

# Appendix 4E

## Preliminary final report

### 30 June 2005

Name of entity:

ABN Reference:

<b>WEBJET LIMITED</b>	<b>68 002 013 612</b>
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**1. Results for announcement to the market**

	Current period	Previous corresponding period		% Change	Amount of change
	2005	2004			
	\$A	\$A			\$A

**Key Information**

Revenues from ordinary activities	5,294,996	1,475,603	up	258.8%	up	3,819,393
Profit/(Loss) from ordinary activities after tax attributable to members	1,444,754	(1,141,675)	up	-%	up	2,586,429
Net Profit/(loss) for the period attributable to members	1,444,754	(1,141,675)	up	-%	up	2,586,429

It is not proposed to pay a dividend for the year

**2. NTA backing**

	Current period	Previous corresponding period
Net tangible asset (liability) backing per ordinary security	\$ 0.0146	\$ (0.0040)

**3. Commentary on Financial results**

The year ended 30 June 2005 has produced a profit of \$1,444,754 (2004: loss \$(1,141,675)). The company has experienced during the year a growth in total transaction values of \$55.7 million.

As foreshadowed in last year's annual report the company's Travel Services Aggregator (TSA) booking platform provided the company with an integrated booking environment which has underpinned the compression of operating costs and the provision of outstanding customer service. The TSA continues to provide a strong foundation for the sale of value added products both domestically and internationally.

Total transaction values

	2005	2004	2003	2002
	<b>\$76.5 million</b>	\$20.8 million	\$20.5 million	\$14.0 million

Cash flows from/(used) in operating activities

	2005	2004	2003	2002
	<b>\$1.4 million</b>	\$(0.9) million	\$(1.7) million	\$(1.4) million

The economic entity operated in one business segment, being internet-based travel booking services and one geographic segment, being Australia.

The group is pleased to report that return to shareholders has shown a significant improvement in all financial measures for the year.

	2005	2004	2003	2002
Basic earning per share (cents)	0.70	(0.70)	(1.25)	(1.35)
Return on assets (%)	23.42	(38.03)	(61.24)	(63.97)
Return on equity (%)	28.50	(97.20)	(89.83)	(76.28)

**4. Preliminary final report - financial details**

Refer to the attached audited financial report.

.....  
(Deputy Chairman)

Date: August 2005.

Print name: Bernard Lochtenberg

# **Webjet Limited**

**ABN 68 002 013 612**

## **Annual Financial Report**

**for the year ended 30 June 2005**

## Corporate Information

ABN 68 002 013 612

### Directors

Allan Nahum (Non Executive Chairman)  
Bernard Lochtenberg (Non Executive Deputy Chairman)  
David Clarke (Executive Managing Director)  
John Lemish (Executive Operations Director)  
Steven Scheuer (Non Executive Director)  
Timothy Dodds (Non Executive Director)  
Norm Fricker (Non Executive Director)

### Company Secretary

Richard Noon

### Registered Office

Level 5  
492 St Kilda road  
Melbourne Vic 3004

### Solicitors

Minter Ellison  
525 Collins Street  
Melbourne Vic 3001

### Bankers

ANZ Bank  
420 St Kilda Road  
Melbourne Vic 3004

### Share Register

Computershare  
Level 5, 115 Grenfell Street  
Adelaide SA 5000

### Auditors

BDO  
563 Bourke Street  
Melbourne Vic 3000

### Internet Address

[www.webjet.com.au](http://www.webjet.com.au)

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ABN 68 002 013 612

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## Directors' Report

ABN 68 002 013 612

Your directors submit their report for the year ended 30 June 2005.

### DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

**Allan Nahum**, FCA, FICD, AIMM, AAISA, AIAA (Non Executive Chairman)

Former partner in the Melbourne based accounting and consulting firm HLB Mann Judd, with extensive experience in the profession as a business consultant. He has worked in the travel industry as an Auditor and Consultant for over 20 years.

**Dr Bernard Lichtenberg**, BE (Hons) D Phil FTSE (Non Executive Deputy Chairman)

Former Chairman of Orica Limited and Mental Health Research Institute. Former Director of Capral Aluminium Limited. Chairman of Melbourne University Private Ltd and Deputy Chancellor of University of Melbourne.

**David Clarke** (Executive Managing Director)

Held senior management positions with the Jetset travel group from 1977 to 1995. He is regarded as pioneering the introduction of wholesale packaging through distribution access in Australia and overseas, the development of an integrated franchise structure and one of the highest ranking travel brands in Australia in the 1990's. He has worked closely with most major airlines, including Qantas, British Airways, Ansett Australia, United Airlines and others over 25 years and is internationally recognised in the travel industry.

**John Lemish**, B.Ec (Executive Operations Director)

With over 25 years experience in the travel industry, John Lemish has a wealth of operational experience. John was extensively involved in international operations in the UK and Europe, North America and Asia, and was responsible for the international buying of hotels and land suppliers globally.

**Steven Scheuer**, B.Bus (Acc) (Non Executive Director)

After spending a number of years in public accounting practice, he established his own manufacturing and importing business using strong and well known clothing brand labels throughout Australia and New Zealand.

**Timothy Dodds**, B.Comm. CA (Non Executive Director) Appointed 29 July 2004

Finance director of Harvey World Travel Group Limited. He has over 25 years experience in the travel and tourism industry. He is a Chartered Accountant and Registered Tax Agent. A former manager of a Sydney suburban motel and an owner of a retail lighting business. He serves on all joint venture company boards of Harvey World Travel Group Limited.

**Norm Fricker** (Non Executive Director) Appointed 29 July 2004

Has over 30 years experience in service industries. He has held senior management positions in Brambles Industries Limited and was an executive director of Brambles with responsibilities in Australia and Europe, including several board positions in a number of joint venture companies. Mr Fricker was formerly an executive general manager of Qantas Airways Limited with responsibility for a number of operating divisions. He is Chairman of Harvey World Travel Group Limited, a Director of Waste Management New Zealand Ltd and former Chairman of Strathfield Group Ltd.

### COMPANY SECRETARY

**Richard Noon**, FCPA, CTFP (Snr), B.Bus, Grad Dip (Acc)

Has worked in most areas of the travel industry, from hotels (Hilton and Sheraton), airlines (Pan Am), retail and tour wholesaling (Jetset Tours) to airfare consolidation (Transonic Travel). He also worked for Citibank Australia as Vice President Cash Management.

## Directors' Report continued

### Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Webjet Limited were:

	Ordinary Shares	Options over Ordinary Shares
Allan Nahum	3,206,704	-
Bernard Lochtenberg	800,000	-
David Clarke	1,484,744	11,000,000
John Lemish	6,188,350	5,500,000
Steven Scheuer	25,399,143	-

### EARNINGS PER SHARE

	Cents
Basic earnings per share	0.70
Diluted earnings per share	0.65

### DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### CORPORATE INFORMATION

#### Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were that of an electronic manager and marketer of travel and related services utilising the internet and other mediums.

There have been no significant changes in the nature of those activities during the year.

#### Employees

The consolidated entity employed 19.5 employees as at 30 June 2005 (2004: 14.5 employees).

### OPERATING AND FINANCIAL REVIEW

#### Group Overview

The year ended 30 June 2005 has produced a profit of \$1,444,754 (2004: loss \$(1,141,675)). The company has experienced during the year a growth in total transaction values of \$55.7 million.

As foreshadowed in last year's annual report the company's Travel Services Aggregator (TSA) booking platform provided the company with an integrated booking environment which has underpinned the compression of operating costs and the provision of outstanding customer service. The TSA continues to provide a strong foundation for the sale of value added products both domestically and internationally.

Total transaction values

2005	2004	2003	2002
\$76.5 million	\$20.8 million	\$20.5 million	\$14.0 million

Cash flows from/(used) in operating activities

2005	2004	2003	2002
\$1.4 million	\$(0.9) million	\$(1.7) million	\$(1.4) million

#### Performance Indicators

Management and the Board monitor the group's overall performance, from its implementation of the strategic plan to the performance of the company against operating plans and financial budgets.

The board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor KPIs on a regular basis. Directors receive the KPIs for review prior to each monthly board meeting allowing all directors to actively monitor the group's performance.

## Directors' Report continued

### Operating Results for the Year

The economic entity operated in one business segment, being internet-based travel booking services and one geographic segment, being Australia.

Summarised operating results are as follows:

	2005	
	Revenues	Results
	\$	\$
Consolidated entity revenue and profit from ordinary activities before income tax expense	5,294,996	1,381,016

### Shareholder Returns

The group is pleased to report that return to shareholders has shown a significant improvement in all financial measures for the year.

	2005	2004	2003	2002
Basic earning per share (cents)	0.70	(0.70)	(1.25)	(1.35)
Return on assets (%)	23.42	(38.03)	(61.24)	(63.97)
Return on equity (%)	28.50	(97.20)	(89.83)	(76.28)

### Risk Management

The Board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has established and implemented the risk management system for assessing, monitoring and managing operational, financial reporting and compliance risks for Webjet.

