



APPENDIX 4D

FLIGHT CENTRE LIMITED

ABN 25 003 377 188

HALF YEAR REPORT 31 DECEMBER 2004

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2004

	Dec 2004 \$ '000	Dec 2003 \$ '000	AMOUNT OF CHANGE \$ '000	% CHANGE
Total Transaction Value (TTV) *	3,228,188	2,711,351	516,837	19.1%
Revenue from ordinary activities	420,257	363,637	56,620	15.6%
Profit (loss) from ordinary activities before income tax expense	46,471	51,539	(5,068)	-9.8%
Profit (loss) from ordinary activities after tax attributable to members	30,509	34,115	(3,606)	-10.6%
Net profit (loss) for the period attributable to members	30,509	34,115	(3,606)	-10.6%

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

Dividends

	Amount Per Security Cents	Franked Amount Cents
Interim dividend*	22.5	22.5
Interim dividend previous corresponding period, paid 26 March 2004	20.5	20.5
Final dividend (30 June 2004) paid 15 October 2004	40.5	40.5
Special dividend, paid 26 November 2004	40.0	40.0

* The record date for determining entitlements to the interim dividend is Monday, 28 February 2005 (2003: 5 March 2004).
The payment date for the interim dividend is Thursday, 24 March 2005 (2003: 26 March 2004).

COMPLIANCE STATEMENT

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

COMMENTARY OF THE RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

Statement of Financial Performance

Flight Centre Limited has achieved record sales growth in the first half of the 2004/05 fiscal year, while significantly boosting its sales staff and developing its "clicks and mortar" business to fuel future returns.

In the six months to December 31, 2004, the company achieved 19.1% growth in total transaction value to \$3.2 billion and 15.6% growth in revenue to \$420.3 million, record first half results. Revenue has continued to expand benefiting from a global increase in sales staff of 6.9% since 30 June 2004 and 15.8% since 31 December 2003.

As foreshadowed in the company's guidance on January 13, 2005, profit results for the half-year were below those of the corresponding half of 2003/04 as the company builds for the future. Some of the areas that impacted are:

- Income margin decreased – affected by lower GDS income, higher ratio of taxes and charges on low cost airfares, shift toward booking fees in corporate and minor contraction in retail margins.
- Increased depreciation and advertising spend.
- Head office cost growth exceeding revenue growth.
- Short-term impact of investment in upstaffing strategy.
- Continued investment in technology.

While results were adversely affected for the half-year to 31 December 2004, a new range of initiatives have been announced that will focus on increasing consultant productivity, reduce costs and build a better model for the future.

Dividends

In view of the company's result and in line with the board's dividend policy, the directors have declared a fully franked interim dividend of 22.5 cents per share, payable on 24 March 2005 to shareholders registered on 28 February 2005. The dividend is 9.75% higher than the interim dividend of 20.5 cents per share for the half-year ended 31 December 2003.

Discussion and Analysis of Consolidated Statement of Financial Position

December 2004 in comparison to December 2003

- The consolidated net assets have decreased 1.9% to \$376.3 million.
- The primary movements in the statement of financial position are:

	<u>\$Millions</u>
Assets	
Increase in cash	72.8
Increase in receivables	16.0
Increase in plant and equipment	19.7
Decrease in intangible assets	8.1
Liabilities	
Increase in current payables	60.7
Increase in interest bearing liabilities	52.4
Equity	
Increase in contributed equity	6.9

Discussion and analysis of Consolidated Statement of Cash Flows

- Cash at the end of the half-year is represented by cash at bank of \$29.1 million, and client cash of \$174.1 million. Client cash is held on behalf of clients until suppliers are paid.

Operating cashflow

- The net cash inflow from operating activities is \$14.8 million. This represents a decrease of \$17.9 million from the net cash inflow for the prior year of \$32.7 million. The decrease is primarily the result of timing of payments to suppliers.

