Stock Exchange announcements and media releases. All such communications are placed on the company website, www.flightcentre.com.

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 and Disclosure 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, Legal and Mergers & Acquisitions divisions and oversees risk management and compliance matters. The Global Internal Audit division is responsible for ensuring the adoption of prudent financial and non-financial risk management measures.

Audit and business reports are provided to the Board.

The Executive Chairman and Chief Financial Officer have provided the Board with a formal sign off regarding the soundness of the risk management and internal controls.

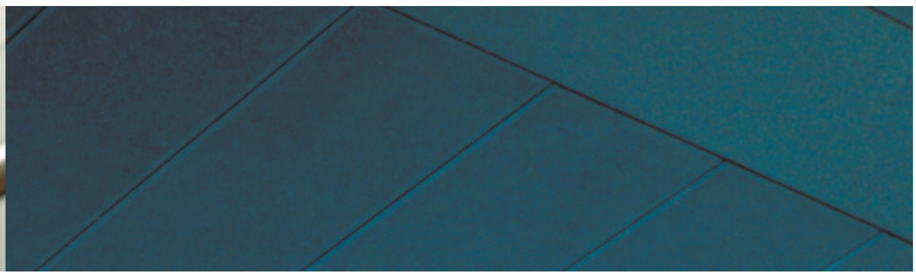
Refer to www.flightcentre.com for the Internal Audit Charter

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



Safeguard integrity of financial reporting

Make timely and balanced disclosure

Respect rights of shareholders

Governance (cont)

- 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 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 business 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 leisure 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.

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

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

8. Encourage enhanced performance

The Board evaluates its collective performance and considers various issues including; the quality of the Board's relationship with management, Board succession and complementary skill mixes, 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 Executive Chairman. 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

Flight Centre Limited's fundamental remuneration policy is to link performance and accountability with reward.

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 Executive Chairman and the non-executive Directors. 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.

Non-executive and executive Directors do not participate in the Employee Share Plans or Option Schemes and receive no additional retirement benefits other than the statutory requirements.

The Chairman is not involved in the approval of his own remuneration package.

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.

Recognise and manage risk

Encourage enhanced performance

Remunerate fairly and responsibly

Our Brands

FLIGHT CENTRE LIMITED

FLIGHT CENTRE

FCm TRAVEL SOLUTIONS

infinity HOLIDAYS

EscapeTravel

Ci EVENTS

TICKET centre

STUDENT Flights
Cheap Travel for Students & Backpackers

STAGE & SCREEN
TRAVEL & FREIGHT SERVICES

TRAVEL ASSOCIATES

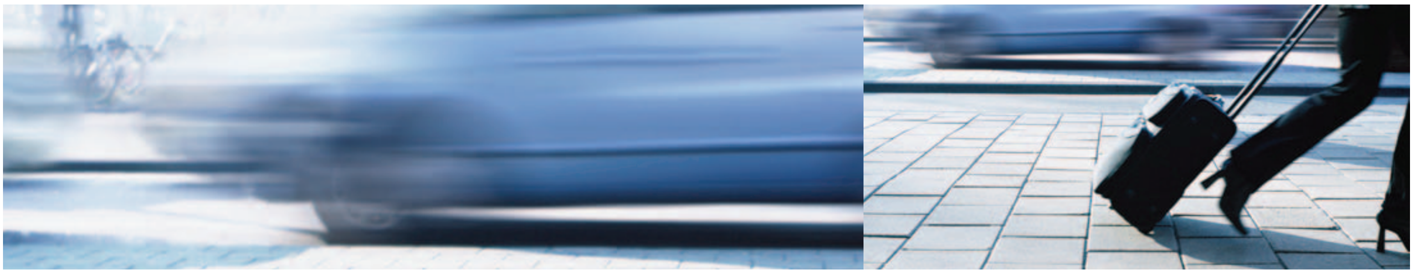
OWH
OVERSEAS WORKING HOLIDAYS

KT KISTEND TRAVEL

CRUISEABOUT

CAMPUS TRAVEL

Financials Contents



Directors' Report – 30 June 2005

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 2005.

DIRECTORS

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

G.F.Turner
P.F.Barrow
H.L.Stack
G.L.Harris (Alternate)
N.C. Fussell retired as chairman and director effective 30 June 2005.
S.J. Flynn was a director from the beginning of the financial year until his resignation on 1 September 2005.

PRINCIPAL ACTIVITIES

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

DIVIDENDS – FLIGHT CENTRE LIMITED

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

	2005 $'000	2004 $'000
Final ordinary dividend for the year ended 30 June 2004 of 40.5 cents paid 15 October 2004 (2003 - 25 cents) per fully paid share, fully franked.	**38,085**	23,381
Special dividend for the year ended 30 June 2004 of 40 cents paid 26 November 2004 (2003 - nil) per fully paid share, fully franked.	**37,614**	-
Interim ordinary dividend for the year ended 30 June 2005 of 22.5 cents paid 24 March 2005 (2004 - 20.5 cents) per fully paid share, fully franked.	**21,565**	19,240
	97,264	42,621

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $26,451,890 (28 cents per fully paid share) on 14 October 2005.

REVIEW OF OPERATIONS

A summary of consolidated results is set out below:

	2005 $'000	2004 $'000
Profit from ordinary activities before income tax expense	**106,954**	121,326
Income tax expense	**(39,046)**	(39,399)
Profit from ordinary activities after income tax expense	**67,908**	81,927

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

EARNINGS PER SHARE

	2005 Cents	2004 Cents
Basic earnings per share	**71.9**	87.4
Diluted earnings per share	**71.9**	87.2

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2005 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

Additional 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 earlier sections of this 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.

INFORMATION ON DIRECTORS

Particulars of directors' interests in shares and options of:

Flight Centre Limited

Director	Experience	Special responsibilities	Ordinary Shares	Options
N.C.Fussell (Retired 30 June 2005) AO, FCPA, FAus IMM, FCIS, FAIM, FAICD Age: 67	Founding Chairman of Flight Centre Limited. Chairman of Hitech Energy Limited and director of Namoi Cotton Cooperative 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: 56	Founding Director of Flight Centre Limited (Chief Executive Officer for 6 years) with significant experience in running retail travel business in Australia, New Zealand, USA, UK, South Africa and Canada.	Appointed executive chairman 28 July 2005. Member remuneration committee.	17,232,362	-
P.F.Barrow FCA, FAICD Age: 54	Director of Flight Centre Limited since 1995. Director of Cluff Resources NL, senior partner of chartered accounting firm, MBT. Over 25 years experience with retail travel companies.	Independent non-executive director. Member of audit committee. Appointed chairman of audit committee 28 July 2005.	80,800	30,000
H.L.Stack BA, LLB Age: 60	Director of Flight Centre Limited since August, 1995. Chairman of Koala Corporation Australia Limited and Brisbane Grammar School trustees, director of Data 3 Limited and former director of Voxson Ltd. Former partner of the legal firm, Allens Arthur Robinson.	Independent non-executive director. Appointed a member of the audit committee.	42,288	30,000
S.J.Flynn (Resigned 1 September 2005) Age: 45	Flight Centre executive for 19 years with extensive experience in retail and corporate travel. Former Executive General Manager of Flight Centre South Africa.	Executive director. Chief executive officer.	420,133	800
G.L.Harris Age: 54	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	16,257,130	-

COMPANY SECRETARY

The company secretary is Mr G. Pringle BA, LLB, MBA (UQ), PG Dip IR. Before joining Flight Centre Limited in 2003 Mr Pringle was a Senior Risk Management Advisor with PricewaterhouseCoopers, Head of Compliance of a large financial institution and 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 2005, and the numbers of meetings attended by each director were:

	Full meeting of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
N.C.Fussell (retired 30 June 2005)	19	21	6	6	2	2
G.F.Turner	18	21	*	*	2	2
H.L.Stack	20	21	*	*	*	*
P.F.Barrow	21	21	6	6	*	*
S.J.Flynn	18	21	*	*	*	*
G.L.Harris (Alternate)	6	21	*	*	*	*

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

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.

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 have elected not to participate in the Flight Centre Limited Employee Option Plan. Directors and executives are eligible to participate in the Flight Centre Limited Employee Share Plan (with the exception of Messrs Turner and Harris).

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.

REMUNERATION REPORT (CONT)

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 comprises an executive's total remuneration.

Base pay

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

Superannuation contributions

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.

Short-term incentives

Executives become entitled to short-term incentives 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 on a monthly basis. 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 each year to ensure that targets are aligned to group and company strategic goals and that appropriate compensation is achieved.

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 their business as investments and returns are not guaranteed by Flight Centre Limited or any of its group companies.

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.

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 2005 are set out in the following tables.

REMUNERATION REPORT (CONT)

Non-executive directors of Flight Centre Limited

	Directors' fee $	Superannuation $	Total $
N.C.Fussell	145,000	13,050	158,050
P.F.Barrow	90,000	-	90,000
H.L.Stack	80,000	7,200	87,200

Executive directors of Flight Centre Limited

	Primary		Other	Post-employment	
Name	Cash salary and fees $	Incentive $	BOS Interest $	Superannuation $	Total $
G.F.Turner Managing Director	70,692	-	-	7,200	77,892
S.J.Flynn Chief Executive Officer	150,000	84,372	18,935	15,660	268,967

Executives of Flight Centre Limited

	Primary			Other	Post-employment		
Name	Cash salary and fees $	Incentive $	BOS Interest $	BOS Termination (1) $	Superannuation $	Termination benefits $	Total $
A. Grigson Executive General Manager - Corporate	80,000	168,787	456,176	200,000	15,840	-	920,803
J. Sturgess Chief Financial Officer	118,333	298,803	9,590	300,000	27,151	-	753,877
D. Warner Chief Information Officer	43,913	177,991	15,155	50,000	15,525	335,621	638,205
G. Hogan General Manager - Technology	59,769	159,858	311,226	-	9,699	-	540,552
J. Ahern General Manager - Acquisitions	62,256	121,715	-	172,123	23,518	115,764	495,376

(1) From time to time amounts are paid to executives to compensate them for BOS redemption.