The Company's corporate governance practices are outlined in further detail in the Corporate Governance section on page 13. Further details of the Company's Audit and Risk committee charter is available on the Company's website.

The directors have received and considered the annual certification from the Chief Executive Officer and the Chief Financial Officer in accordance with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" and CLERP 9.

Webjet's risk management process includes:

- Regular reports by management.
- A clearly defined organisational structure and segmentation of authorities.
- Annual budgeting and monthly reporting systems.
- Procedures relating to capital expenditure, asset and liability management.
- Policies to manage financial risks.
- Regular review of operating procedures and physical security.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year and pursuant to the Harvey World Travel Group Limited subscription agreement, Harvey World Travel Group Limited exercised 44,000,000 options at a value of \$1,760,000 in accordance with previous shareholder approval.

In addition, 5,610,000 options were exercised by directors and staff resulting in the receipt of \$376,592 of funds.

The combination of these components along with trading results has substantially strengthened Webjet's balance sheet and cash reserves.

During the year, Webjet completely repaid Microsoft in accordance with its agreement the remaining debt of \$896,169.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to 30 June Webjet has successfully transitioned its business model into the revised airline commission environment operating in the Australian region. A revised fee structure and service model has been accepted by our customer base.

Subsequent to balance date, 1,500,000 options at \$0.00 have been exercised.

## Directors' Report continued

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operation of the economic entity and the expected results from those operations have not been included in this report. The inclusion of such information may result in unreasonable prejudice to the economic entity.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Webjet Limited (the company).

#### Remuneration philosophy

The responsibility of the Remuneration Committee is to oversee and review the terms and conditions relating to the employment of senior management, review and design of employee incentive schemes such as bonus schemes and share option plans. The committee provides a mechanism for the views of management and shareholders to be considered by the non-executive directors and therefore assist in the development of an appropriate remuneration policy. The committee is composed of non executive members.

#### Remuneration committee

The Board monitors and reviews the performance of executive directors (including the Managing Director) as well as the performance of key senior management. The Board receives regular updates on the performance of Webjet as a whole. Additionally the Board monitors its own performance by nominating a director to evaluate the performance of each Board meeting and highlighting ways that the Board can operate more effectively. The Chairman of the Company endeavours to implement change at a Board level to incorporate recommendations that flow out this review process. The company has in place a Nomination and Remuneration Committee which seeks to ensure that the Company's remuneration levels are appropriately aimed at delivering maximum benefit for the Company. The Remuneration Committee has responsibility ensuring that the company:

- Has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- Observes those remuneration policies and practices; and
- Fairly and responsibly rewards executives having regard to the performance of Webjet, the performance of the executives and the general pay environment.

#### Remuneration structure

The current members of the Remuneration committee are Steven Scheuer and the independent directors Ben Lochtenberg (Chairman) and Allan Nahum. The Committee receives external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the Company.

#### Non-executive director remuneration

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

##### Structure

When setting fees for individual directors, account is taken of the responsibilities inherent in stewardship of the economic entity and the demands made of directors in the discharge of their responsibilities.

The remuneration of non-executive directors for the period ended 30 June 2005 is detailed in Table 1 on page 8 of this report.

#### Senior management and executive director remuneration

##### Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

##### Structure

Remuneration consists of the following key elements:

- fixed remuneration; and

## Directors' Report continued

- incentive remuneration in the form of options and tax deferred shares.

The proportion of fixed remuneration and variable remuneration is established for each executive by the Remuneration Committee.

### Fixed Remuneration

#### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

#### Structure

Senior executives are given the opportunity to receive their fixed (primary) remuneration as either cash or superannuation. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the 3 most highly remunerated executives is detailed in Table 2 on page 8.

### Variable Remuneration - Short Term and Long Term Incentive

#### Objective

The company has implemented a share plan with the objective to do any or all of the following:

- Provide shares to eligible employees who are considered to be key to the future success of the company as a long term incentive in order to retain the services of those eligible employees in the future;
- Provide a means by which eligible employees may acquire shares in the company as part of their future remuneration;
- Provide shares to eligible employees as retention strategy; and
- Recognise and reward performance of eligible employees and their contribution to the future success of the company by providing shares to those eligible employees.

#### Structure

Incentive grants to executives are delivered in the form of options and tax deferred shares.

## Directors' Report continued

Table 1: Director remuneration for the year ended 30 June 2005

	Primary benefits			Post Employment		Equity		Other Bonuses	Total
	Salary & Fees	Cash STI	Non Monetary	Superannuation	Retirement benefits	Options (i)	Deferred shares (i)		
Allan Nahum									
<b>2005</b>	<b>31,386</b>	-	-	<b>2,824</b>	-	-	-	-	<b>34,210</b>
2004	18,333	-	-	-	-	-	-	-	18,333
Bernard Lochtenberg									
<b>2005</b>	<b>10,526</b>	-	-	-	-	-	-	-	<b>10,526</b>
2004	15,417	-	-	-	-	-	-	-	15,417
David Clarke									
<b>2005</b>	<b>176,100</b>	-	-	<b>24,000</b>	-	<b>254,678</b>	-	-	<b>454,778</b>
2004	151,106	-	-	15,864	-	-	-	-	166,970
John Lemish									
<b>2005</b>	<b>118,400</b>	-	-	<b>34,100</b>	-	<b>127,339</b>	-	-	<b>279,839</b>
2004	118,736	-	-	27,334	-	-	-	-	146,070
Steven Scheuer									
<b>2005</b>	<b>4,839</b>	-	-	<b>425</b>	-	-	-	-	<b>5,264</b>
2004	7,066	-	-	636	-	-	-	-	7,702
Timothy Dodds									
<b>2005</b>	-	-	-	-	-	-	-	-	-
Norm Fricker									
<b>2005</b>	-	-	-	-	-	-	-	-	-
<b>Total Remuneration: Specified Directors</b>									
<b>2005</b>	<b>341,251</b>	-	-	<b>61,349</b>	-	<b>382,017</b>	-	-	<b>784,617</b>
2004	310,658	-	-	43,834	-	-	-	-	354,492

Table 2: Remuneration of the 3\* named executives who receive the highest remuneration for the year ended 30 June 2005

	Primary benefits			Post Employment		Equity		Other Bonuses	Total
	Salary & Fees	Cash STI	Non Monetary	Superannuation	Retirement benefits	Options (i)	Deferred shares (i)		
Dean Maidment									
<b>2005</b>	<b>123,853</b>	-	-	<b>11,147</b>	-	<b>20,000</b>	<b>99,902</b>	-	<b>254,902</b>
2004	123,853	-	-	11,147	-	-	-	-	135,000
Peter Burton									
<b>2005</b>	<b>116,973</b>	-	-	<b>10,572</b>	-	<b>20,000</b>	<b>30,727</b>	-	<b>178,272</b>
2004	112,401	-	-	18,641	-	-	-	-	131,042
Richard Noon									
<b>2005</b>	<b>82,568</b>	-	-	<b>7,432</b>	-	<b>20,000</b>	<b>99,902</b>	-	<b>209,902</b>
2004	10,703	-	-	963	-	-	-	-	11,666
<b>Total Remuneration: Specified Executives</b>									
<b>2005</b>	<b>323,394</b>	-	-	<b>29,151</b>	-	<b>60,000</b>	<b>230,531</b>	-	<b>643,076</b>
2004	246,957	-	-	30,751	-	-	-	-	277,708

(i) From 1 July 2004, options granted as part of senior manager remuneration have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

\* There are only 3 employees who meet the definition of executives for the purpose of this report

## Directors' Report continued

**Table 3: Options granted as part of remuneration for the year ended 30 June 2005**

	Grant date	Grant number	Vest	Value per option at grant date *	Exercised Number	Value per option at exercise date	Value at date option lapsed	% of remuneration
David Clarke	10 Nov 04	5,000,000	31 Mar 05	0.0452	N/A	N/A	N/A	47.0%
David Clarke	10 Nov 04	3,000,000	31 Mar 06	0.0126	N/A	N/A	N/A	3.3%
David Clarke	10 Nov 04	3,000,000	31 Mar 07	0.0142	N/A	N/A	N/A	2.4%
John Lemish	10 Nov 04	2,500,000	31 Mar 05	0.0452	N/A	N/A	N/A	37.7%
John Lemish	10 Nov 04	1,500,000	31 Mar 06	0.0126	N/A	N/A	N/A	2.6%
John Lemish	10 Nov 04	1,500,000	31 Mar 07	0.0142	N/A	N/A	N/A	1.9%
Richard Noon	29 Jul 04	500,000	29 Jul 04	0.0400	N/A	N/A	N/A	8.8%
Dean Maidment	29 Jul 04	500,000	29 Jul 04	0.0400	N/A	N/A	N/A	7.4%
Peter Burton	29 Jul 04	500,000	29 Jul 04	0.0400	N/A	N/A	N/A	10.9%

\* From 1 July 2004, options granted as part of senior manager remuneration have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

### Fair values of options:

The fair value of each option is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions used for grants made on 29 July 04 and 10 November 04:

		2004
Dividend yield		0.0 %
Expected volatility		25.0 %
Historical volatility		38.0 %
Risk-free interest rate		5.4 %
Expected life of option		
■ David Clarke and John Lemish	1st tranche	5.4 years
	2nd tranche	6.4 years
	3rd tranche	7.4 years
■ Richard Noon, Dean Maidment and Peter Burton		3.9 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The resulting weighted average fair values per option for those options vesting after 1 July 2004 are:

Number of options	Grant date	Vesting date	Weighted average fair value
1,500,000	29 Jul 04	29 Jul 04	0.0400
7,500,000	10 Nov 04	31 Mar 05	0.0452
4,500,000	10 Nov 04	31 Mar 06	0.0126
4,500,000	10 Nov 04	31 Mar 07	0.0142

## Directors' Report continued

**Table 4: Tax deferred shares granted as part of remuneration for the year ended 30 June 2005**

	Grant date	Grant number	Value per tax deferred share at grant date	Exercised Number	Value per tax deferred share at exercise date	Value at date tax deferred share lapsed	% of remuneration
Richard Noon	10 Nov 04	2,150,000	0.08	N/A	N/A	N/A	51.3 %
Dean Maidment	10 Nov 04	2,150,000	0.08	N/A	N/A	N/A	42.8 %
Peter Burton	10 Nov 04	700,000	0.08	N/A	N/A	N/A	19.4 %

<b>Vesting date:</b>	<b>1 August 2005</b>	<b>1 August 2006</b>	<b>1 August 2007</b>
Richard Noon	1,000,000	750,000	400,000
Dean Maidment	1,000,000	750,000	400,000
Peter Burton	300,000	200,000	200,000

The above share plan carries with it 'vesting conditions' which must be fulfilled by the individual prior to release. Conditions are as follows:

Dean Maidment - P&L on budget.

Peter Burton - P&L on budget, EDP deliverable on budget and system (TSA) up % > 99.5%.

Richard Noon - P&L on budget.

A 'trading lock' has been applied to the share plan, preventing transferring or sale of shares until removed by the company's share plan committee.

**Table 5 Shares issued on exercise of remuneration options**

	<b>Shares issued Number</b>	<b>Paid \$ per share</b>	<b>Unpaid \$ per share</b>
<b>Specified Directors</b>			
Allan Nahum	500,000	0.06670	-
Bernard Lochtenberg	500,000	0.06670	-
David Clarke	1,000,000	0.06670	-
John Lemish	1,000,000	0.06670	-
Steven Scheuer	500,000	0.06670	-
Timothy Dodds	-	-	-
Norm Fricker	-	-	-
<b>Specified Executives</b>			
Dean Maidment	900,000	0.06784	-
Peter Burton	1,000,000	0.06784	-
<b>Total</b>	<b>5,400,000</b>		

## Directors' Report continued

### DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees	
		Audit	Remuneration
<b>Number of meetings held:</b>	11	3	3
<b>Number of meetings attended:</b>			
Allan Nahum	11		3
Bernard Lochtenberg	11	3	3
David Clarke	11		
John Lemish	11		
Steven Scheuer	10	3	3
Timothy Dodds	11	3	
Norm Fricker	9		

### Committee membership

As at the date of this report, the company had an Audit Committee and a Remuneration Committee of the Board of directors.

Members acting on the committees of the Board during the year were:

Audit	Remuneration
Bernard Lochtenberg (c)	Allan Nahum
Steven Scheuer	Bernard Lochtenberg (c)
Timothy Dodds	Steven Scheuer

### Notes

(c) Designates the chairman of the committee.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of Webjet Limited:

#### Auditor's Independence Declaration to the Directors of Webjet Limited

In relation to our audit of the financial report of Webjet Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

BDO  
Chartered Accountants

Robert D D Collie  
Partner

August 2005

## Directors' Report continued

### NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$6,750
Advice on tax issues - share options plans	\$4,755
Accounting advice and reports	\$5,171

Signed in accordance with a resolution of the directors.

Bernard Lochtenberg  
Director

Melbourne, August 2005

## Corporate Governance Statement

ABN 68 002 013 612

The Board of directors is responsible for corporate governance of the Company and its controlled entities. The Board considers good corporate governance a matter of high importance and aims for best practice in the area of corporate governance. This section describes the main corporate governance practices of the Company.

In reviewing the corporate governance structure of Webjet, the Board have reviewed and considered the ASX Corporate Governance Councils' recommendations. Comment is made where key principles are not followed due to the size and nature of Webjet.

### Board responsibilities

The Board's key responsibilities are:

- oversight of the operation of the Group including establishing, reviewing and changing corporate strategies;
- ensuring that appropriate internal control, reporting, risk management and compliance frameworks are in place;
- appointing, removing, reviewing and monitoring the performance of the Managing Director to whom the Board have delegated the day to day management of the Group;
- approval of the annual report (including the accounts), the budget and the business plan of the Group;
- regular (at present at least monthly) review of the Group's performance against the budget and the business plan;
- approving material contractual arrangements including all major investments and strategic commitments;
- making decisions concerning the Group's capital structure, the issue of any new securities and the dividend policy;
- establishing and monitoring appropriate committees of the Board including the audit and risk committee and the remuneration committee;
- reporting to shareholders; and
- ensuring the Company's compliance with all legal requirements including the ASX Listing Rules.

### Structure of Board

The maximum number of directors provided for by the Company's constitution is 7 and the Company currently has 7 directors on the Board. A director may be appointed by resolution passed at a general meeting or, in the case of casual vacancies, by the directors.

Potential additions to the Board are carefully considered by the Board prior to being nominated to shareholders or appointed as casual vacancies. Both Harvey World Travel Group Limited and GIW Holdings CV have certain rights to request the appointment of directors to the Board in recognition of their investment in the Company.

Given the current size of the Board and the appointment rights of Harvey World Travel Group Limited and GIW Holdings CV the Company considers a standing nomination committee to be of limited benefit. The Company may revisit this issue in the event that further appointments to the Board are proposed.

The skills, experience, expertise and period of office of each of the directors are set out in the 'Board and Management Section' of the Annual Report.

The Board currently has 2 independent directors being Alan Nahum (Chairman) and Bernard Lochtenberg (Deputy Chairman). While this does not represent a majority in number of the directors on the Board, the Company considers that when the appointments by significant shareholders are taken into account, the current Board is sufficiently balanced to protect the interests of shareholders.

The Company facilitates and pays for directors and Board committee members to obtain professional independent advice if they require it.

### Code of Conduct

Webjet has a Code of Conduct as well as a number of internal policies and operating procedures aimed at providing guidance to directors, senior management and employees on the standards of personal and corporate behaviour required of all Webjet personnel. The Code of Conduct covers specific issues such as trading in Company securities by Directors, officers and employees and also provides guidance on how to deal with business issues in a manner that is consistent with the Company's responsibilities to its shareholders.

### Audit and Risk Committee

The Board has appointed an Audit and Risk Committee that operates under a charter approved by the Board.

The Committee provides a direct link between the Board and the external audit function. The Committee is responsible for reviewing and reporting to the Board that:

- the system of internal control which management has established effectively safeguards the assets of the economic entity;
- accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to shareholders is accurate and reliable; and
- the external audit function is effective.

The committee is responsible for the appointment of the external auditor and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit. The external audit partner will be required to rotate every five balance dates in accordance with Clerp 9 requirements.

## Corporate Governance Statement continued

The Audit Committee meets regularly to review the half-year and annual results of Webjet, and to review the audit process, and those representations made by management in support of monitoring Webjet's commitment to integrity in financial reporting. The Chief Financial Officer, Managing Director and the external auditors are invited to attend meetings of the committee at the discretion of the committee.

The members of the Audit and Risk Committee at the date of this Annual Report are the following non-executive directors of the Company: Bernard Lochtenberg (Chairman of the Committee), Steven Scheuer and Tim Dodds. The Audit and Risk Committee does not consist of a majority of independent directors because the current structure of the Board (as discussed above) combined with a desire by the Company to have at least three non-executive director members in the Committee makes this unachievable at this stage.

### Nomination and Remuneration Committee Charter

The Nomination and Remuneration Committee is a committee of the board of directors of Webjet Limited. The role of the Nomination and Remuneration Committee is not an executive role. The role of the committee is to help the board achieve its objective to ensure the company:

- Has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- Has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- Observe those remuneration policies and practices; and
- Fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executives and the general pay environment.

The Nomination and Remuneration Committee is responsible for:

- Identifying and recommending to the board, nominees for membership of the board;
- Identifying and assessing the necessary and desirable competencies and characteristics for board membership and regularly assessing the extent to which those competencies and characteristics are represented on the board;
- Developing and implementing processes to identify and assess necessary and desirable competencies and characteristics for board members; and
- Ensuring succession plans are in place to maintain an appropriate balance of skills on the board and reviewing those plans.

Executive remuneration and incentive policies and practices are performance based and aligned with the Group's vision, values and overall business objectives. In effect, the committee must give appropriate consideration to the Company's performance and objectives, employment conditions and remuneration relativities.