Investing cashflow

- The net cash outflow from investing activities is \$35.2 million. This represents a decrease of 54.7% from the net cash outflow for the prior year of \$77.5 million.
- This decrease is principally the result of a decrease in the net cash payments/proceeds for investments.

Financing cashflow

- The cash outflow from financing activities for the 2004 half year is \$36.9 million, compared to a cash outflow in 2003 of \$16.5 million.
- The increased cash outflow is primarily the result of the higher dividend payment.
- Dividends paid in 2004 of \$76.0 million represent an increase of 226%, or \$52.6 million, on that paid in the prior period. Dividends paid during the period were 40.5 cents per share final dividend (2003: 25 cents) and a special dividend of 40.0 cents per share. All dividends were fully franked.



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HALF YEAR FINANCIAL REPORT 31 DECEMBER 2004

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DIRECTORS' REPORT

Flight Centre Limited and Controlled Entities Directors' Report

Your directors present their report on the consolidated entity consisting of Flight Centre Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2004.

Directors

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

N.C. Fussell	Chairman
P.F. Barrow	
S.J. Flynn	Chief Executive Officer
H.L. Stack	
G.F. Turner	Managing Director
G.L. Harris	(Alternate)

Result

Flight Centre has recorded a decrease in profit from ordinary activities before tax of 9.8% to \$46.5 million for the half-year ended 31 December 2004 down from \$51.5 million in 2003. Net profit after tax decreased by 10.6% to \$30.5 million for the same period.

This result was achieved on a total transaction value of \$3.2 billion, which represents an increase of 19.1% compared with the corresponding period last year of \$2.7 billion. Revenue increased by 15.6% to \$420.3 million compared to \$363.6 million in the corresponding half year to 31 December 2003.

The company increased its retail presence with a 5.9% increase in store numbers to 1,161 at 31 December 2004 and the company now has in excess of 7,500 people worldwide. The 15.8% increase in consultant numbers has contributed to our strong revenue growth and increase in brand presence.

Basic earnings per share reached 32.3 cents, compared to 36.5 cents last year. Diluted earnings per share was 32.3 cents compared with 36.3 cents last year.

Expenses from ordinary activities for the half year were \$373.8 million, an increase of 19.8%, or \$61.7 million, from \$312.1 million in 2003. Retail shop expenses increased 18.2% to \$329.7 million, from \$278.9 million. The increase in expenses has resulted from an increase in global sales staff of 15.8% from 31 December 2003, an increase in advertising expenditure over the period and technology expenditure.

Dividend

In view of the company's result and in line with the boards' dividend policy, the directors have declared a fully franked interim dividend of 22.5 cents per share, payable on 24 March 2005 to shareholders registered on 28 February 2005. The dividend is 9.75% higher than the interim dividend of 20.5 cents per share for the half-year ended 31 December 2003.

Employee Share and Option Plan

In line with offers made in previous years the company again made an offer to employees under the Flight Centre Limited Employee Share Plan to acquire shares. A significant number of employees took the opportunity to invest further with the company.

No options were granted to staff or directors during the half year to 31 December 2004.

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

DIRECTORS REPORT

Review of Operations

The global total transaction value reported has increased 19.1% to \$3.2 billion with a 15.6% growth in revenue to \$420.3 million. Operating profit before tax decreased 9.8% on the corresponding period last year. Australia remains the major contributor to the group's profit.

Australia

The Australian retail brands continue to perform strongly in the six months to 31 December 2004, up 20% from the comparative period last year. Flight Centre brand continues its strong track record, along with Escape Travel, the company's second largest leisure brand in Australia, and Student Flights achieving excellent results now producing profits for the year to 31 December 2004.

The corporate travel operation has undergone significant change with key staff joining the business and the rebranding to FCm Travel Solutions during the half year.

Online business continues to grow with flightcentre.com.au just confirmed as Australia's most popular travel agency site for the 2004 year.