D. Warner and J. Ahern resigned effective 1 March 2005.

BOS interest payments made to G Hogan relate to his previous position as General Manager - UK and not to his current position as General Manager - Technology.

Share-based compensation - options

During the year, no share-based compensation payments were made to any director or employee.

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
30 November 2000	30 November 2005	$23.49	40,000
1 July 2001	1 July 2006	$23.52	8,880
24 August 2001	24 August 2006	$28.68	510,070
30 November 2001	30 November 2006	$21.98	40,000
6 September 2002	6 September 2007	$28.40	12,000
1 November 2002	1 November 2007	$23.73	40,000
14 February 2003	14 February 2008	$19.69	24,789
14 July 2003	14 July 2008	$22.46	19,800
			695,539

There were no options granted to any director or employee during the year ended 30 June 2005.

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 2005 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	373,814
14 August 2000	$19.71	1,640
27 November 1999	$14.15	20,000
		395,454

There were no ordinary shares of Flight Centre Limited issued since 30 June 2005 to the date of this report on the exercise of options granted under the Flight Centre Limited Employee Option Plan.

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.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, the directors have obtained a declaration of independence from our auditors PricewaterhouseCoopers. This declaration is included in the financial report following the directors' report to members.

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.

G.F.Turner
Executive Chairman

P.F.Barrow
Director

Brisbane
14 September 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
GPO Box 150
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DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditors' Independence Declaration

As lead auditor for the audit of Flight Centre Limited or the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit

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

R J Roach
Partner
PricewaterhouseCoopers

Brisbane
14 September 2005

STATEMENTS OF FINANCIAL PERFORMANCE – 30 JUNE 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Revenue from ordinary activities (excluding shares of equity accounted net profits of associates and joint venture partnership)	2	**898,514**	799,011	**560,378**	496,563
Selling expenses		**(691,613)**	(599,918)	**(375,180)**	(316,245)
Administration/support expenses		**(83,985)**	(59,191)	**(85,201)**	(62,893)
Borrowing costs expense	3	**(15,648)**	(18,576)	**(16,396)**	(14,830)
Share of net loss of joint venture accounted for using the equity method	14	**(314)**	-	-	-
Profit from ordinary activities before income tax expense	3	**106,954**	121,326	**83,601**	102,595
Income tax expense	4	**(39,046)**	(39,399)	**(25,680)**	(30,762)
Net profit attributable to members of Flight Centre Limited	26(b)	**67,908**	81,927	**57,921**	71,833
Net increase (decrease) in foreign currency translation reserve	26(a)	**(11,430)**	5,824	-	-
Total changes in equity attributable to members of Flight Centre Limited other than those resulting from transactions with owners as owners	27	**56,478**	87,751	**57,921**	71,833

	Notes	Cents	Cents
Basic earnings per share	40	**71.9**	87.4
Diluted earnings per share	40	**71.9**	87.2

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

STATEMENTS OF FINANCIAL POSITION – 30 JUNE 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Current assets					
Cash assets	6	**257,444**	258,139	**106,957**	124,568
Receivables	7	**202,872**	171,749	**244,065**	214,886
Other financial assets	8	**174,892**	224,029	**157,080**	207,550
Other	9	**8,535**	13,830	**2,698**	6,916
Total current assets		**643,743**	667,747	**510,800**	553,920
Non-current assets					
Property, plant and equipment	10	**121,727**	106,659	**53,792**	47,030
Other financial assets	11	-	-	**127,226**	107,311
Intangible assets	12	**149,227**	168,634	**7,247**	8,261
Deferred tax assets	13	**15,462**	15,034	**11,632**	9,572
Investments accounted for using the equity method	14	**2,750**	3,064	**-**	-
Total non-current assets		**289,166**	293,391	**199,897**	172,174
Total assets		**932,909**	961,138	**710,697**	726,094
Current liabilities					
Payables	15	**455,695**	444,021	**264,236**	238,763
Interest bearing liabilities	16	**37,790**	41,494	**58,429**	58,428
Current tax liabilities	17	**3,144**	4,648	**546**	7,360
Provisions	18	**3,116**	2,505	**2,981**	2,230
Other	19	**921**	1,914	**906**	1,914
Total current liabilities		**500,666**	494,582	**327,098**	308,695
Non-current liabilities					
Payables	20	**17,230**	16,464	**-**	-
Interest bearing liabilities	21	**15,000**	15,000	**15,000**	15,000
Deferred tax liabilities	22	**8,301**	7,654	**7,805**	7,193
Provisions	23	**3,689**	2,014	**3,483**	1,866
Other	24	**614**	1,189	**543**	1,189
Total non-current liabilities		**44,834**	42,321	**26,831**	25,248
Total liabilities		**545,500**	536,903	**353,929**	333,943
Net assets		**387,409**	424,235	**356,768**	392,151
Equity					
Parent entity interest					
Contributed equity	25	**260,558**	256,598	**260,558**	256,598
Reserves	26(a)	**4,340**	15,770	**46**	46
Retained profits	26(b)	**122,511**	151,867	**96,164**	135,507
Total equity	27	**387,409**	424,235	**356,768**	392,151

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

STATEMENTS OF CASH FLOWS – 30 JUNE 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Cash flows from operating activities					
Net receipts		**885,005**	849,345	**536,555**	496,676
Payments to suppliers and employees		**(736,025)**	(626,255)	**(451,905)**	(348,800)
Dividends received		**-**	-	**-**	2,912
Interest received		**24,891**	23,496	**21,792**	18,460
Royalties received		**-**	-	**8,660**	8,958
Borrowing costs		**(16,059)**	(17,206)	**(13,280)**	(14,155)
Income taxes paid		**(40,216)**	(45,843)	**(34,870)**	(35,794)
Net cash inflow (outflow) from operating activities	38	**117,596**	183,537	**66,952**	128,257
Cash flows from investing activities					
Payment for purchase of controlled entity, net of cash acquired	35	**(22,727)**	(1,525)	**(20,280)**	(1,025)
Redemption preference shares in subsidiary		**-**	-	**-**	54,500
Payments for property, plant and equipment		**(50,614)**	(58,512)	**(19,997)**	(32,740)
Payments for investments in joint ventures		**-**	(3,064)	**-**	-
Loans to related parties		**-**	-	**(142,129)**	(62,381)
Proceeds from sale of property, plant and equipment		**1,536**	635	**165**	340
Proceeds from sale of investments		**94,427**	1,680	**82,219**	1,581
Repayment of loans by related parties		**-**	-	**142,073**	2,163
Payments for intangibles		**(651)**	(1,199)	**(432)**	(1,124)
Payments for investments		**(44,941)**	(49,135)	**(31,399)**	(34,865)
Net cash inflow (outflow) from investing activities		**(22,970)**	(111,120)	**10,220**	(73,551)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**3,846**	6,254	**3,846**	6,254
Proceeds from borrowings		**53,558**	33,549	**49,624**	29,453
Repayment of borrowings		**(57,552)**	(12,708)	**(52,999)**	(8,259)
Dividends paid	5	**(97,264)**	(42,621)	**(97,264)**	(42,621)
Repayment of lease liabilities		**(21)**	(40)	**-**	-
Net cash inflow (outflow) from financing activities		**(97,433)**	(15,566)	**(96,793)**	(15,173)
Net increase (decrease) in cash held		**(2,807)**	56,851	**(19,621)**	39,533
Cash at the beginning of the financial year		**258,139**	194,579	**124,568**	85,083
Effects of exchange rate changes on cash		**1,236**	6,709	**2,010**	(48)
Cash at the end of the financial year	6	**256,568**	258,139	**106,957**	124,568
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.

NOTE 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. 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 tax sharing agreement with the tax consolidated entities are recognised as receivable or payable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(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.

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 selfsustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date. 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. These payments are received at the conclusion of the contract. Because contracts are renegotiable 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(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.

(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.

(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 on a regular basis 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, which ever 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 incident 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(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 twenty 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 every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement recognised as an expense in the net profit or loss, 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.

(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 (BOS). Interest is payable based on the business's profitability. Deferred interest may be payable where holders have been participants in the scheme for more than 3 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) Joint ventures

Joint venture entities

Interests in joint venture entities are accounted for using the equity method. Under this method, the share of the profits or losses of the entity is recognised as revenue in the statements of financial performance, and the share of movements in reserves is recognised in reserves in the statements of financial position. Details relating to the joint venture are set out in note 14.

(q) RewardPass Program

Flight Centre and its controlled entities receives revenue from the sale of RewardPass points to third parties. Revenue is recognised in the statements of financial performance when it is received. The obligation to provide rewards to RewardPass members is progressively accrued as points are accumulated. The accrual is based on the expected outflow required to settle member entitlements. Accruals are not discounted to their present value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(r) Website costs

Costs in relation to the management of 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 they 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 varies from 2 to 5 years.

(s) 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 nonaccumulating 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.

(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 Plan. 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 statement of financial position as share capital.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(t) 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.

(u) 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.

(v) 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.

(w) 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.