### Disclosure

The Company's policy is that shareholders are informed of all major developments that impact on the Company. The Company treats its continuous disclosure obligations seriously and has a number of internal operating policies and principles (including the Code of Conduct referred to above) that are designed to promote responsible decision-making and timely and balanced disclosure.

The Board is ultimately responsible for ensuring compliance by senior management and employees of the Company with the Company policies and therefore requires that senior management and employees have an up to date understanding of ASX listing requirements. The Company also ensures that the directors and senior management obtain timely and appropriate external advice where necessary.

The Company currently places all relevant announcements made to the market including all past annual reports together with related information on its website: [www.webjet.com.au/investor/investor.html](http://www.webjet.com.au/investor/investor.html)

Additionally, the Company ensures that its external auditor is represented at the annual general meeting to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.

### Business risk management

The Company endeavours at all times to minimise and effectively manage risk. The Audit and Risk Committee reviews the control systems and policies of the Company in relation to risk management on an ongoing basis and maintains a diagrammatic representation of the key operating and control systems of the company.

The Audit and Risk Committee reviews key matters of business risk management and ensures appropriate measures are in place to protect the assets of the company including the security of its software, the security of its premises and the appropriate provisioning of insurance policies

In addition, the Audit and Risk Committee regularly provides specific advice or recommendations to the Board regarding the existence and status of business risks that the Company faces.

### Performance and remuneration

The Board reviews the performance of the executive directors including the Managing Director as well as the performance of key senior management. The Board receives regular updates of the performance of the Group as a whole.

Additionally the Board monitors its own performance by nominating a director to evaluate the performance of each Board meeting and highlight ways that the Board can operate more effectively. The Chairman of the Company endeavours to implement change at a Board

## Corporate Governance Statement continued

level to incorporate recommendations that flow out of this review process.

The Company has in place a Nomination and Remuneration Committee which seeks to ensure that the Company's remuneration levels are appropriate and aimed at delivering the maximum benefit for the Company. The Remuneration Committee has responsibility ensuring that the Company :

- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general pay environment.

The current members of the Remuneration Committee are Steven Scheuer and the two independent directors Bernard Lochtenberg (Chairman) and Alan Nahum. The Committee receives external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the Company.

Remuneration details of each of the directors and senior management are set out in the 'Remuneration Report' section of the Directors' Report.

## Statement of Financial Performance

ABN 68 002 013 612

YEAR ENDED 30 JUNE 2005

	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	2	<b>5,294,996</b>	1,475,603	<b>650,699</b>	4,095
Depreciation and amortisation expenses	3	(389,037)	(43,330)	(353,206)	-
Salaries and employee benefits expense		(1,468,167)	(957,841)	-	-
Website hosting expense		(313,120)	(434,960)	-	-
Rent		(191,345)	(158,640)	-	-
Marketing expenses		(836,633)	(400,906)	-	-
Diminution in value of investments		-	-	-	(550,000)
Directors' fees		(50,000)	(41,452)	-	(41,452)
Professional fees		(104,971)	(126,882)	-	(27,000)
Insurance		(52,523)	(44,204)	-	(44,204)
Telephones		(105,768)	(71,353)	-	-
Doubtful debts		(41,077)	(99,489)	-	-
Listing and registry fees		(82,480)	(48,558)	-	(48,558)
Stationery		(22,413)	(16,215)	-	-
Other expenses from ordinary activities		(256,446)	(173,448)	(502)	(1,069)
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>1,381,016</b>	(1,141,675)	<b>296,991</b>	(708,188)
<b>INCOME TAX BENEFIT (EXPENSE) RELATING TO ORDINARY ACTIVITIES</b>	4	<b>63,738</b>	-	-	-
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX BENEFIT</b>		<b>1,444,754</b>	(1,141,675)	<b>296,991</b>	(708,188)
<b>NET PROFIT (LOSS)</b>		<b>1,444,754</b>	(1,141,675)	<b>296,991</b>	(708,188)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF WEBJET LIMITED</b>		<b>1,444,754</b>	(1,141,675)	<b>296,991</b>	(708,188)
Basic earnings (loss) per share (cents per share)	6	<b>0.70</b>	(0.70)		
Diluted earnings (loss) per share (cents per share)	6	<b>0.65</b>	(0.68)		

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.

## Statement of Financial Position

ABN 68 002 013 612

AT 30 JUNE 2005

	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		3,542,935	794,512	1,101,530	37,438
Receivables	8	721,651	243,373	-	-
Other	10	98,249	36,185	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>4,362,835</b>	<b>1,074,070</b>	<b>1,101,530</b>	<b>37,438</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	-	-	673,902	-
Other financial assets	13	-	-	1,018,336	1,018,336
Property, plant and equipment	11	56,421	70,761	-	-
Deferred tax assets	4	69,123	-	-	-
Intangible assets	12	1,680,981	1,857,450	1,663,091	1,831,398
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,806,525</b>	<b>1,928,211</b>	<b>3,355,329</b>	<b>2,849,734</b>
<b>TOTAL ASSETS</b>		<b>6,169,360</b>	<b>3,002,281</b>	<b>4,456,859</b>	<b>2,887,172</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	630,755	1,359,389	200,000	1,012,129
Provisions	16	89,950	68,321	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>720,705</b>	<b>1,427,710</b>	<b>200,000</b>	<b>1,012,129</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	15	300,000	400,000	300,000	664,520
Deferred tax liabilities	4	5,385	-	-	-
Provisions	17	74,600	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>379,985</b>	<b>400,000</b>	<b>300,000</b>	<b>664,520</b>
<b>TOTAL LIABILITIES</b>		<b>1,100,690</b>	<b>1,827,710</b>	<b>500,000</b>	<b>1,676,649</b>
<b>NET ASSETS</b>		<b>5,068,670</b>	<b>1,174,571</b>	<b>3,956,859</b>	<b>1,210,523</b>
<b>EQUITY</b>					
Contributed equity	20	13,162,499	10,769,154	13,162,499	10,769,154
Reserves	19	56,000	-	56,000	-
Accumulated losses	19	(8,149,829)	(9,594,583)	(9,261,640)	(9,558,631)
<b>TOTAL EQUITY</b>		<b>5,068,670</b>	<b>1,174,571</b>	<b>3,956,859</b>	<b>1,210,523</b>

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

## Statement of Cash Flows

ABN 68 002 013 612

YEAR ENDED 30 JUNE 2005

	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		4,688,495	1,304,340	-	-
Payments to suppliers and employees		(3,332,076)	(2,215,176)	(502)	(69)
Interest received		70,948	38,498	5,810	4,095
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	7(a)	1,427,367	(872,338)	5,308	4,026
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of plant and equipment		(4,852)	(2,018)	-	-
Payment for intangible assets		(1,091,468)	(1,143,490)	(1,081,068)	-
External contribution to development of software		-	800,000	-	800,000
Loan to controlled entity		-	-	(277,524)	(1,190,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,096,320)	(345,508)	(1,358,592)	(390,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of shares		2,390,913	315,960	2,390,913	315,960
Payment of share issue costs		(29,537)	(146,550)	(29,537)	-
Proceeds from premium on issue of options		56,000	-	56,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,417,376	169,410	2,417,376	315,960
NET INCREASE/(DECREASE) IN CASH HELD		2,748,423	(1,048,436)	1,064,092	(70,014)
Add opening cash brought forward		794,512	1,842,948	37,438	107,452
<b>CLOSING CASH CARRIED FORWARD</b>	7(b)	<b>3,542,935</b>	<b>794,512</b>	<b>1,101,530</b>	<b>37,438</b>

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

# Notes to the Financial Statements

ABN 68 002 013 612

30 JUNE 2005

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers the economic entity of Webjet Limited and controlled entities, and Webjet Limited as individual parent entity. Webjet Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### (b) Principles of consolidation

A controlled entity is an entity controlled by Webjet Limited. Control exists where Webjet Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Webjet Limited to achieve the objectives of Webjet Limited.

The consolidated financial statements are those of economic entity, comprising Webjet Limited (the parent entity) and Webjet Marketing Pty Ltd and its subsidiary, Webjet Operations (Australia) Pty Ltd (the wholly owned subsidiaries). The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions have been eliminated on consolidation.

### (c) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

### (d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

#### *Plant and Equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

#### *Depreciation*

The depreciable amount of all fixed assets are depreciated on the diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Assets:</i>	<i>Depreciation Rate</i>
Office furniture and equipment:	15%
Computer equipment and software	40%

## Notes continued

30 JUNE 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change occur in taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (f) Intangibles

Intangibles are valued in the accounts at cost. The related benefits are amortised over a three-year period (33% straight-line), with the exception of licences which will be amortised in the range of 10% to 20% straight line.

The Travel Service Aggregator (internet booking platform) to which the licences relate commenced business operations on the 14th of January 2004. In the period from January 2004 to 30 June 2004 a series of configuration changes, adjustments and modifications were engineered which resulted in the stabilisation of the core operating system. Future changes to the TSA platform are likely to be a consequence of market opportunities and enhancements.

Amortisation of the TSA commenced on 1 July 2004 on a 33% straight line basis.