The period has seen a significant investment and change for Flight Centre Limited, investing in key areas of the business and identifying opportunities for improvement for building a stronger company for the future. However, this has resulted in additional costs in head office and support as we continue to invest in consultant productivity initiatives, further develop our sales network and launch the FCm Travel Solutions brand.

Overseas

The United Kingdom operation continues to perform strongly with profits up 35% from last year. Further investment has been made for the future to capitalise on further expansion in the market in the second half on 2004-2005.

New Zealand results were down 15.9% from the prior year as competition continues in the trans-tasman sector adversely affecting growth and commissions. Results have also been affected by the rebranding of retail shops to Flight Centre brand.

South African has produced growth in total transaction values while building for future growth through upstaffing. Further growth is expected with the appointment of a proven retail leader.

Both Canadian and USA operations showed continued growth in total transaction value although results continued in line with last year. Management are actively pursuing an acquisition in the North American market to further increase exposure and drive growth.

Outlook

The company continues to invest for future growth with the investment in people and technology with the launch of the "Full Throttle" project - a proactive initiative that will reduce costs, enhance systems and build a better model for the future. Significant benefits are expected in 2006 and beyond.

Other recent initiatives such as the expansion of the FCm Travel Solutions corporate travel brand, the acquisition of Friends Globe Travel India and the recent introduction of a customer loyalty program are expected to provide additional significant future growth opportunities.

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 half-year financial report following the auditors' review report on the financial report.

Rounding of Amounts to Nearest Thousand Dollars

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

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

N.C. Fussell
Chairman

H.L. Stack
Director

Brisbane
16 February 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the half-year ended 31 December 2004

	Note	Dec 2004 \$ '000	Dec 2003 \$ '000
Revenue from ordinary activities	2	420,257	363,637
<u>Less</u>			
Retail shop expenses		(329,721)	(278,939)
Administration / support expenses		(35,327)	(26,112)
Borrowing costs		(8,548)	(7,047)
Share of net profits of joint venture accounted for using the equity method		(190)	-
Profit from ordinary activities before income tax expense		46,471	51,539
Income tax expense		(15,962)	(17,424)
Net profit attributable to members of Flight Centre		30,509	34,115
Net exchange differences on translation of the financial report of foreign controlled entities.		(6,332)	(3,108)
Total changes in equity other than those resulting from transactions with owners as owners		24,177	31,007
		Cents	Cents
Basic earnings per share		32.3	36.5
Diluted earnings per share		32.3	36.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

	Dec 2004 \$ '000	Jun 2004 \$ '000	Dec 2003 \$ '000
CURRENT ASSETS			
Cash assets	203,198	258,139	130,426
Receivables	161,777	171,749	145,799
Other financial assets	211,315	223,591	213,884
Other	10,097	13,830	12,009
Total current assets	586,387	667,309	502,118
NON-CURRENT ASSETS			
Property, plant and equipment	119,228	106,659	99,514
Investments accounted for using the equity method	2,915	3,064	-
Intangible assets	157,410	168,634	165,486
Deferred tax assets	17,020	15,034	10,723
Other	350	438	34
Total non-current assets	296,923	293,829	275,757
TOTAL ASSETS	883,310	961,138	777,875
CURRENT LIABILITIES			
Payables	382,953	444,021	322,275
Interest bearing liabilities	40,875	41,494	38,290
Current tax liabilities	1,817	4,648	5,463
Provisions	2,803	2,505	1,872
Other	196	1,914	252
Total current liabilities	428,644	494,582	368,152
NON-CURRENT LIABILITIES			
Payables	15,470	16,464	13,443
Interest bearing liabilities	50,000	15,000	173
Deferred tax liabilities	8,685	7,654	3,036
Provisions	2,555	2,014	2,333
Other	1,617	1,189	7,035
Total non-current liabilities	78,327	42,321	26,020
TOTAL LIABILITIES	506,971	536,903	394,172
NET ASSETS	376,339	424,235	383,703
EQUITY/PARENT ENTITY INTEREST			
Contributed equity	260,501	256,598	253,561
Reserves	9,437	15,770	6,846
Retained profits	106,401	151,867	123,296
TOTAL SHAREHOLDERS' EQUITY	376,339	424,235	383,703