NOTE 2. REVENUE

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Total Transaction Value (TTV)	**6,872,619**	5,884,811	**4,065,362**	3,393,494
Revenue from operating activities				
Commissions and fees from the provision of travel services	**638,213**	567,239	**400,307**	349,540
Other revenue from the provision of travel services	**211,399**	192,987	**107,695**	96,786
Other revenue	**20,638**	14,069	**21,867**	17,499
	870,250	774,295	**529,869**	463,825
Revenue from outside the operating activities				
Interest from wholly owned entities	**-**	-	**2,670**	3,110
Interest	**24,891**	22,120	**19,014**	17,204
Dividends	**-**	-	**-**	2,240
Foreign exchange gains	**1,836**	1,961	**-**	886
Royalties	**-**	-	**8,660**	8,958
Sale of non-current assets	**1,537**	635	**165**	340
	28,264	24,716	**30,509**	32,738
	898,514	799,011	**560,378**	496,563

Total Transaction Value (TTV)

Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's 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.

NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
(a) Net Gains and expenses				
Net gains				
Net gain on disposal				
Investments	**525**	1,218	**525**	1,169
Net foreign exchange gains	**1,836**	1,961	**(1,093)**	886
Expenses				
Depreciation				
Plant and equipment	**32,823**	25,850	**12,094**	8,516
Amortisation				
Leasehold improvements	**455**	602	**-**	-
Plant and equipment under finance leases	**64**	188	**-**	-
Goodwill	**10,242**	10,028	**804**	695
Software licences	**2,043**	2,208	**-**	-
Other intangibles	**574**	360	**490**	355
Total amortisation	**13,378**	13,386	**1,294**	1,050
Other charges against assets				
Write down of property, plant and equipment to recoverable amount	**2,809**	-	**847**	-
Bad and doubtful debts (write backs)	**(1,081)**	1,822	**(1,197)**	960
Borrowing costs				
Interest and finance charges paid/payable	**15,648**	18,576	**16,396**	14,830
Net loss on disposal of property, plant and equipment	**263**	1,222	**129**	662
Rental expense relating to operating leases				
Minimum lease payments	**62,387**	54,870	**33,364**	29,541

NOTE 4. INCOME TAX

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Income tax expense				
(a)The income tax expense 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	**106,954**	121,326	**83,601**	102,595
Income tax calculated @ 30% (2004 - 30%)	**32,087**	36,398	**25,080**	30,778
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:				
Non-deductible depreciation and amortisation	**3,064**	3,027	**273**	209
Exempt dividends	**-**	-	**-**	(672)
Non deductible (assessable) amounts	**1,156**	1,322	**299**	252
Other amounts	**(984)**	(392)	**(15)**	64
	35,323	40,355	**25,637**	30,631
Tax losses derecognised	**3,275**	-	**-**	-
Effect of lower rates of tax on overseas income	**(336)**	(298)	**-**	-
Under (over) provision in prior year	**784**	(658)	**43**	131
Aggregate income tax expense	**39,046**	39,399	**25,680**	30,762
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			**13,130**	11,389
Income tax calculated @ 30% (2004 - 30%)			**3,939**	3,417
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation			**-**	26
Exempt dividends			**(648)**	(322)
Non-assessable gain on sale of shares			**(1,039)**	-
Prior year adjustments			**(202)**	(634)
Other amounts			**(50)**	(316)
Income tax adjusted for permanent differences			**2,000**	2,171
			27,680	32,933
Compensation received from tax consolidated group entities			**(2,000)**	(2,171)
Aggregate income tax expense			**25,680**	30,762

NOTE 4. INCOME TAX (CONT)

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Aggregate income tax expense comprises:				
Current taxation provision	**38,060**	39,713	**28,127**	33,562
Deferred income tax provision	**647**	4,439	**468**	539
Future income tax benefit	**(445)**	(4,095)	**(2,958)**	(3,470)
Under (over) provision in prior year	**784**	(658)	**43**	131
	39,046	39,399	**25,680**	30,762

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
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	**(114)**	(109)	**(114)**	(109)

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Tax losses				
(c) The directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is	**4,273**	1,791	**-**	-

This benefit for tax losses will only be obtained if:

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

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

Tax consolidation legislation

Flight Centre Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation as of 1 July 2003. 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 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 are payable at the same time as the associated income tax liability falls due and have, therefore, been recognised as a receivable by Flight Centre Limited. In the opinion of the directors, the tax sharing agreement is 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.

NOTE 5. DIVIDENDS

	Parent entity	
	2005 $'000	2004 $'000
Interim dividend paid		
Fully franked - 22.5 cents per share paid 24 March 2005 (2004: 20.5 cents)	**21,565**	19,240
Special dividend paid		
Fully franked - 40 cents per share paid 26 November 2004 (2003: nil)	**37,614**	-
Final dividend paid		
Fully franked - 40.5 cents per share paid 15 October 2004 (2003: 25 cents)	**38,085**	23,381
Total dividends provided for or paid	**97,264**	42,621

	Parent entity	
	2005 $'000	2004 $'000
Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 28 cents per fully paid ordinary share (payable 14 October 2005) fully franked. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2005, but not recognised as a liability at year end, is	**26,452**	75,999

Franked dividends

The franked portions of the dividends recommended after 30 June 2005 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 2006.

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2004 - 30%)	**36,882**	54,174	**36,882**	54,174

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.

NOTE 6. CURRENT ASSETS - CASH ASSETS

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Cash at bank and on hand	**116,725**	126,626	**22,432**	61,00
Client account	**140,719**	131,513	**84,525**	63,567
	257,444	258,139	**106,957**	124,568

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Restrictions on cash				
Total cash available	**257,444**	258,139	**106,957**	124,568
Restricted client funds	**(140,719)**	(131,513)	**(84,525)**	(63,567)
Deposits subject to restrictions	**(23,982)**	(25,964)	**(23,982)**	(25,964)
	92,743	100,662	**(1,550)**	35,037

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.

The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	**257,444**	258,139	**106,957**	124,568
Less: Bank overdrafts (note 16)	**(876)**	-	**-**	-
Balances as per statements of cash flows	**256,568**	258,139	**106,957**	124,568

NOTE 7. CURRENT ASSETS - RECEIVABLES

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Trade debtors	**185,695**	155,632	**101,262**	78,425
Client debtors	**21,846**	22,453	**6,412**	4,434
Less: Provision for doubtful debts	**(8,634)**	(9,714)	**(6,102)**	(7,299)
	198,907	168,371	**101,572**	75,560
Other debtors	**2,960**	3,241	**40**	51
Amounts receivable from controlled entities	**-**	-	**141,729**	139,196
Foreign exchange contract receivable *	**-**	21	**-**	-
Other receivables	**1,005**	116	**724**	79
	202,872	171,749	**244,065**	214,886

The amounts receivable from controlled entities are repayable in accordance with individual loan agreements. Until that time they bear interest at rates varying between 0% and 7.5% (2004: varying amounts between 0% and 12%).

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

NOTE 8. CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Investments - cost				
Investment securities	**174,892**	224,029	**157,080**	207,550

NOTE 9. CURRENT ASSETS - OTHER

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Prepayments	**8,535**	13,830	**2,698**	6,916

NOTE 10. NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Buildings				
At cost	**14,195**	14,227	**14,164**	14,164
Less: Accumulated depreciation	**(1,335)**	(578)	**(1,330)**	(551)
	12,860	13,649	**12,834**	13,613
Leasehold improvements				
At cost	**1,746**	2,227	**-**	-
Less: Accumulated amortisation	**(610)**	(1,282)	**-**	-
	1,136	945	**-**	-
Plant and equipment				
At cost	**214,781**	178,686	**80,555**	63,333
Less: Accumulated depreciation	**(107,050)**	(86,685)	**(39,597)**	(29,916)
	107,731	92,001	**40,958**	33,417
Plant and equipment under finance lease	**475**	2,565	**66**	66
Less: Accumulated amortisation	**(475)**	(2,501)	**(66)**	(66)
	-	64	**-**	-
	121,727	106,659	**53,792**	47,030

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 $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
Consolidated					
Carrying amount at 1 July 2004	13,649	945	92,001	64	106,659
Additions	-	1,049	54,395	-	55,444
Disposals	-	(373)	(1,426)	-	(1,799)
Depreciation/amortisation expense (note 3(a))	(780)	(455)	(32,043)	(64)	(33,342)
Foreign currency exchange differences	(9)	(30)	(2,387)	-	(2,426)
Provision for write down of fixed assets	-	-	(2,809)	-	(2,809)
Carrying amount at 30 June 2005	12,860	1,136	107,731	-	121,727

	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
Parent entity					
Carrying amount at 1 July 2004	13,613	-	33,417	-	47,030
Additions	-	-	19,997	-	19,997
Disposals	-	-	(294)	-	(294)
Depreciation/amortisation expense (note 3(a))	(779)	-	(11,315)	-	(12,094)
Provision for write down of fixed assets	-	-	(847)	-	(847)
Carrying amount at 30 June 2005	12,834	-	40,958	-	53,792

NOTE 11. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Shares in controlled entities - at cost (note 35)	-	-	127,226	107,311

NOTE 12. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Goodwill at cost	**164,019**	172,247	**8,347**	8,671
Less: Accumulated amortisation	**(30,473)**	(21,278)	**(2,345)**	(1,747)
Software licenses - at valuation	**20,432**	20,432	**-**	-
Less: Accumulated amortisation	**(6,294)**	(4,251)	**-**	-
Other intangibles at cost	**3,226**	2,760	**2,585**	2,192
Less: Accumulated amortisation	**(1,683)**	(1,276)	**(1,340)**	(855)
	149,227	168,634	**7,247**	8,261

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).