The carrying amounts of intangibles are reviewed at the end of each accounting period. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss account. In assessing future benefits, cash flows were discounted and limited to a five year period.

#### (g) Revenue recognition

Revenue from commission on the sale of airline tickets and travel packages is recognised when the booking is made by the consumer. The company does not carry the credit risk associated with the sale, which are accounted for on a cash received basis. The differential between the gross sales value and the cost of sale to Webjet Marketing Pty Ltd has been recognised as commission to reflect the agency based nature of the transaction. These commissions due from airlines, cars and hotel suppliers are then taken up as debtors.

Interest revenue is recognised as it accrues.

All revenue is stated net of goods and services tax (GST).

The royalty income is recognised as a set fee at the time a booking is made. The royalty is paid by Webjet Marketing Pty Ltd to Webjet Ltd in accordance with a licence agreement.

#### (h) Research and Development Expenditure

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised over straight-line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced. In assessing expected future benefits, the expected net cash flows have not been discounted to their present values in determining recoverable amounts.

#### (i) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled within one year have been measured at their amounts expected to be paid when the liability is settled plus related oncosts. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions made by Webjet to an employee superannuation fund are charged as expenses when incurred.

Webjet Limited grants options to purchase ordinary shares in the company to certain employees under an employee share option plan. Other than minimal administration costs, which are expensed when incurred, the plan does not result in any expense to the economic entity. Options granted under this plan are not recognised in the financial statements when exercised. Further information is set out in Note 21.

## Notes continued

30 JUNE 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

##### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

##### *Finance leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

#### (k) Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it does not exceed the recoverable amount of these investments. The recoverable amount is assessed from the quoted market values for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to the present value in determining the recoverable amounts.

## Notes continued

30 JUNE 2005	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Commission revenue		4,100,961	1,158,687	-	-
Service fees		1,074,915	-	-	-
Commission revenue - hyperlink sales		-	207,408	-	-
Marketing support		48,172	71,010	-	-
Royalties		-	-	644,889	-
Total revenues from operating activities		<u>5,224,048</u>	<u>1,437,105</u>	<u>644,889</u>	<u>-</u>
<b>Revenues from non-operating activities</b>					
Interest					
Other persons/corporations		70,948	38,498	5,810	4,095
Total revenues from ordinary activities		<u>5,294,996</u>	<u>1,475,603</u>	<u>650,699</u>	<u>4,095</u>
<b>3. EXPENSES AND LOSSES/(GAINS)</b>					
<b>(a) Expenses</b>					
Depreciation of non-current assets					
Office furniture and equipment		3,644	4,034	-	-
Computer equipment		15,548	22,869	-	-
Total depreciation of non-current assets		<u>19,192</u>	<u>26,903</u>	<u>-</u>	<u>-</u>
Amortisation of non-current assets					
Web development		16,304	16,238	-	-
Patents, trademarks and licences		353,206	-	353,206	-
Research and development costs		335	189	-	-
Total amortisation of non-current assets		<u>369,845</u>	<u>16,427</u>	<u>353,206</u>	<u>-</u>
Total depreciation and amortisation expenses		<u>389,037</u>	<u>43,330</u>	<u>353,206</u>	<u>-</u>
Bad and doubtful debts - trade debtors		41,077	99,489	-	-
Diminution in value of investment		-	-	-	550,000
Operating lease rental					
- minimum lease payments		191,345	158,640	-	-
Total operating lease rental		<u>191,345</u>	<u>158,640</u>	<u>-</u>	<u>-</u>
Research and development costs		65,535	33,750	-	-
Write off of research & development and web development costs		1,923	-	-	-

## Notes continued

30 JUNE 2005

Notes	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>4. INCOME TAX</b>				
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:				
Prima facie tax on profit from ordinary activities at 30%	414,305	(342,503)	89,097	(212,456)
Tax effect of permanent differences				
Diminution in value of investment	-	-	-	165,000
Amortisation of intangible assets	-	4,928	-	-
Non deductible entertainment	345	-	-	-
Income tax expense (benefit) adjusted for permanent differences	414,650	(337,575)	89,097	(47,456)
Utilisation of tax losses not brought to account as future income tax benefits	(414,650)	337,575	(89,097)	47,456
Adoption of taxation effect of accounting entry for the first time	(63,738)	-	-	-
Income tax benefit attributable to ordinary activities	(63,738)	-	-	-
<b>Deferred tax assets and liabilities</b>				
Provision for deferred income tax - non-current	5,385	-	-	-
Future income tax benefit - non-current	(69,123)	-	-	-
	(63,738)	-	-	-
<b>Income tax losses</b>				
Future income tax benefit arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	1,830,363	2,241,693	733,844	816,192

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

## 5. AUDITORS' REMUNERATION

Amounts received or due and receivable by BDO for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity	33,266	30,930	-	21,155
- other services in relation to the entity and any other entity in the consolidated entity				
- tax compliance	6,750	3,700	-	3,700
- internal accounting systems review	-	14,849	-	-
- review of monthly financial reports	-	8,131	-	1,580
- other	9,926	1,736	-	565
	16,676	28,416	-	5,845
	49,942	59,346	-	27,000

## Notes continued

30 JUNE 2005

Notes	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

**6. EARNINGS PER SHARE**

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit (loss)	1,444,754	(1,141,675)		
Adjustments	-	-		
Earnings used in calculating basic and diluted earnings per share	<u>1,444,754</u>	<u>(1,141,675)</u>		

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	207,047,341	163,289,821

**Effect of dilutive securities:**

Share options	14,368,287	-
Debentures	<u>2,587,192</u>	<u>4,984,496</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>224,002,820</u>	<u>168,274,317</u>

At 30 June 2004 there were 6,410,000 options issued to acquire ordinary shares, all of which were considered non-dilutive for the year then ended as they were exercisable at a price greater than the then current market price.

**7. STATEMENT OF CASH FLOWS****(a) Reconciliation of the net profit after tax to the net cash flows from operations**

Net profit	1,444,754	(1,141,675)	296,991	(708,188)
<b>Non-Cash Items</b>				
Depreciation of non-current assets	19,192	26,903	-	-
Amortisation of non-current assets	369,845	16,427	353,206	-
Bad & Doubtful debts	41,077	99,489	-	-
Decrement in value of non-current assets	-	-	-	550,000
Expenses paid by issue of shares in parent entity	-	-	-	162,215
Subsidiary expenses paid by issue of shares in parent entity	16,009	287,970	-	-
Write off of intangible assets	1,923	-	-	-
<b>Changes in assets and liabilities</b>				
Increase in trade and other receivables	(519,355)	(142,122)	(673,902)	814
Increase in future income tax benefit	(69,123)	-	-	-
Increase in other debtors	(62,064)	7,573	-	-
Increase in trade and other creditors	83,495	(36,687)	29,013	(815)
Increase in deferred income tax liability	5,385	-	-	-
Increase in employee entitlements	96,229	9,784	-	-
Net cash flow provided by/(used in) operating activities	<u>1,427,367</u>	<u>(872,338)</u>	<u>5,308</u>	<u>4,026</u>

## Notes continued

30 JUNE 2005

Notes	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

## 7. STATEMENT OF CASH FLOWS (cont'd)

**(b) Reconciliation of cash**

Cash balance comprises:

- cash on hand	3,542,935	794,512	1,101,530	37,438
Closing cash balance	3,542,935	794,512	1,101,530	37,438

## 8. RECEIVABLES (CURRENT)

Trade debtors	8(a)	751,651	357,175	-	-
Provision for doubtful debts		(30,000)	(130,000)	-	-
		721,651	227,175	-	-
Sundry debtors		-	16,198	-	-
		721,651	243,373	-	-

**(a) Terms and conditions**

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.  
(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

## 9. RECEIVABLES (NON-CURRENT)

**Related party receivables**

Wholly-owned group

- controlled entities	25	-	-	673,902	-
		-	-	673,902	-

(a) Receivables from wholly-owned group entities are non-interest bearing with no expectation of repayment in the near future.