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2004

	Dec 2004 \$'000	Dec 2003 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	419,298	353,658
Payments to suppliers and employees	(387,639)	(301,337)
Interest received	12,832	10,213
Borrowing costs	(9,976)	(6,487)
Income taxes paid	(19,747)	(23,387)
Net cash inflow (outflow) from operating activities	14,768	32,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Net inflow(outflow) of cash from acquisition of/increase in ownership interest in controlled entity	(15,819)	(1,601)
Payments for intangibles	(644)	(339)
Payments for plant & equipment	(31,187)	(37,793)
Payment for investments	(22,540)	(99,681)
Proceeds from sale of plant & equipment	83	594
Proceeds from sale of investments	34,946	61,270
Net cash inflow (outflow) from investing activities	(35,161)	(77,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	4,267	3,273
Proceeds from borrowings	47,598	10,467
Repayment of borrowings	(12,731)	(6,820)
Repayment of lease liabilities	(62)	(24)
Dividends Paid	(75,975)	(23,379)
Net cash inflow (outflow) from financing activities	(36,903)	(16,483)
Net increase (decrease) in cash held	(57,296)	(61,373)
Cash at the beginning of the half year	258,139	194,579
Effects of exchange rates changes on cash	2,355	(2,780)
Cash at the end of the half year	203,198	130,426
 <u>Cash represented by:</u>		
Cash	3,358	(17,092)
Client funds	174,133	121,554
Other funds subject to restrictions	25,707	25,964
Total cash	203,198	130,426
Investment securities	211,315	213,884
	414,513	344,310

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF HALF YEAR FINANCIAL REPORT

For the half-year ended 31 December 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Flight Centre Limited during the interim reporting period in accordance with the continuance disclosure requirements of the *Corporations Act 2001*.

The accounting policies in this report are the same as those used in the last annual report. Any changes in accounting policies since the last annual report are disclosed as follows:

(a) Joint ventures

On 17 April 2004, Flight Centre Limited entered into a 50% joint venture with China Comfort Travel Co., Ltd. as part of the strategic expansion of the Flight Centre corporate business into Asia.

The interest in the joint venture is accounted for using the equity method. Under this method, the share of the profits or losses is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Interest in the joint venture is carried at the lower of the equity accounted amount and the recoverable amount in the financial statements.

2 REVENUE FROM ORDINARY ACTIVITIES

	Dec 2004 \$'000	Dec 2003 \$'000
Total Transaction Value (TTV) *	3,228,188	2,711,351
Revenue from operating activities		
Commissions and fees from the provision of travel services	304,401	262,791
Other revenue from the provision of travel services	94,874	84,260
Other revenue	7,293	5,748
Revenue from outside the operating activities		
Interest	12,832	10,112
Sale of non-current assets	83	594
Foreign exchange gains	774	132
	420,257	363,637

*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.

3 OTHER EXPENSES INCLUDED IN THE DETERMINATION OF PROFIT FROM ORDINARY ACTIVITIES

	Dec 2004 \$'000	Dec 2003 \$'000
<u>Borrowing costs</u>		
Interest and finance charges paid/payable	8,548	7,047
<u>Depreciation</u>		
Plant and equipment	15,954	12,201
<u>Amortisation</u>		
Leasehold improvements	23	53
Plant and equipment under finance leases	3	6
Goodwill	5,166	4,855
Software licenses	1,022	1,187
Other intangibles	240	175
Total amortisation	6,454	6,276

NOTES TO AND FORMING PART OF HALF YEAR FINANCIAL REPORT

For the half-year ended 31 December 2004

4 DIVIDENDS

	Dec 2004 \$'000	Dec 2003 \$'000
<u>Ordinary shares</u>		
Final dividend paid		
Fully franked - 40.5 cents (2003: 25 cents) per share	38,241	23,381
Special dividend paid		
Fully franked - 40.0 cents (2003: nil) per share	37,734	-
Total dividends provided for or paid	75,975	23,381