NOTE 13. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
The balance comprises temporary differences attributable to:				
Doubtful debts	**2,466**	2,558	**1,830**	2,190
Employee benefits	**5,605**	4,105	**4,213**	2,951
Deferred interest	**121**	157	**121**	157
Depreciation	**2,045**	571	**-**	-
Investment write-down	**150**	150	**150**	150
Foreign exchange movements	**1,437**	1,512	**1,437**	1,512
Other	**2,003**	2,315	**1,669**	855
Loyalty program	**1,352**	-	**1,352**	-
Tax losses*	**283**	3,666	**-**	-
	15,462	15,034	**10,772**	7,815
Deferred tax assets relating to wholly-owned tax associated entities	**-**	-	**860**	1,757
Net deferred tax assets	**15,462**	15,034	**11,632**	9,572

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

NOTE 14. INTERESTS IN JOINT VENTURES

Joint venture

Flight Centre (China) Pty Ltd has entered into a 50% joint venture with China Comfort Travel Co Ltd to form Flight Centre - Comfort Travel Business Co Ltd in Beijing as part of the strategic expansion of the Flight Centre corporate business into the Asian region. The investment in the joint venture is expected to complement the company's presence in Asia and the global expansion of its corporate network.

Information relating to the joint venture is presented in accordance with the accounting policy described in note 1(p) and is set out below.

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Accumulated losses attributable to the partnership				
At the end of the financial year	**(582)**	-	-	-
Movement in carrying amount of investment in partnership				
Carrying amount at the beginning of the financial year	**3,064**	3,064	-	-
Share of loss from ordinary activities before related income tax	**(314)**	-	-	-
Carrying amount at the end of the financial year	**2,750**	3,064	-	-
Share of partnership's assets and liabilities				
Current assets	**759**	-	-	-
Non-current assets	**74**	-	-	-
Total assets	**833**	-	-	-
Current liabilities	**420**	-	-	-
Net assets	**413**	-	-	-
Share of partnership's revenues, expenses and results				
Revenues	**449**	-	-	-
Expenses	**763**	-	-	-
Loss from ordinary activities before income tax	**(314)**	-	-	-
Share of partnership's commitments				
Lease commitments	**10**	-	-	-
Total expenditure commitments	**10**	-	-	-

NOTE 15. CURRENT LIABILITIES - PAYABLES

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Trade creditors	**280,045**	286,464	**152,437**	156,794
Client creditors	**155,433**	144,179	**89,359**	67,435
Accrued unsecured note interest	**3,774**	4,185	**2,835**	3,509
Annual leave	**11,939**	9,193	**7,580**	5,742
Accrued RewardPass entitlements	**4,504**	-	**4,504**	-
Amounts owing to controlled entities	-	-	**7,521**	5,283
	455,695	444,021	**264,236**	238,763

NOTE 16. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Unsecured notes principal	**36,914**	41,473	**30,219**	33,643
Lease liabilities - secured	**-**	21	**-**	-
Bank overdraft (note 6)	**876**	-	**-**	-
Amounts owing to controlled entities - unsecured	**-**	-	**28,210**	24,785
	37,790	41,494	**58,429**	58,428

Controlled Entities

The amounts payable to controlled entities are payable in accordance with individual loan agreements. Until that time, they incur interest at rates varying between 0% and 7.5% (2004: varying amounts between 0% and 12%).

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.

NOTE 17. CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Provision for taxation	**3,144**	4,648	**546**	7,360

NOTE 18. CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Provisions - long service leave	**3,116**	2,505	**2,981**	2,230

NOTE 19. CURRENT LIABILITIES - OTHER

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Lease incentive liability	**273**	186	**258**	186
Deferred hedge gains (note 28)	**648**	1,728	**648**	1,728
	921	1,914	**906**	1,914

NOTE 20. NON-CURRENT LIABILITIES - PAYABLES

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Deferred settlement - Britannic Travel Limited	**17,230**	16,464	**-**	-

NOTE 21. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Bank loan - unsecured	**15,000**	15,000	**15,000**	15,000

Financing arrangements

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Unrestricted access was available at balance date to the following lines of credit:Bank loan facilities				
Total facilities	**50,000**	50,000	**50,000**	50,000
Used at balance date	**(15,000)**	(15,000)	**(15,000)**	(15,000)
Unused at balance date	**35,000**	35,000	**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.

Multi-option facility

The company is party to a secured multi-option credit facility of $20,000,000 (2004: $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 $4,089,622 (2004: $14,755,376). The total value of the securities held under charge is $8,690,936 (2004: $23,000,000).

Letter of credit facilities

An unsecured letter of credit facility of $57,500,000 is available to the company (2004: $15,000,000). The total letters of credit issued under this facility was $51,221,574 (2004: $4,255,907).

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.

NOTE 22. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Prepayments	**45**	101	**-**	-
Receivables	**1,972**	1,404	**1,928**	1,404
Depreciation	**4,732**	3,962	**143**	185
Other	**1,552**	2,187	**346**	360
	8,301	7,654	**2,417**	1,949
Deferred tax liabilities relating to wholly-owned tax consolidated entities	**-**	-	**5,388**	5,244
Net deferred tax liability	**8,301**	7,654	**7,805**	7,193

NOTE 23. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Provisions - long service leave	**3,689**	2,014	**3,483**	1,866

NOTE 24. NON-CURRENT LIABILITIES - OTHER

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Lease incentive liabilities	**614**	382	**543**	382
Deferred hedge gains (note 28)	**-**	807	**-**	807
	614	1,189	**543**	1,189

NOTE 25. CONTRIBUTED EQUITY

	Parent entity		Parent entity	
	2005	2004	2005	2004
	Shares	Shares	$'000	$'000
(a) Share capital				
Ordinary shares				
Issued and paid up capital	**94,471,035**	94,036,088	**260,558**	256,598

NOTE 25. CONTRIBUTED EQUITY (CONT)

(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 acquistition	(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 April 2004	Employee Share Plan	(h)	110,315	$16.90	1,864
30 December 2003	Employee Longevity Shares	(i)	2,985	$19.70	59
	Tax effect of previous issue costs				109
30 June 2004	**Balance**		**94,036,088**		**256,598**
	Shares issued pursuant to employee share plan				
	Employee Option Plan	(g)	373,814	$7.62	2,849
	Employee Option Plan	(g)	20,000	$14.15	283
	Employee Option Plan	(g)	1,640	$19.71	32
29 November 2004	Employee Share Plan	(h)	39,159	$17.40	681
	Adjustment to previous share issues		334	$2.69	1
	Tax effect of previous issue costs				114
30 June 2005	**Balance**		**94,471,035**		**260,558**

NOTE 25. CONTRIBUTED EQUITY (CONT)

(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.

(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.

(i) Longevity Shares

Shares were issued to employees under service agreements in place prior to acquisition. Shares were issued at market price.

NOTE 26. RESERVES AND RETAINED PROFITS

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
(a) Reserves					
Asset revaluation reserve		**20,432**	20,432	**-**	-
Foreign currency translation reserve		**(16,138)**	(4,708)	**-**	-
Capital profits reserve		**46**	46	**46**	46
		4,340	15,770	**46**	46
Movements:					
Foreign currency translation reserve					
Balance 1 July 2004		**(4,708)**	(10,532)	**-**	-
Net exchange differences on translation of foreign controlled entity		**(11,430)**	5,824	**-**	-
Balance 30 June 2005		**(16,138)**	(4,708)	**-**	-

NOTE 26. RESERVES AND RETAINED PROFITS (CONT)

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
(b) Retained profits					
Retained profits at the beginning of the financial year		**151,867**	112,561	**135,507**	106,295
Net profit attributable to members of Flight Centre Limited		**67,908**	81,927	**57,921**	71,833
Dividends provided for or paid	5	**(97,264)**	(42,621)	**(97,264)**	(42,621)
Retained profits at the end of the financial year		**122,511**	151,867	**96,164**	135,507

(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).

NOTE 27. EQUITY

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Total equity at the beginning of the financial year		**424,235**	367,610	**392,151**	351,445
Total changes in equity recognised in the statements of financial performance		**56,478**	87,751	**57,921**	71,833
Transactions with owners as owners:					
Contributions of equity, net of transaction costs	25	**3,960**	11,495	**3,960**	11,495
Dividends provided for or paid	5	**(97,264)**	(42,621)	**(97,264)**	(42,621)
Total equity at the end of the financial year		**387,409**	424,235	**356,768**	392,151

NOTE 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. In order to protect against adverse movements, the parent entity has entered into forward exchange contracts.

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

Any unrealised gains and losses on contracts, together with the cost of the contracts, are deferred and are 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.

The following gains, losses and costs have been deferred at 30 June 2005:

	Consolidated	
	2005	**2004**
	$'000	**$'000**
Realised gains (note 19 and note 24)	**648**	2,535
Unrealised gain/(loss) - other	**-**	157
Net gains and costs	**648**	2,692

(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:

	Consolidated	
	2005	**2004**
	$'000	**$'000**
General and client cash at bank and on hand (note 6)	**257,444**	258,139
Investment securities - current (note 8)	**174,892**	224,029
	432,336	482,168

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

NOTE 28. FINANCIAL INSTRUMENTS (CONT)

(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.