## 10. OTHER CURRENT ASSETS

Prepayments	87,268	25,204	-	-
Bonds	10,981	10,981	-	-
	98,249	36,185	-	-

## Notes continued

30 JUNE 2005

	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>					
Office equipment					
At cost		47,430	43,572	-	-
Accumulated depreciation		(22,525)	(18,881)	-	-
	11(a)	<u>24,905</u>	<u>24,691</u>	-	-
Computer equipment & software					
At cost		172,077	171,083	-	-
Accumulated depreciation		(140,561)	(125,013)	-	-
	11(a)	<u>31,516</u>	<u>46,070</u>	-	-
Total plant and equipment		<u>56,421</u>	<u>70,761</u>	-	-
Total property, plant and equipment					
At cost		219,507	214,655	-	-
Accumulated depreciation		(163,086)	(143,894)	-	-
Total written down amount		<u>56,421</u>	<u>70,761</u>	-	-

**(a) Reconciliations**

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

*Office equipment*

Carrying amount at beginning	24,691	-
Additions	3,858	-
Depreciation expense	(3,644)	-
	<u>24,905</u>	-

*Computer equipment*

Carrying amount at beginning	46,070	-
Additions	994	-
Depreciation expense	(15,548)	-
	<u>31,516</u>	-

## Notes continued

30 JUNE 2005

	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>12. INTANGIBLES</b>					
Web development - at cost		55,366	48,966	-	-
Accumulated amortisation		(37,476)	(23,725)	-	-
		<u>17,890</u>	<u>25,241</u>	-	-
License - at cost		2,016,297	1,831,398	2,016,297	1,831,398
Accumulated amortisation		(353,206)	-	(353,206)	-
		<u>1,663,091</u>	<u>1,831,398</u>	<u>1,663,091</u>	<u>1,831,398</u>
Research & development - deemed cost		-	1,000	-	-
Accumulated amortisation		-	(189)	-	-
		-	811	-	-
		<u>1,680,981</u>	<u>1,857,450</u>	<u>1,663,091</u>	<u>1,831,398</u>
<b>13. OTHER FINANCIAL ASSETS (NON-CURRENT)</b>					
<i>Investments at cost comprise:</i>					
Shares					
Controlled entities - unlisted	27	-	-	5,568,336	5,568,336
Provision for diminution on unlisted shares		-	-	(4,550,000)	(4,550,000)
		-	-	<u>1,018,336</u>	<u>1,018,336</u>
		-	-	<u>1,018,336</u>	<u>1,018,336</u>
<b>14. PAYABLES (CURRENT)</b>					
Unsecured liabilities					
Trade creditors		148,189	982,452	-	896,169
Other creditors		482,566	376,937	200,000	115,960
		<u>630,755</u>	<u>1,359,389</u>	<u>200,000</u>	<u>1,012,129</u>
<b>15. PAYABLES (NON-CURRENT)</b>					
Other payables (unsecured liabilities)		100,000	200,000	100,000	464,520
Secured liabilities:					
Convertible debentures		200,000	200,000	200,000	200,000
		<u>300,000</u>	<u>400,000</u>	<u>300,000</u>	<u>664,520</u>
Aggregate amounts payable to related parties:					
Other related parties					
- Controlled entities		-	-	-	264,520
		-	-	-	<u>264,520</u>

(a) Terms and conditions relating to the above financial instruments:

- (i) The debentures are secured zero-coupon convertible debentures. They were issued on 5 May 2003, and are held by persons outside the economic entity and are secured by a bank guarantee. The holder has the right to convert the face value to ordinary shares in Webjet Limited at any time from 1 September 2003 onwards at a conversion price agreed with the Company at the time of conversion, in the range of 80-90% of the volume weighted average trading price during the immediately preceding 20 days. A minimum \$1,000 must be converted at any one time. Any outstanding balance of debentures as at 5 May 2008 must be converted to ordinary shares at that time.

The debentures are secured by a bank guarantee, of which the bank has a right of set-off against the equivalent amount of cash held on term deposit in Webjet Limited.

## Notes continued

30 JUNE 2005	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>16. PROVISIONS (CURRENT)</b>					
Employee benefits	21	89,950	68,321	-	-
		<u>89,950</u>	<u>68,321</u>	<u>-</u>	<u>-</u>
<b>17. PROVISIONS (NON-CURRENT)</b>					
Employee entitlements	21	74,600	-	-	-
		<u>74,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>18. EXPENDITURE COMMITMENTS</b>					
<b>(a) Lease expenditure commitments</b>					
<i>(i) Operating leases (non-cancellable):</i>					
Minimum lease payments					
- not later than one year		143,269	79,483	-	-
- later than one year and not later than five years		32,687	58,903	-	-
- aggregate lease expenditure contracted for at reporting date		<u>175,956</u>	<u>138,386</u>	<u>-</u>	<u>-</u>
<b>Notes</b>					
(b)	The office lease is a non-cancellable lease with a four year term. Rent is payable monthly in advance. The lease contains two options for further periods of four years.				
(c)	The company also has various rental agreements for computer equipment which are fixed rentals with terms of two or three years. Rental on this equipment is payable monthly in advance.				
<b>19. RESERVES AND RETAINED PROFITS</b>					
General	19(a)	56,000	-	56,000	-
Accumulated losses	19(b)	(8,149,829)	(9,594,583)	(9,261,640)	(9,558,631)
<b>(a) General</b>					
<i>(i) Nature and purpose of reserve</i>					
The general reserve contains proceeds received from the issue of options prior to their conversion to ordinary shares, or expiration/cancellation.					
<i>(ii) Movements in reserve</i>					
Proceeds from premium on issue of options		56,000	-	56,000	-
Balance at end of year		<u>56,000</u>	<u>-</u>	<u>56,000</u>	<u>-</u>
<b>(b) Accumulated losses</b>					
Balance at the beginning of year		(9,594,583)	(8,452,908)	(9,558,631)	(8,850,443)
Net profit/(loss) attributable to members of Webjet Limited		1,444,754	(1,141,675)	296,991	(708,188)
Balance at end of year		<u>(8,149,829)</u>	<u>(9,594,583)</u>	<u>(9,261,640)</u>	<u>(9,558,631)</u>

## Notes continued

30 JUNE 2005

	Notes	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>20. CONTRIBUTED EQUITY</b>					
<b>(a) Issued and paid up capital</b>					
Ordinary shares fully paid		13,162,499	10,769,154	13,162,499	10,769,154
		<u>13,162,499</u>	<u>10,769,154</u>	<u>13,162,499</u>	<u>10,769,154</u>

**(b) Movements in shares on issue**

	2005		2004	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	170,637,593	10,769,154	159,591,606	10,327,734
Issued during the year				
- Issue to Arnold for the provision of software services on 7 October 2003 @ \$0.035 per share	-	-	2,857,143	162,800
- Issue to Tony & White Media Services for the provision of media services on 5 March 2004 @ \$0.040660285 per share	-	-	318,640	12,956
- Issue to Mediapoint for the provision of media services on 5 March 2004 @ \$0.060975901 per share	-	-	879,003	53,598
- Issue to Armchair Entertainment for the provision of media services on 5 March 2004 @ \$0.060975901 per share	-	-	879,003	53,598
- Issue to Galileo on 4 May 2004 @ \$0.05 per share	-	-	6,000,000	300,000
- Issue to Tony & White Media Services for the provision of media services on 10 May 2004 @ \$0.05 per share	-	-	112,198	5,018
- Issue to Harvey World Travel Group Limited on 21 July 2004 @ \$0.04 per share	7,000,000	280,000	-	-
- Issue to Shareholder Participation Plan on 21 July 2004 @ \$0.042 per share	840,000	35,280	-	-
- Issue to Harvey World Travel Group Limited on 26 July 2004 @ \$0.04 per share	7,000,000	280,000	-	-
- Issue to Tony & White Media Services for the provision of advertising services on 26 July 2004 @ \$0.04 per share	400,235	16,009	-	-
- Issue to Harvey World Travel Group Limited on 1 October 2004 @ \$0.04 per share	7,000,000	280,000	-	-
- Issue to Australian Outback Tours on 8 October 2004 @ \$0.047 per share	5,000,000	235,000	-	-
- David Clarke - exercise of options: 1,000,000 shares @ 0.0667 per share on 9 February 2005	1,000,000	66,700	-	-
- John Lemish - exercise of options: 1,000,000 shares @ 0.0667 per share on 9 February 2005	1,000,000	66,700	-	-
- Dean Maidment - exercise of options: 900,000 shares @ 0.06784 per share on 10 February 2005	900,000	61,056	-	-
- Harvey World Travel Group Limited - exercise of options: 23,000,000 shares @ \$0.04 per share on 22 February 2005	23,000,000	920,000	-	-
- Bernard Lochtenberg - exercise of options: 500,000 shares @ 0.0667 per share on 22 February 2005	500,000	33,350	-	-
- Allan Nahum - exercise of options: 500,000 shares @ 0.0667 per share on 22 February 2005	500,000	33,350	-	-

## Notes continued

30 JUNE 2005

	2005		2004	
	Number of shares	\$	Number of shares	\$
<b>20. CONTRIBUTED EQUITY (cont'd)</b>				
- Gena Sattler - exercise of options: 210,000 shares @ 0.06784 per share on 22 February 2005	210,000	14,247	-	-
- Steven Scheuer - exercise of options: 500,000 shares @ 0.0667 per share on 22 February 2005	500,000	33,350	-	-
- Peter Burton - exercise of options: 1,000,000 shares @ 0.06784 per share on 24 April 2005	1,000,000	67,840	-	-
- Cost of capital raising	-	(29,537)	-	(146,550)
	<b>226,487,828</b>	<b>13,162,499</b>	170,637,593	10,769,154
- Tax Exempt share scheme on 24 November 2004	87,500	-	-	-
- Tax Deferred share plan on 24 November 2004	5,600,000	-	-	-
End of the financial year	<b>232,175,328</b>	<b>13,162,499</b>	170,637,593	10,769,154

**(c) Share Options**

Details of share options over ordinary shares outstanding at the end of the year:

Grant Date	Exercise Date(from)	Expiry Date	Exercise Price \$	Number 2005	Number 2004
15 Nov 02	30 Apr 04	30 Apr 05	0.06784	-	2,910,000
18 Nov 02	18 May 04	18 May 05	0.06670	-	3,500,000
29 Jul 04	1 Jul 05	1 Jul 08	0.00000	1,500,000	-
12 Jul 04	26 Jul 04	26 Jul 09	vwap *	56,000,000	-
10 Nov 04	31 Mar 05	30 Mar 10	0.05000	7,500,000	-
10 Nov 04	31 Mar 06	30 Mar 11	0.17470	4,500,000	-
10 Nov 04	31 Mar 07	30 Mar 12	vwap *	4,500,000	-
				<b>74,000,000</b>	<b>6,410,000</b>

\* exercise price of these options is the variable weighted average price in the preceding months.