Dividends not recognised

In addition to the above dividend, since half year end the directors have declared an interim dividend of 22.5 cents per fully paid ordinary share fully franked. The aggregate amount of the proposed dividend expected to be paid on 24 March 2005 out of retained profits of 31 December 2004, but not recognised as a liability at year end is \$21,255,983 (2003 \$19,226,488)

This dividend is 2 cents per share higher than 2003, a 9.75% increase.

5 MOVEMENT IN RETAINED PROFITS

	Dec 2004 \$ '000	Dec 2003 \$ '000
Retained profits at the beginning of the financial period	151,867	112,562
Net Profit attributable to members of Flight Centre Limited	30,509	34,115
Dividends provided for or paid	(75,975)	(23,381)
Retained profits at the end of the financial period	106,401	123,296

6 NET TANGIBLE ASSETS

	Dec 2004	Dec 2003
Net tangible asset backing per ordinary security	\$ 2.32	\$ 2.33

7 EARNINGS PER SHARE

	cents	cents
Basic earnings per share	32.3	36.5
Diluted earnings per share	32.3	36.3
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	Shares	Shares
	94,334,442	93,488,852
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	94,334,442	93,860,648
	\$ '000	\$ '000
Earnings used in calculating earnings per share	30,509	34,115

Options outstanding to directors and employees under the Flight Centre Limited Employee Option Plan are not considered to be potential ordinary shares in the determination of diluted earnings per share when the exercise price exceeds the closing market price of \$18.80 (2003: \$21.90) at balance date. The total number of options not considered dilutive is 948,039 (2003: 2,196,130). Options have not been included in the determination of basic earnings per share.

NOTES TO AND FORMING PART OF HALF YEAR FINANCIAL REPORT

For the half-year ended 31 December 2004

8 EMPLOYEE OPTIONS

Options are granted under the Flight Centre Limited Employee Option Plan which was established in October 1997 (amended 31 October 2002). Employees and directors of the group (excluding Messrs Turner 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 price of the options are fixed at the time of the 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 and options are only issued upon achieving those hurdles. The performance hurdles are generally two-fold:

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

The 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 un-exercised options does not exceed 5% of the company's then issued capital.

Effective 1 July 2003, the directors' have elected to not participate in the Flight Centre Limited Employee Option Plan. During the six-months to 31 December no options were granted to employees or directors.

Consolidated and parent entity 2004

	Exercise price \$	Outstanding 1/07/2004	Granted during the half year	Exercised during the half year	Expired during the half year	Outstanding 31/12/2004
Options granted 13/08/99 expiring 13/08/04	7.62	372,471	-	(352,471)	(20,000)	-
Options granted 27/11/99 expiring 27/11/04	14.15	20,000	-	(20,000)	-	-
Options granted 14/08/00 expiring 14/08/05	19.71	222,545	-	(1,640)	(11,318)	209,587
Options granted 30/11/00 expiring 30/11/05	23.49	40,000	-	-	-	40,000
Options granted 24/08/01 expiring 24/08/06	28.68	583,330	-	-	(37,860)	545,470
Options granted 01/07/01 expiring 01/07/06	23.52	9,665	-	-	(480)	9,185
Options granted 30/11/01 expiring 30/11/06	21.98	40,000	-	-	-	40,000
Options granted 06/09/02 expiring 06/09/07	28.40	18,000	-	-	18,000	18,000
Options granted 22/01/03 expiring 22/01/06	19.69	25,997	-	-	-	25,997
Options granted 31/10/02 expiring 31/10/07	23.73	40,000	-	-	-	40,000
Options granted 14/07/03 expiring 14/07/08	22.46	19,800	-	-	-	19,800
		<u>1,391,808</u>	<u>-</u>	<u>(374,111)</u>	<u>(69,658)</u>	<u>948,039</u>

9 CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

No material losses are anticipated in respect of any contingent liabilities.