			Fixed interest maturing in				
2005	Notes	Floating interest rate $'000	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	257,382	-	-	-	62	257,444
Receivables	7	2,302	-	-	-	200,570	202,872
Other financial assets - investment securities	8	164,892	-	5,000	5,000	-	174,892
		424,576	-	5,000	5,000	200,632	635,208
Weighted average interest rate		10.28%	-%	7.91%	7.26%		
Financial liabilities							
Bank overdraft and loans	21	15,000	-	-	-	-	15,000
Trade and other creditors	15,20	-	-	-	-	469,151	469,151
Interest on unsecured notes	15	-	-	-	-	3,774	3,774
Unsecured notes	16	36,914	-	-	-	-	36,914
Bank overdraft	16	876	-	-	-	-	876
		52,790	-	-	-	472,925	525,715
Weighted average interest rate		22.37%	-%	-%	-%		
Net financial assets (liabilities)		371,786	-	5,000	5,000	(272,293)	109,493

NOTE 28. FINANCIAL INSTRUMENTS (CONT)

2004	Notes	Floating interst 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	188,029	500	30,500	5,000	-	224,029
		448,651	500	30,500	5,000	169,266	653,917
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	-	-	-	-	439,836	439,836
Interest on unsecured notes	15	-	-	-	-	4,185	4,185
Unsecured notes	16	41,473	-	-	-	-	41,473
Lease liabilities	16	21	-	-	-	-	21
		56,494	-	-	-	444,021	500,515
Weighted average interest rate		28.28%	-%	-%	-%		
Net financial assets (liabilities)		392,157	500	30,500	5,000	(274,755)	153,402

(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 the unrealised gain or loss at balance date.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Directors

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

(i) Chairman - non-executive
N.C. Fussell

(ii) Executive directors
G.F. Turner
S.J. Flynn

(iii) Non-executive directors
H.L. Stack
P.F. Barrow
G.L. Harris (Alternate)

N.C. Fussell retired as a director and chairman on 30 June 2005. G.F. Turner was elected chairman on 28 July 2005. S.J. Flynn resigned as an executive director on 1 September 2005.

(b) Executives

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
S. Becker	Executive General Manager - program office	Flight Centre Limited
S. Garrett	Executive General Manager - retail	Flight Centre Limited
A. Grigson	Executive General Manager - corporate	Flight Centre Limited
P. Scurrah	Executive General Manager - product	Flight Centre Limited
J. Sturgess	Chief Financial Officer	Flight Centre Limited
M. Aponas	Global Human Resource Manager	Flight Centre Limited
K. Stanley	Global Marketing Manager	Flight Centre Limited
D.Warner	Chief Information Officer	Flight Centre Technology Pty Ltd

As part of the company's organisational redesign program, S. Becker, S. Garrett and P. Scurrah were appointed as Executive General Managers effective 1 March 2005. All were previous employees of the group.

D. Warner resigned from the company effective 1 March 2005. P. Scurrah resigned from the company effective 12 August 2005.

Effective 1 July 2005, J.Sturgess resigned as Chief Financial Officer and accepted another position within the group. He was replaced by S.O'Brien.

(c) Remuneration of directors and executives

(i) 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
- capital management.

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

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(c) Remuneration of directors and executives

(ii) 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. Directors and executives are eligible to participate in the Flight Centre Limited Employee Share Plan (with the exception of Messrs Turner and Harris).

(iii) 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.

(iv) 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 comprises an executive's total remuneration.

(v) Base pay

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

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

(vi) 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.

(vii) Short-term incentives

Executives become entitled to short-term incentives 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 on a monthly basis. 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.

(viii)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 in the business area through the receipt of an interest return on investment. The executive is exposed to the risks and rewards of their business as investments and returns are not guaranteed by Flight Centre Limited or any of its group companies.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(c) Remuneration of directors and executives (cont)

(ix) Share based compensation

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

(d) 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

2005		Primary		Post-employment	
Name	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	90,000	-	-	-	90,000
H.L.Stack	80,000	-	-	7,200	87,200
Executive directors					
S.J.Flynn	150,000	84,372	18,935	15,660	268,967
G.F.Turner	70,692	-	-	7,200	77,892
Total	**535,692**	**84,372**	**18,935**	**43,110**	**682,109**

2004		Primary		Post-employment	
Name	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					
S.J.Flynn	80,000	385,123	160,980	16,200	642,303
G.F.Turner	80,000	127,182	-	7,200	214,382
C. Greive (Resigned 29/01/04)	21,545	46,353	-	-	67,898
Total	**456,545**	**558,658**	**160,980**	**40,950**	**1,217,133**

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(d) Details of remuneration (cont)

(ii) Specified executives of the consolidated entity

2005	Primary			Other	Post-employment		
	Cash salary and fees	Incentive	BOS Interest	BOS Termination (1)	Super-annuation	Termination benifits	Total
Name	$	$	$	$	$	$	$
S. Becker	114,192	275,504	-	-	26,702	-	416,398
J. Sturgess	118,333	298,803	9,590	300,000	27,151	-	753,877
A. Grigson	80,000	168,787	456,176	200,000	15,840	-	920,803
D. Warner	43,913	177,991	15,155	50,000	15,525	335,621	638,205
K. Stanley	80,000	151,479	11,126	-	17,214	-	259,819
M. Aponas	80,000	172,892	8,134	-	14,850	-	275,876
S. Garrett	171,616	220,106	-	-	-	-	391,722
P. Scurrah	115,000	192,777	-	-	22,500	-	330,277
	803,054	1,658,339	500,181	550,000	139,782	335,621	3,986,977

2004	Primary			Post-employment	Equity	
	Cash salary and fees	Incentive	BOS Interest	Super-annuation	Options	Total
Name	$	$	$	$	$	$
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
	360,000	829,191	1,860,620	63,861	13,392	3,127,064

All values shown are for amounts earned during the year whether as employees or as specified executives.

(1) From time to time amounts are paid to executives to compensate them for BOS redemption.

(iii) 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 level of remuneration of directors and specified executives are outlined in the remuneration report.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(d) Details of remuneration (cont)

(iv) Share-based compensation - options

There were no grants of options to any director or employee of the group during the year.

(e) Equity instrument disclosures relating to directors and executives

(i) 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	24 November 2004	10,000
P. F. Barrow	24 September 2004	10,000
S.J. Flynn	19 August 2004	20,000
Specified executives of the consolidated entity		
S. Garrett	28 July 2004	5,000
K. Stanley	19 August 2004	21,000

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
28 July 2004	$7.62
19 August 2004	$7.62
24 September 2004	$14.15
24 November 2004	$14.15

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

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(e) Equity instrument disclosures relating to directors and executives (cont)

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Flight Centre Limited and 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	40,000	-	(10,000)	-	30,000	30,000
P. F. Barrow	40,000	-	(10,000)	-	30,000	30,000
S. J. Flynn	20,800	-	(20,000)	-	800	800
Specified executives of the consolidated entity						
J. Sturgess	12,800	-	-	-	12,800	12,800
D. Warner	19,050	-	-	(19,050)	-	-
K. Stanley	37,500	-	(21,000)	-	16,500	16,500
A. Grigson	14,900	-	-	-	14,900	14,900
M. Aponas	-	-	-	-	-	-
S. Becker	1,800	-	-	-	1,800	1,800
S. Garrett	5,000	-	(5,000)	-	-	-
P. Scurrah	-	-	-	-	-	-

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(e) Equity instrument disclosures relating to directors and executives (cont)

(iii) 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	17,217,015	-	15,347	17,232,362
H.L. Stack	32,288	10,000	-	42,288
P.F. Barrow	70,800	10,000	-	80,800
S. J. Flynn	400,133	20,000	-	420,133
G.L. Harris	16,457,130	-	(200,000)	16,257,130
Specified executives of the consolidated entity				
Ordinary shares				
J. Sturgess	13,392	-	-	13,392
D. Warner	39,500	-	(19,000)	20,500
K. Stanley	8,955	21,000	(9,800)	20,155
A. Grigson	2,928	-	-	2,928
M. Aponas	250	-	-	250
S. Becker	150	-	-	150
S. Garrett	1,142	5,000	(3,000)	3,142
P. Scurrah	-	-	-	-

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(f) Other transactions with directors and specified executives

(i) Directors of Flight Centre Limited

The company has entered into a lease agreement with Four Direct Properties Pty Ltd, of which Messrs Turner and Harris are directors. The lease agreement, which was signed in 2003, is for the rental of the premises at 181 George Street, Brisbane to Flight Centre Limited. Independent advice was sought as to the monthly rentals to be paid. Rental paid during the year was $73,526.

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:

	2005 $	2004 $
Amounts recognised as expense		
Rental of office buildings	**73,526**	70,698

NOTE 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	
	2005	2004	2005	2004
	$	$	$	$
Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australia:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**300,000**	293,769	**300,000**	169,389
Fees paid to related practices of PricewaterhouseCoopers Australia	**624,050**	372,599	**-**	-
Total remuneration for audit services	**924,050**	666,368	**300,000**	169,389
2. Other assurance services				
Fees paid to related practices of PricewaterhouseCoopers Australia	**586,166**	12,619	**586,166**	-
Fees paid to other audit firms	**-**	93	**-**	-
Total remuneration for other assurance services	**586,166**	12,712	**586,166**	-
Total remuneration for assurance services	**1,510,216**	679,080	**886,166**	169,389
Taxation services				
Fees paid to PricewaterhouseCoopers Australia:				
International taxation advice	**21,930**	-	**21,930**	-
Fees paid to related practices of PricewaterhouseCoopers Australia	**187,532**	95,462	**-**	-
Fees paid to other audit firms	**27,955**	17,347	**23,000**	-
Total remuneration for taxation services	**237,417**	112,809	**44,930**	-
Advisory services				
Fees paid to PricewaterhouseCoopers Australia	**16,430**	2,573	**16,430**	11,573
Fees paid to related practices of PricewaterhouseCoopers Australia	**5,570**	-	**-**	-
Fees paid to other audit firms	**6,000**	5,848	**6,000**	-
Total remuneration for advisory services	**28,000**	8,421	**22,430**	11,573

NOTE 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 Regulations (refer note 21).