*Employee share scheme*

Details of employee share options are provided in the Directors Report.

**(d) Terms and conditions of contributed equity***Ordinary shares*

Ordinary shares participate in dividends and the proceeds of winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS</b>				
<b>Employee Benefits</b>				
The aggregate employee benefit liability is comprised of:				
Provisions (current)	89,950	68,321	-	-
Provisions (non-current)	74,600	-	-	-
	<b>164,550</b>	<b>68,321</b>	-	-

## Notes continued

30 JUNE 2005

### 21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

#### Employee Share Scheme

The company continued to operate the directors and employee share option plan during the year. Each option issued under the plan is convertible to one ordinary share. The exercise price of the options is determined in accordance with rules of the plan.

There are no voting or dividend rights attached to the options or the unissued shares. The options are not quoted on the ASX.

Vesting and dividend rights are attached to the deferred share plan.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

		2005		2004	
		Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	21(a)	6,410,000	0.0672	12,796,000	0.0631
- granted	21(b)	18,000,000	-	-	-
- forfeited		(800,000)	0.0678	(6,386,000)	0.0590
- exercised	21(c)	(5,610,000)	0.0671	-	-
Balance at end of year	21(d)	18,000,000	-	6,410,000	0.0672
Exercisable at end of year		7,500,000	0.0500	6,410,000	0.0672

#### (a) Options held at the beginning of the reporting period

The following table summarises information about options held by employees as at 1 July 2004:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$
2,910,000	15 Nov 02	30 Apr 04	30 Apr 04	0.06784
3,500,000	18 Nov 02	18 May 04	18 May 05	0.06670

#### (b) Options granted during the reporting period

The following table summarises information about options granted by Webjet Limited to employees during the year:

	2005	2005	2005	2005
Grant date	29 Jul 04	10 Nov 04	10 Nov 04	10 Nov 04
Vesting date	29 Jul 04	31 Mar 05	31 Mar 06	31 Mar 07
Expiry Date	1 Jul 08	30 Mar 10	30 Mar 11	30 Mar 12
Number	1,500,000	7,500,000	4,500,000	4,500,000
Weighted average exercise price \$ per option	0.00	0.05	0.1747	vwap *

\* exercise price of these options is the variable weighted average price in the preceding months.

## Notes continued

30 JUNE 2005

## 21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

## (c) Options exercised

(i) The following table summarises information about options exercised by employees during the year ended 30 June 2005:

Number of options	Grant date	Exercise date	Expiry date	Weighted average exercise price \$	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued \$
2,000,000	18 Nov 02	14 Feb 05	18 May 05	0.06670	133,400	2,000,000	14 Feb 05	0.17
900,000	15 Nov 02	14 Feb 05	30 Apr 05	0.06784	61,056	900,000	14 Feb 05	0.18
1,500,000	18 Nov 02	22 Feb 05	18 May 05	0.06670	100,050	1,500,000	22 Feb 05	0.21
210,000	15 Nov 02	22 Feb 05	30 Apr 05	0.06784	14,246	210,000	22 Feb 05	0.21
1,000,000	15 Nov 02	30 Apr 05	30 Apr 05	0.06784	67,840	1,000,000	18 May 05	0.12

## (d) Options held as at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2005:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$
1,500,000	29 Jul 04	1 Jul 05	1 Jul 08	0.00
7,500,000	10 Nov 04	31 Mar 05	30 Mar 10	0.05
4,500,000	10 Nov 04	31 Mar 06	30 Mar 11	0.17
4,500,000	10 Nov 04	31 Mar 07	30 Mar 12	vwap *

\* exercise price of these options is the variable weighted average price in the preceding months.

## Employee tax deferred share plan

Objective of Share Plan - the objective of the Plan is to enable the company to do any or all of the following:

- Provide shares to eligible employees who are considered to be key to the future success of the company as a long term incentive in order to retain the services of those eligible employees in the future;
- Provide a means by which eligible employees may acquire shares in the company as part of their future remuneration;
- Provide the means by which eligible employees may continue to hold shares in the company with the benefit of available tax concession;
- Provide shares to eligible employees as retention strategy; and
- Recognise and reward future performance of eligible employees and their contribution to the future success of the company by providing shares to those eligible employees.

	2005	2004
	Number of tax deferred shares	Number of tax deferred shares
Balance at beginning of year	-	-
- granted	5,687,500	-
- forfeited	-	-
- exercised	(87,500)	-
Balance at end of year	5,600,000	-
Exercisable at end of year	5,600,000	-

## Notes continued

30 JUNE 2005

### 22. DIRECTOR AND EXECUTIVE ADDITIONAL DISCLOSURES

(a) As allowed under the Corporations Regulations 2001, the company has chosen to disclose directors and specified executives remuneration in the Directors' Report. Refer to Table 1 to 4 under the heading 'Remuneration Report'.

#### (b) Option holdings of specified directors and specified executives

	Balance at beginning of period 1 July 2004	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 June 2005	Vested at 30 June 2005		
						Total	Not exercisable	Exercisable
<b>Specified Directors</b>								
Allan Nahum	500,000	-	(500,000)	-	-	-	-	-
Bernard Lochtenberg	500,000	-	(500,000)	-	-	-	-	-
David Clarke	1,000,000	11,000,000	(1,000,000)	-	11,000,000	5,000,000	-	5,000,000
John Lemish	1,000,000	5,500,000	(1,000,000)	-	5,500,000	2,500,000	-	2,500,000
Steven Scheuer	500,000	-	(500,000)	-	-	-	-	-
Timothy Dodds	-	-	-	-	-	-	-	-
Norm Fricker	-	-	-	-	-	-	-	-
<b>Specified Executives</b>								
Dean Maidment	900,000	500,000	(900,000)	-	500,000	500,000	-	500,000
Peter Burton	1,000,000	500,000	(1,000,000)	-	500,000	500,000	-	500,000
Richard Noon	-	500,000	-	-	500,000	500,000	-	500,000
<b>Total</b>	<b>5,400,000</b>	<b>18,000,000</b>	<b>(5,400,000)</b>	<b>-</b>	<b>18,000,000</b>	<b>9,000,000</b>	<b>-</b>	<b>9,000,000</b>

#### (c) Shareholdings of specified directors and specified executives

Shares held in Webjet Limited	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
<b>Specified Directors</b>					
Allan Nahum	2,606,704	-	500,000	100,000	3,206,704
Bernard Lochtenberg	300,000	-	500,000	-	800,000
David Clarke	1,030,744	-	1,000,000	(546,000)	1,484,744
John Lemish	5,188,350	-	1,000,000	-	6,188,350
Steven Scheuer	24,899,143	-	500,000	-	25,399,143
Timothy Dodds	-	-	-	-	-
Norm Fricker	-	-	-	-	-
<b>Specified Executives</b>					
Dean Maidment	592,450	2,150,000 *	900,000	(581,450)	3,061,000
Peter Burton	-	700,000 *	1,000,000	-	1,700,000
Richard Noon	400,000	2,150,000 *	-	300,000	2,850,000
<b>Total</b>	<b>35,017,391</b>	<b>5,000,000</b>	<b>5,400,000</b>	<b>(727,450)</b>	<b>44,689,941</b>

\* Part of tax deferred share scheme over 3 tranches with vesting conditions.

### 23. SEGMENT INFORMATION

#### Segment products and locations

The economic entity operated in one business segment being internet-based travel booking services.

The economic entity operates in one geographical segment being Australia.

## Notes continued

30 JUNE 2005

### 24. SUBSEQUENT EVENTS

There are no events subsequent to balance date to disclose other than those stated on page 5 under 'Significant events after the balance date'.

### 25. RELATED PARTY DISCLOSURES

#### Transactions with directors and officers

Fees for advertising services of \$65,158 were paid to Amplify, of which Mr R. Noon is a partner and \$23,540 was paid to Amplify Services Pty Ltd, of which Mr R Noon is a director.

These transactions were on normal commercial terms and conditions.

#### Wholly-owned group transactions

##### Loans

Webjet Marketing Pty Ltd provided an interest-free loan to Webjet Ltd during prior financial year. The amount was fully paid by Webjet Ltd during the 04/05 financial year. Webjet Marketing owes Webjet Ltd \$673,902 at year end.