10 INTEREST IN JOINT VENTURE ENTITIES

On 17 April 2004, Flight Centre Limited entered into a joint venture with China Comfort Travel Co., Ltd as part of the strategic expansion of the Flight Centre corporate business into Asia.

	Ownership Interest		Aggregate share of profit (loss)		Contribution to net profit (loss)	
	Dec 2004 %	Dec 2003 %	Dec 2004 \$ '000	Dec 2003 \$ '000	Dec 2004 \$ '000	Dec 2003 \$ '000
China Comfort Travel Co Ltd	<u>50</u>	<u>-</u>	<u>(190)</u>	<u>-</u>	<u>(190)</u>	<u>-</u>

11 EVENTS OCCURRING AFTER BALANCE DATE

Acquisition of Friends Globe Travel India

On 15 February 2005, Flight Centre Limited entered into an agreement with Friends Globe Travel India for the purchase of a 51% stake in the company. Consideration for the initial 51% will be \$8.3 million with the remaining 49% to be valued based upon future growth in earnings. Friends Globe Travel India is a leading nationally owned travel agency specialising in the inbound and outbound corporate travel market. The acquisition of Friends Globe Travel India will enhance the growth of the FCm brand in Asia.

Other than as noted above, the directors are not aware of any other matter or circumstance that has occurred since 31 December 2004, that in their opinion, has significantly affected or may significantly affect in future years:

- our operations;
- the results of those operations; or
- the state of our affairs.

NOTES TO AND FORMING PART OF HALF YEAR FINANCIAL REPORT

For the half-year ended 31 December 2004

12 SEGMENT INFORMATION

Business Segments

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

Geographic Segments December 2004

	Australia \$ ' 000	New Zealand \$ ' 000	United Kingdom \$ ' 000	Other \$ ' 000	Eliminations \$ ' 000	Consolidated \$ ' 000
Financial Performance						
Total Transaction Value	2,068,708	291,357	447,398	411,629	9,096	3,228,188
Sales to customers outside the economic entity	254,293	41,850	61,249	49,177		406,569
Inter-segment sales	2,020	199	13	213	(2,444)	
Revenue	256,313	42,049	61,262	49,390	(2,444)	406,569
Unallocated revenue						13,688
Total revenue						<u>420,257</u>
Segment result pre royalties	34,953	4,550	5,243	(2,854)	(1,440)	40,452
Royalties	3,260	(2,465)		(795)		
Segment result	38,213	2,085	5,243	(3,649)	(1,440)	40,452
Unallocated revenue less unallocated expenses						6,019
Less income tax						46,471
Net Profit						<u>(15,962)</u>
						<u>30,509</u>
Financial Position						
Segment assets	550,819	70,697	182,725	62,237		866,478
Unallocated assets						16,832
Total assets						<u>883,310</u>
Segment liabilities	298,146	44,587	82,519	28,123		453,375
Unallocated liabilities						53,596
Total liabilities						<u>506,971</u>
Acquisitions of property, plant equipment, intangibles and other non-current assets	23,016	4,162	2,896	1,845		31,919
Depreciation	10,316	1,452	1,423	2,763		15,954
Amortisation	2,851	481	2,451	670		6,453
Other non cash expenses	2,063	365	382	451		3,261