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

NOTE 32. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**41,225**	46,669	**25,251**	24,224
Later than one year but not later than 5 years	**101,275**	122,280	**51,215**	62,948
Later than 5 years	**39,698**	40,043	**4,119**	5,858
	182,198	208,992	**80,585**	93,030

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

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	-	22	-	-
Minimum lease payments	-	22	-	-
Less: Future finance charges	-	(1)	-	-
Total lease liabilities	-	21	-	-
Representing lease liabilities:				
Current (note 16)	-	21	-	-
	-	21	-	-

NOTE 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 2005 and 2004 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 7.5% (2004: between 0% and 12%).

	Parent entity	
	2005	**2004**
	$'000	**$'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
Royalty revenue	**8,660**	8,958
Interest revenue	**4,358**	3,110
Aggregate amounts receivable from/payable to subsidiaries in the wholly-owned group at balance date:		
Current receivables - loans	**138,665**	136,132
Current payables - loans	**22,925**	27,383
Current payables - trade creditors	**7,521**	5,283

NOTE 34. EMPLOYEE BENEFITS

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Employee benefit and related on-costs liabilities				
Included in other payables - current (note 15)	**11,939**	9,193	**7,580**	5,742
Provision for long service leave - current (note 18)	**3,116**	2,505	**2,981**	2,230
Provision for long service leave - non-current (note 23)	**3,689**	2,014	**3,483**	1,866
Aggregate employee benefit and related on-costs liabilities	**18,744**	13,712	**14,044**	9,838

	Number		Number	
	2005	2004	2005	2004
Employee numbers				
Average number of employees during the financial year				
Selling Staff	**5,486**	4,795	**3,226**	2,698
Support Staff	**2,003**	1,601	**1,160**	975
	7,489	6,396	**4,386**	3,673

Flight Centre Limited Employee Option Plan

No options were granted to any director or employee during the year.

Options were previously 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 and Harris) 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 predetermined profit or budget target.

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

NOTE 34. EMPLOYEE BENEFITS (CONT)

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

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
Consolidated and parent entity - 2005							
13/08/99	13/08/04	$7.62	393,814	-	(373,814)	(20,000)	-
27/11/99	27/11/04	$14.15	20,000	-	(20,000)	-	-
14/08/00	14/08/05	$19.71	222,545	-	(1,640)	(25,963)	194,942
30/11/00	30/11/05	$23.49	40,000	-	-	-	40,000
01/07/01	01/07/06	$23.52	9,665	-	-	(785)	8,880
24/08/01	24/08/06	$28.68	583,330	-	-	(73,260)	510,070
30/11/01	30/11/06	$21.98	40,000	-	-	-	40,000
06/09/02	06/09/07	$28.40	18,000	-	-	(6,000)	12,000
31/10/02	31/10/07	$23.73	40,000	-	-	-	40,000
14/02/03	14/02/08	$19.69	25,997	-	-	(1,208)	24,789
14/07/03	14/07/08	$22.46	19,800	-	-	-	19,800
			1,413,151	-	(395,454)	(127,216)	890,481
Consolidated and parent entity - 2004							
27/11/98	27/11/03	$3.73	130,000	-	(68,000)	(62,000)	-
13/08/99	13/08/04	$7.62	725,435	-	(238,550)	(93,071)	393,814
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
			1,912,997	1,050,000	(331,638)	(1,218,208)	1,413,151

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

Quarter ender	Weighted average fair value of shares at	Consolidated 2005 Number	Consolidated 2004 Number	Parent entity 2005 Number	Parent entity 2004 Number
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
30 September 2004	$19.76	385,454	-	385,454	-
31 December 2004	$18.95	10,000	-	10,000	-
		395,454	331,638	395,454	331,638

NOTE 34. EMPLOYEE BENEFITS (CONT)

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	**3,164**	2,567	**3,164**	2,567

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Fair value of shares issued to employees on the exercise of options as at their issue date	**7,807**	6,996	**7,807**	6,996

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 and directors (excluding Messrs Turner and Harris) 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	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Aggregate proceeds received from employees on the issue of shares	**681**	3,631	**681**	3,631
Shares issued under the plan to participating employees	**No.** **39,159**	No. 201,755	**No.** **39,159**	No. 201,755

NOTE 35. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity Holding		Cost of parent entity's investment	
			2005 %	2004 %	2005 $'000	2004 $'000
Parent Entity						
Flight Centre Limited	Australia					
Controlled entities						
BDI Solutions Pty Ltd**	Australia	Ordinary	**100**	100	**839**	839
Flight Centre (China) Pty Ltd**	Australia	Ordinary	**100**	100	**40**	40
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
Frequent Flyers Pty Ltd ***	Australia	Ordinary	**100**	100	**-**	-
The Great Holiday Escape Pty Limited**	Australia	Ordinary	**100**	100	**9**	9
Globalnet Technologies Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
Group Conference & Travel Pty Ltd**	Australia	Ordinary	**100**	100	**105**	105
GTM Internet Travel Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
GTM Travel Australia Pty Limited**	Australia	Ordinary	**100**	100	**-**	-
Infinity Holidays Pty Limited**	Australia	Ordinary	**100**	100	**76**	76
Internet E. Travel Pty Limited**	Australia	Ordinary	**100**	100	**-**	-
Internet Travel Australia Pty Limited**	Australia	Ordinary	**100**	100	**-**	-
Intravel Group Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
ITG Pty Ltd***	Australia	Ordinary	**100**	100	**39,257**	38,848
ITL Overseas Holdings Pty Ltd	Australia	Ordinary	**100**	100	**-**	-
Lumina Marketing Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
Lumina Technologies Pty Ltd**	Australia	Ordinary	**100**	100	**-**	-
Publishing Pty Ltd**	Australia	Ordinary	**100**	100	**25**	25
Retail Detail Pty Limited**	Australia	Ordinary	**100**	100	**105**	105
Shanghai Journey Pty Ltd (formerly Flight Centre (Victoria) Pty Ltd)**	Australia	Ordinary	**100**	100	**1,814**	1,814
Stage & Screen Travel & Freight Services Pty Ltd ***	Australia	Ordinary	**100**	100	**-**	-
Traveland Pty Ltd	Australia	Ordinary	**100**	100	**14,792**	14,792
The Flight Shops Inc*	Canada	Ordinary	**100**	100	**1,354**	1,354
The Flight Shops Inc*	Canada	Preference	**100**	100	**5,116**	2,969
American International Travel Ltd*	Hong Kong	Ordinary	**100**	100	**2,840**	2,840
Flight Centre (Mauritius) Limited *	Mauritius	Ordinary	**100**	-	**1,540**	-
Flight Centre (NZ) Pty Ltd*	New Zealand	Ordinary	**100**	100	**3,967**	3,967
Great Escape Holiday (NZ) Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Internet Travel Group (NZ) Holdings Limited*	New Zealand	Ordinary	**-**	100	**-**	-
Seymour College Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Christchurch Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Hamilton Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Tamaki Makaurau Limited*	New Zealand	Ordinary	**100**	100	**-**	-
Seymour College Wellington Limited*	New Zealand	Ordinary	**100**	100	**-**	-

NOTE 35. INVESTMENTS IN CONTROLLED ENTITIES (CONT)

Flight Centre (PNG) Ltd*	Papua New Guinea	Ordinary	**100**	100	**1**	1
Flight Centre (South Africa) Pty Ltd*	Republic of Sth Africa	Ordinary	**100**	100	**9,426**	9,426
Britannic Travel Limited*	United Kingdom	Ordinary	**100**	100	**-**	-
Flight Centre (UK) Ltd*	United Kingdom	Ordinary	**100**	100	**3,783**	3,783
Flight Centre (UK) Corporate Limited*	United Kingdom	Ordinary	**100**	100	**15,858**	39
Flight Centre (UK) Corporate Limited*	United Kingdom	Preference	**100**	100	**-**	-
Flight Centre (UK) Finance Limited*	United Kingdom	Ordinary	**100**	100	**-**	-
Flight Centre (UK) Holdings Limited*	United Kingdom	Ordinary	**100**	100	**21,182**	21,182
Flight Centre (USA) Inc*	USA	Ordinary	**100**	100	**2**	2
					127,226	107,311

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 42.

Acquisition of businesses

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 the total consideration of $5,000,000. travelthere.com is an internet travel site that facilitates the integrated booking of travel.

During the year Flight Centre Limited made a payment of $17,634,509 for the deferred settlement of the purchase of Britannic Travel.

Details of the acquisitions are as follows:

	travelthere.com $'000	Others $'000	Total $'000
Fair value of identifiable net assets of controlled entity acquired			
Plant and equipment	4,830	-	4,830
Intangibles	20	-	20
Goodwill	242	17,635	17,877
Cash Consideration	**5,092**	**17,635**	**22,727**
Consideration			
Cash			22,635
Costs of acquisition			92
			22,727

NOTE 36. EVENTS OCCURRING AFTER REPORTING DATE

At the date of this report there is no matter or circumstance which has arisen since 30 June 2005 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.

NOTE 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

2005	Australia $'000	New Zealand $'000	United Kingdom $'000	Other $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Total Transaction Value	4,428,160	638,515	909,222	889,837	6,885	6,872,619
Sales to external customers	551,012	90,297	122,174	106,767	-	870,250
Intersegment sales	4,369	402	669	323	(5,763)	-
Total sales revenue	555,381	90,699	122,843	107,090	(5,763)	870,250
Unallocated revenue	-	-	-	-	28,264	28,264
Total segment revenue	555,381	90,699	122,843	107,090	22,501	898,514
Segment result pre Royalties	92,152	11,408	16,039	(499)	(23,842)	95,258
Royalties	8,660	(5,716)	-	(2,664)	(280)	-
Segment result	100,812	5,692	16,039	(3,163)	(24,122)	95,258
Unallocated revenue less unallocated expenses						11,696
Profit from ordinary activities before income tax expense						106,954
Income tax expense						(39,046)
Net profit						67,908
Segment assets	376,989	87,887	204,821	73,127	171,991	914,815
Unallocated assets						18,094
Total assets						932,909
Segment liabilities	196,315	60,030	103,496	34,739	82,702	477,282
Unallocated liabilities						68,218
Total liabilities						545,500
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	37,867	4,575	2,929	5,660	-	51,031
Depreciation and amortisation expense	22,019	4,246	8,010	5,555	6,371	46,201
Other non-cash expenses	3,493	825	754	966	(771)	5,267

NOTE 37. SEGMENT INFORMATION (CONT)

Primary reporting - geographical segments (continued)

2004	Australia $'000	New Zealand $'000	United Kingdom $'000	Other $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Total Transaction Value	3,784,704	561,435	792,131	732,545	13,996	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	88,968	11,137	9,044	(888)	4,926	113,187
Royalties	8,686	(7,014)	-	(2,420)	748	-
Segment result	97,654	4,123	9,044	(3,308)	5,674	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	346,008	80,359	203,836	64,904	248,893	944,000
Unallocated assets						17,138
Total assets						961,138
Segment liabilities	240,266	57,153	117,866	31,862	32,092	479,239
Unallocated liabilities						57,664
Total liabilities						536,903
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	49,187	5,793	3,095	6,411	-	64,486
Depreciation and amortisation expense	17,519	3,436	7,778	5,039	5,464	39,236
Other non-cash expenses	2,463	742	(134)	1,251	686	5,008

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 be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment assets and liabilities do not include income taxes.

(b) Unallocated revenue and expenses

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

NOTE 38. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Profit from ordinary activities after income tax	**67,908**	81,927	**57,921**	71,833
Depreciation and amortisation	**46,165**	39,238	**13,388**	9,566
Write down of non-current assets	**2,009**	2,187	**1,281**	1,157
Provision for doubtful debts	**(1,081)**	272	**(1,197)**	2,547
Amortisation of premium on bonds	**175**	1,938	**175**	-
Net gain on sale of non-current assets	**1,235**	1,222	**131**	662
Net (profit) loss on sale of investments	**(525)**	(1,218)	**(525)**	(1,169)
Share of profits of associates and joint venture partnership not received as dividends or distributions	**314**	-	**-**	-
Non cash financing costs	**(412)**	-	**(577)**	-
Net exchange differences	**(1,797)**	(7,712)	**1,093**	(6)
Decrease (increase) in trade debtors and bills of exchange	**(29,630)**	(20,035)	**(24,026)**	(11,813)
Decrease (increase) in deferred tax assets	**(1,462)**	(4,096)	**(2,060)**	(5,228)
Decrease (increase) in prepaid expenses	**5,858**	(4,463)	**4,268**	(4,287)
Decrease (increase) in other operating assets	**(1,887)**	4,933	**(1,887)**	6,118
Decrease (increase) in related party loans	**-**	-	**(769)**	(1,179)
Increase (decrease) in trade creditors	**20,580**	89,411	**17,924**	58,167
Increase (decrease) in other operating liabilities	**319**	(87)	**231**	30
Increase (decrease) in provision for income taxes payable	**(1,504)**	(6,834)	**(7,857)**	(5,699)
Increase (decrease) in provision for deferred income tax	**1,682**	4,495	**613**	5,783
Increase (decrease) in other provisions	**9,535**	2,250	**8,711**	1,666
Increase (decrease) in equity - tax expense	**114**	109	**114**	109
Net cash inflow from operating activities	**117,596**	183,537	**66,952**	128,257

NOTE 39. NON-CASH FINANCING AND INVESTING ACTIVITIES

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Acquisition of plant and equipment by means of finance leases	**-**	2	**-**	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.

NOTE 40. EARNINGS PER SHARE

	Consolidated 2005 Number	Consolidated 2004 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	**94,402,177**	93,685,610
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	**94,402,177**	93,938,920

	Consolidated 2005 $'000	Consolidated 2004 $'000
Net profit	**67,908**	81,927

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.

NOTE 41. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Flight Centre Limited is continuing in the transition of accounting policies and financial reporting from current Australian standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ended 30 June 2006. The company has allocated internal resources to perform diagnostics and conduct impact analysis to isolate key areas that will be impacted by the transition to AIFRS.

As part of the transition to AIFRS, priority has been given to the preparation of an opening balance sheet in accordance with the standards as at 30 June 2004 and documentation of the impacts to 30 June 2005.

Below are the known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS including descriptions of the expected financial effects of adopting AIFRS for the statement of financial performance and statement of financial position. No material impacts are expected in relation to the statements of cash flows.

The figures disclosed are the best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates below due to (a) emerging accepted practice in the interpretation and application of AIFRS and interpretations; (b) potential amendments to AIFRS and interpretations thereof; and (c) ongoing work being undertaken by the project team.

(a) Income tax

Flight Centre Limited and its controlled entities previously elected to apply AASB1020 (1999 version) in accounting for income taxes. There are no material differences between the existing application and AASB112 'Income Taxes'.

The application of UIG1052 'Tax consolidated accounting' shall see the transfer of some deferred tax balances from the parent to its subsidiaries in the tax consolidated group. The effect of this change would be to reduce deferred tax assets by $859,208 and reduce deferred tax liabilities by $5,388,376 in the parent as at 30 June 2005. A corresponding reduction in the inter-company loan receivable is also required in accordance with the tax funding agreement. There is no change to the consolidated group.

(b) Intangible assets

AASB138 'Intangible assets' prohibits the recognition of internally generated intangible assets such as software licences. As such a subsidiary in the consolidated group is required to derecognise software licences.

The effect of this change on the consolidated group will see the derecognition of intangible assets of $14,137,076 and a reduction in the asset revaluation reserve of $20,431,538. An increase in retained earnings of the consolidated group of $6,294,462 is also required as at 30 June 2005.

This change will also decrease amortisation expense in the statement of financial performance for the year to 30 June 2005 by $2,043,154. There is no effect for the parent entity.

Under AASB138 'Intangible assets' costs incurred in the research phase of an internally generated intangible asset must be expensed.

The effect of this change would see the derecognition of intangible assets and decrease in retained profits of $4,943,845 for the consolidated group and $1,642,374 for the parent entity as at 1 July 2004. This change would also decrease the profit before tax in the statement of financial performance by $5,550,544 for the consolidated group and $2,205,124 for the parent entity for the year to 30 June 2005.

(c) Impairment of assets

Under AASB136 'Impairment of assets' all assets are required to be reviewed and tested for impairment and revalued to recoverable amount. The recoverable amount is determined as either the fair value less cost to sell or the discounted cash flows of its value in use. This differs to AGAAP where a net cash flow approach is used.

The effect of this change would see the reduction of intangible assets and retained profits as at 1 July 2004 of $3,577,456 for the consolidated group.

As at 30 June 2005 the effect would result in a reduction of intangible assets in the statement of financial performance of $6,922,403 for the consolidated group. Under AIFRS an additional writedown of $1,927,908 would be required in the statement of the financial performance for the consolidated entity for the year to 30 June 2005.

NOTE 41. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (CONT)

(d) Amortisation of goodwill

Under AASB3 'Business combinations' goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. The effects of impairment of assets under AASB136 'Impairment of assets' is disclosed above.

The change in accounting policy in regard to the amortisation of goodwill will result in an increase in intangible assets and a decrease in amortisation expense in the statement of financial performance of $10,241,603 for the consolidated entity and $802,270 for the parent entity for the year to 30 June 2005.

(e) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (AGAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB139 'Financial instruments: recognition and measurement' all financial assets are required to be classified into one of five categories which in turn determines the accounting treatment of the item.

Items classified as 'other financial assets current' have been determined as 'available for sale' assets. Therefore, available for sale assets shall be measured at fair value with changes in value to be recognised directly in equity. The effect of this change would increase assets and reserves of the consolidated group and the parent entity. There would be no effect on the statement of financial performance.

(f) Property, plant and equipment

Under AASB116 'Property, plant and equipment' the cost of an item of property, plant and equipment includes an initial estimate of dismantling and removing the item. This would, therefore, require an initial estimate of dismantling and 'make good' costs on leased premises. The effect of this policy would see an increase in property, plant and equipment and a corresponding increase in provision liabilities. Reliable estimation of the financial effects of this change are not currently available.

AASB138 'Intangible assets' considers software to be an intangible asset. Flight Centre Limited and its controlled entities disclose software assets as a component of property, plant and equipment in the statement of financial position. The effect of this change in accounting treatment would be to decrease property, plant and equipment and increase intangible assets by $16,913,163 for the consolidated group and by $5,367,949 for the parent entity as at 30 June 2005.