NOTES TO AND FORMING PART OF HALF YEAR FINANCIAL REPORT

For the half-year ended 31 December 2004

12 SEGMENT INFORMATION (continued)

December 2003	Australia \$ ' 000	New Zealand \$ ' 000	United Kingdom \$ ' 000	Other \$ ' 000	Eliminations \$ ' 000	Consolidated \$ ' 000
Financial Performance						
Total Transaction Value	1,740,563	259,837	369,863	335,952	5,136	2,711,351
Sales to customers outside the economic entity	220,873	38,601	50,762	42,563	-	352,799
Inter-segment sales	3,555	-	-	1	(3,556)	-
Revenue	224,428	38,601	50,762	42,564	(3,556)	352,799
Unallocated revenue						10,838
Total revenue						<u>363,637</u>
Segment result pre royalties	38,932	5,933	6,848	(2,183)	(3,228)	46,302
Royalties	4,685	(3,565)	-	(1,120)	-	-
Segment result	43,617	2,368	6,848	(3,303)	(3,228)	46,302
Unallocated revenue less unallocated expenses						5,237
Less income tax						51,539
Net Profit						<u>(17,424)</u>
						<u>34,115</u>
Financial Position						
Segment assets	480,723	59,199	166,433	57,782	-	764,137
Unallocated assets						13,738
						<u>777,875</u>
Segment liabilities	199,021	35,157	86,767	24,815	-	345,760
Unallocated liabilities						48,412
						<u>394,172</u>
Acquisitions of property, plant equipment, intangibles and other non-current assets	31,834	1,885	1,079	3,916	-	38,714
Depreciation	7,337	1,121	1,329	2,415		12,202
Amortisation	3,594	383	2,298	-		6,275
Other non cash expenses	1,077	(66)	(943)	495	-	563

Note to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity.

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.

NOTES TO AND FORMING PART OF HALF YEAR FINANCIAL REPORT

For the half-year ended 31 December 2004

13 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Flight Centre Limited is continuing to transition policies and financial reporting from current Australian standards to Australian equivalents of International Financial Reporting Standards (IFRS). The remaining work program consists of the following:

- Transition of accounting policies;
- Preparation of an opening statement of financial position; and
- Staff training and communication.

Priority has been given to the preparation of an opening balance sheet in accordance with the standards and interpretations currently announced.

Below are the key areas where accounting policies will change and may have an impact on the financial report of Flight Centre Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

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

Hedge Accounting

Under AASB 139, in order for a financial instrument to qualify for hedge accounting, the company is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

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

The current requirements of AASB 1012 '*Foreign Currency Translation*', regarding the early termination of foreign exchange hedges, enables the deferral of gains and losses in the balance sheet until the anticipated transaction occurs. Under AASB 139, all gains and losses from early termination of foreign currency hedges will go through the Statement of Changes in Equity until the anticipated transaction occurs.

Reliable estimation of the future financial effect of the change in accounting policy has not yet been measured.

Goodwill

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

Impairment of Assets

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

Intangible Assets

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

The requirements of AASB 138, do not allow the recognition of internally generated software licenses. This differs from the current accounting policy in the recognition and revaluation of internally generated software licenses. The change in accounting policy will require Flight Centre Limited to derecognise internally generated software licenses against the Asset Revaluation Reserve and Opening Retained Earnings.

Share Based Payments

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

DIRECTORS' DECLARATION

31 December 2004

The directors declare that the financial statements and notes set out on pages 5 to15:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

.....
N.C. Fussell
Director

Brisbane, 16 February 2005

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H.L. Stack
Director

INDEPENDENT REVIEW REPORT TO MEMBERS

31 December 2004

Independent review report to the members of Flight Centre Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Flight Centre Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the Flight Centre Group (defined below) as at 31 December 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Flight Centre Group (the consolidated entity), for the half-year ended 31 December 2004. The consolidated entity comprises both Flight Centre Limited (the company) and the entities it controlled during that half-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.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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

PricewaterhouseCoopers

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R J Roach
Partner

Brisbane
16 February 2005

AUDITORS' INDEPENDENCE DECLARATION

31 December 2004

In relation to our review of the financial report of Flight Centre Limited for the half year ended 31 December 2004, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PricewaterhouseCoopers

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R J Roach
Partner

Brisbane
16 February 2005

Auditors' Independence Declaration

As lead auditor for the review of Flight Centre Limited for the half-year ended 31 December 2004, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Robert Roach
Partner
PricewaterhouseCoopers

Brisbane
16 February 2005