NOTE 41. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (CONT)

(g) Hedging

At times, Flight Centre Limited and its controlled entities become parties to derivatives to hedge anticipated transactions. These derivatives shall be considered cash flow hedges subject to meeting the continuing requirements of effectiveness with the change in fair value recognised in equity until the underlying transaction is recognised in the statement of financial performance.

This change would not effect the statement of financial performance for the year to 30 June 2005. The effect on the statement of financial position would be to reduce liabilities and increase reserves of the consolidated group and the parent entity.

(h) Foreign currency translation reserve: cumulative translation differences

On the initial application of AIFRS, the Group has elected to apply the exemption in AASB 1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards' relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRS. As a result of this exemption, the balance of the foreign currency translation reserve of the group at 30 June 2005 will decrease by $4,708,329. Retained earnings will increase by this amount. There is no effect on the parent entity.

(i) Revenue disclosures in relation to the sale of non-current assets

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current AGAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

NOTE 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, Frequent Flyers Pty Ltd and Stage & Screen Travel & Freight Pty Ltd

2) Flight Centre Technology Pty Ltd

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

Set out below is a consolidated statements of financial performance for the year ended 30 June 2005 comprising the company and the subsidiaries listed above.

NOTE 42. DEED OF CROSS GUARANTEE (CONT)

	Flight Centre Limited & ITG Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue from ordinary activities	**597,099**	518,920	**559,756**	496,067
Retail shop expenses	**(404,050)**	(336,159)	**(375,180)**	(316,245)
Administration / support expenses	**(82,307)**	(62,484)	**(81,748)**	(58,022)
Borrowing costs expense	**(16,331)**	(15,148)	**(18,188)**	(15,342)
Profit from ordinary activities before related income tax expense	**94,411**	105,129	**84,640**	106,458
Income tax expense	**(27,716)**	(31,598)	**(25,644)**	(30,965)
Profit from ordinary activities after income tax expense/net profit	**66,695**	73,531	**58,996**	75,493
Total changes in equity other than those resulting from transactions with owners as owners	**66,695**	73,531	**58,996**	75,493

Set out below is a summary of movements in consolidated retained profits for the year ended 30 June 2005 of the company and its subsidiaries.

	Flight Centre Limited & ITG Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Summary of movements in consolidated retained profits				
Retained profits at the beginning of the financial year	**137,697**	106,787	**141,127**	108,255
Transfer of retained profits on assumption of entities to the class order	**10,653**	-	**-**	-
Profit from ordinary activities after income tax expense/net profit	**66,695**	73,531	**58,996**	75,493
Dividends provided for or paid	**(97,264)**	(42,621)	**(97,264)**	(42,621)
Retained profits at the end of the financial year	**117,781**	137,697	**102,859**	141,127

NOTE 42. DEED OF CROSS GUARANTEE (CONT)

Set out below is a consolidated statements of financial position as at 30 June 2005 of the company and the subsidiaries listed above.

	Flight Centre Limited & ITG Pty Ltd		Flight Centre Limited & Flight Centre Technology Pty Ltd	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Current assets				
Cash assets	**123,834**	134,596	**107,083**	126,316
Receivables	**295,439**	193,698	**197,025**	186,844
Other financial assets	**157,080**	207,550	**156,716**	207,550
Other	**2,698**	7,350	**3,477**	7,654
Total current assets	**579,051**	543,194	**464,301**	528,364
Non-current assets				
Other financial assets	**87,731**	124,174	**126,535**	106,619
Property, plant and equipment	**55,639**	50,033	**84,794**	66,550
Deferred tax assets	**11,632**	9,572	**11,632**	9,573
Intangible assets	**30,374**	29,443	**21,343**	24,400
Total non-current assets	**185,376**	213,222	**244,304**	207,142
Total assets	**764,427**	756,416	**708,605**	735,506
Current liabilities				
Payables	**292,729**	256,442	**265,631**	240,195
Interest bearing liabilities	**59,576**	70,301	**43,308**	62,503
Current tax liabilities	**1,919**	5,259	**668**	1,167
Provisions	**2,973**	2,354	**3,021**	2,292
Other	**906**	1,914	**906**	1,914
Total current liabilities	**358,103**	336,270	**313,534**	308,071
Non-current liabilities				
Interest bearing liabilities	**15,000**	15,000	**15,000**	15,000
Deferred tax liabilities	**7,657**	6,599	**12,482**	11,479
Provisions	**3,588**	1,866	**3,584**	1,996
Other	**543**	1,189	**543**	1,189
Total non-current liabilities	**26,788**	24,654	**31,609**	29,664
Total liabilities	**384,891**	360,924	**345,143**	337,735
Net assets	**379,536**	395,492	**363,462**	397,771
Equity				
Contributed equity	**260,558**	256,598	**260,558**	256,598
Reserves	**1,197**	1,197	**46**	46
Retained profits	**117,781**	137,697	**102,858**	141,127
Total equity	**379,536**	395,492	**363,462**	397,771

FLIGHT CENTRE LIMITED DIRECTORS' DECLARATION – 30 JUNE 2005

In the directors' opinion:

(a) the financial statements and notes set out on pages 31 to 87 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(c) 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.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

G.F.Turner
Managing Director

P.F.Barrow
Director

Brisbane
14 September 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FLIGHT CENTRE LIMITED – 30 JUNE 2005

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 2005, 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 2005. 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.

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

PricewaterhouseCoopers

R.J.Roach
Partner

Brisbane
14 September 2005

FLIGHT CENTRE LIMITED SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 12 August 2005.

A. Distribution of equity securities

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

		Holders	Class of equity security Shares	Percentage of issued shares
1-	1,000	11,654	4,163,601	4.41%
1,001-	5,000	2,890	6,138,351	6.50%
5,001-	10,000	261	1,788,217	1.89%
10,001-	100,000	180	4,175,186	4.42%
100,001-	and over	26	78,205,680	82.78%

There were 34 holders of less than a marketable parcel of ordinary shares.

The precentage of the total holding of the twenty largest holders of each class of shares was 82.09%.

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares Number held	Percentage of issued shares
Gainsdale Pty Ltd (G.F. Turner Family a/c)	17,058,077	18.06%
Gehar Pty Ltd (Geoffrey Harris Family a/c)	16,248,302	17.20%
James Management Services Pty Limited (ATF The James Management a/c)	13,529,500	14.32%
JP Morgan Nominees Australia Limited	6,754,227	7.15%
National Nominees Limited	6,454,750	6.83%
Westpac Custodian Nominees Limited	5,073,139	5.37%
Invia Custodian Pty Limited (PIB Goldburg Family a/c)	3,000,000	3.18%
Invia Custodian Pty Limited (PIB Friday Investment Pty Ltd ND a/c)	1,400,000	1.48%
Invia Custodian Pty Limited (Friday Investments Pty Ltd ad#2 a/c)	1,174,502	1.24%
Invia Custodian Pty Limited (PIB Friday Investments Pty Ltd ND EQF a/c)	1,150,000	1.22%
Trinity Holdings Limited	961,833	1.02%
Health Super Pty Limited	943,176	1.00%
Cogent Nominees Pty Limited	660,922	0.70%
Queensland Investment Corporation	636,009	0.67%
Citicorp Nominee Pty Limited	569,784	0.60%
Citicorp Nominees Pty Limited (CFS CWLTH Aust Shares 18 a/c)	450,111	0.48%
Government Superannuation Office (State Super Fund a/c)	441,757	0.47%
Shane Joseph Flynn	390,133	0.41%
Victorian Workcover Authority	385,746	0.41%
Transport Accident Commission	260,769	0.28%
		82.09%

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Gainsdale Pty Ltd (G.F.Turner Family a/c)	17,058,077	18.06%
Gehar Pty Ltd (Geoffrey Harris Family a/c)	16,248,302	17.20%
James Management Services Pty Limited (ATF The James Management a/c)	13,539,750	14.33%
Lazard Asset Management Services Pacific Co	8,380,411	8.87%
Perennial Investment Partners Ltd	7,911,308	8.37%
Commonwealth Bank of Australia	4,761,493	5.04%

Trinity Holdings Pty Ltd is potentially a substantial shareholder as it is party to a pre-emptive agreement dated 5 October 1995 between Gainsdale Pty Ltd, Gehar Pty Ltd, James Management Services Pty Ltd and Friday Investments Pty Ltd. This agreement binds each of the parties to give first right of refusal on the purchase of shares in the company. Trinity Holdings Pty Ltd held 961,833 shares (1.02%) as at 12 August 2005.

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.

FLIGHT CENTRE LIMITED CORPORATE DIRECTORY

Directors	G.F.Turner P.F.Barrow H.L.Stack G.L.Harris (Alternate)	
Secretary	G. Pringle	
Notice of annual general meeting	The annual general meeting of Flight Centre Limited	
	will be held at	Ballroom Le Grand 1 Sofitel Brisbane 249 Turbot Street, Brisbane
	time	11.30 am
	date	27 October 2005
	A formal notice of meeting is enclosed	
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 32, 345 Queen Street Brisbane QLD 4000	
Auditor	PricewaterhouseCoopers Waterfront Place Level 17, 1 Eagle Street Brisbane QLD 4000	
Solicitors	Allens Arthur Robinson Level 32, Riverside Centre 123 Eagle Street Brisbane QLD 4000	
Bankers	Westpac Banking Corporation 260 Queen Street Brisbane QLD 4000 National Australia Bank 255 Adelaide Street Brisbane QLD 4000	
Stock exchange listings	Flight Centre Limited shares are listed on the Australian Stock Exchange.	
Website address	www.flightcentre.com.au	

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.