##### Royalty Payments

As at year end, both Webjet Ltd and Webjet Marketing have recognised a royalty payment due from Webjet Marketing to Webjet Ltd for \$644,889.

The royalty payment has been charged based upon a licence agreement between the entities.

### 26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets requiring disclosure as at the date of this report.

### 27. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2005	2004	2005	2004
		%	%	\$	\$
Webjet Marketing Pty Ltd	Australia	100	100	5,568,336	5,568,336
^ Webjet Operations Pty Ltd	Australia	100	100	2	2
				<u>5,568,338</u>	<u>5,568,338</u>

^ Investment held by Webjet Marketing Pty Ltd

## Notes continued

30 JUNE 2005

### 28. FINANCIAL INSTRUMENTS

#### 28(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	%	%
<i>(i) Financial assets</i>								
Cash	3,542,935	794,512	-	-	3,542,935	794,512	5.2	4.7
Trade and other receivables	-	-	751,651	373,373	751,651	373,373	-	-
Total financial assets	3,542,935	794,512	751,651	373,373	4,294,586	1,167,885		
<i>(ii) Financial liabilities</i>								
Trade creditors	-	-	730,755	1,559,389	730,755	1,559,389	-	-
Debentures	-	-	200,000	200,000	200,000	200,000	-	-
Total financial liabilities	-	-	930,755	1,759,389	930,755	1,759,389		

There were no fixed interest rate financial liabilities or assets.

#### 28(b) Credit risk exposures

The maximum exposure to credit risk at balance date, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Concentration of credit risk in respect of trade debtors exists. As at 30 June 2005, 88% (2004: 68%) of the consolidated entity's trade debtors were owed by national and international airlines.

### 29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Webjet Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Webjet Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Webjet Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's 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 disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

## Notes continued

30 JUNE 2005

## 29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (cont'd)

## (a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Economic Entity		Parent Entity	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		\$	\$	\$	\$
<b>Total equity under AGAAP</b>		<b>5,068,670</b>	<b>1,174,571</b>	<b>3,956,859</b>	<b>1,210,523</b>
<b>Adjustments required to retained earnings</b>					
- Recognition of deferred tax assets in relation to carried forward tax losses	(i)	1,830,363	-	733,844	-
- Recognition of expensing employee options over vesting period	(ii),(iii)	(636,245)	-	-	-
		<b>1,194,118</b>	<b>-</b>	<b>733,844</b>	<b>-</b>
<b>Adjustments required to reserves</b>					
- Recognition of option reserve for employee options	(ii),(iii)	636,245	-	636,245	-
<b>Total equity under AIFRS</b>		<b>6,899,033</b>	<b>1,174,571</b>	<b>5,326,948</b>	<b>1,210,523</b>

\* This column represents the adjustments as at the date of transition to AIFRS.

\*\* This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

## (b) Reconciliation of net profit under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005	Notes	Economic Entity		Parent Entity	
		\$	\$	\$	\$
<b>Net profit as reported under AGAAP</b>		<b>1,444,754</b>		<b>296,991</b>	
- Recognition of deferred tax assets in relation to carried forward tax losses	(i)	1,830,363		733,844	
- Recognition of option expense	(ii), (iii)	(636,245)		-	
<b>Net profit under AIFRS</b>		<b>2,638,872</b>		<b>1,030,835</b>	

- (i) Under Australian GAAP, the test for recognition of future tax benefit asset in relation to carry forward tax losses is 'virtual certainty', and therefore, in the directors' opinion, the test has not been met under Australian GAAP and hence this asset has not been recognised in the financial report.

However, under AIFRS the test for recognition of deferred tax assets in relation to carry forward tax losses is 'probable'. The directors' are of the opinion that the test is less stringent under AIFRS, and on that basis would recognise the deferred tax asset as at 30 June 2005 under AIFRS. The effect of the recognition is to increase retained earnings for the amount of the previously unrecognised deferred tax asset in relation to tax losses, and recognise a corresponding income tax benefit in the income statements which increase net profit after tax.

- (ii) Under current Australian GAAP, no expense is recognised for option issued to employees.

Under AIFRS, and specifically AASB 2 Share Based Payments, the fair value of the options must be recognised as an employee benefits expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and is expensed over the period from grant date to vesting date, being the date that employees are unconditionally entitled to the options. The fair value of the options are measured using the binomial model, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest.

## Notes continued

30 JUNE 2005

### 29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (cont'd)

- (iii) The employees to which the options issued relate are employed by Webjet Marketing Pty Ltd, however the options are issued in Webjet Limited. The above adjustment reflects the employee benefits relating to options being expensed in Webjet Marketing Pty Ltd (Economic Entity figures) with the intention that Webjet Marketing Pty Ltd would reimburse the Parent Entity through the intercompany account.

### (c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

## Chief Executive Officer and Chief Financial Officer Sign Off

ABN 68 002 013 612

The Chief Executive Officer and Chief Financial Officer of Webjet Limited state that:

1. With regard to the integrity of the financial statements of Webjet Limited for the financial year ended 30 June 2005, that having made appropriate enquiries, in our opinion:
  - (a) the financial records of Webjet Limited and of the entities whose financial statements are required to be included in its consolidated financial statements (the Consolidated Entity) for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
  - (b) the financial reports of Webjet Limited and of the Consolidated Entity, being the financial statements and notes thereto, present a true and fair view, in all material respects of the financial position and performance of Webjet Limited and of the Consolidated Entity in accordance with section 297 of the Corporations Act 2001 and comply with relevant accounting standards, in all material respects, in accordance with section 296 of the Corporations Act 2001.
2. With regard to the risk management and internal compliance and control systems of Webjet Limited and the Consolidated Entity in operation as at 30 June 2005, that having made appropriate enquiries, within the context described in point 3 below, to the best of our knowledge and belief.
  - (a) The statements made in 1(b) above regarding the integrity of the financial reports is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board of Directors.
  - (b) The risk management and internal compliance and control systems to the extent they relate to financial reporting are operating effectively, in all material respects.
  - (c) Nothing has come to our attention since 30 June 2005 that would indicate any material change to the statements made in 1(a) and 1(b) above, and
3. The statements made in (2) above regarding the risk management and internal compliance and control systems are made within the following context.
  - (a) These statements provide a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future.
  - (b) The design and operation of the risk management and internal compliance and control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems.

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David Clarke  
Managing Director/Chief Executive Officer  
August 2005

Richard Noon  
Chief Financial Officer  
August 2005

## Directors' Declaration

ABN 68 002 013 612

In accordance with a resolution of the directors of Webjet Limited, I state that:

- (1) In the opinion of the directors:
  - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) 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 for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 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.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board

Bernard Lochtenberg  
Director

Melbourne, August 2005



**WEBJET LIMITED**  
**ABN 68 002 013 612**

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WEBJET LIMITED**

### **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 both Webjet Limited (the company) and 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 company has disclosed information about the remuneration of directors and executives (remuneration disclosures), as required by Accounting Standard 'AASB 1046: Director and Executive Disclosures by Disclosing Entities', under the heading 'Remuneration Report', in Tables 1 to 5 of the Directors' Report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for 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 have 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, and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. 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, including compliance with 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 and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

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.

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.



WEBJET LIMITED  
ABN 68 002 013 612

**Independent audit report to the members of Webjet Limited**

*Independence*

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

**Audit Opinion**

In our opinion, the financial report of Webjet Limited and controlled entities is in accordance with:

1. (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the company's and consolidated entity's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in the Directors' Report comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

BDO  
Chartered Accountants

Robert D D Collie  
Partner  
Melbourne

Date: August 2005

## ASX Additional Information

ABN 68 002 013 612

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 July 2005.

### (a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

		Ordinary shares	
		Number of holders	Number of shares
1	- 1,000	14	6,039
1,001	- 5,000	214	794,004
5,001	- 10,000	357	3,186,880
10,001	- 100,000	857	34,042,935
100,001	and over	184	194,145,470
Total ORD, employees & restricted classes		1,626	232,175,328
The number of shareholders holding less than a marketable parcel of shares are:		29	28,937

### (b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Harvey World Travel Group Limited	44,000,000	18.95
2	Mr Steven Scheuer	24,899,143	10.72
3	GIW Holdings CV	15,850,000	6.83
4	Capstan Nominees Pty Ltd	5,661,653	2.44
5	Mr John Lemish	5,088,350	2.19
6	The Australian Outback Travel Company Pty Ltd	5,000,000	2.15
7	Southern Cross Distribution Systems Pty Ltd	5,000,000	2.15
8	Ms Angela Knefl	4,185,481	1.80
9	Mrs King-Eng Tan	4,039,147	1.74
10	Bell Potter Nominees Ltd <BB Nominees A/C>	3,594,587	1.55
11	Mr Chris Carr & Mrs Betsy Carr	3,500,000	1.51
12	Mr Dean Maidment	3,061,000	1.32
13	Invia Custodian Pty Ltd <Black A/C>	3,050,000	1.31
14	Brincliff Pty Ltd <Brincliff Super Fund A/C>	3,048,433	1.31
15	Mr Richard Noon	2,550,000	1.10
16	Mr Rhett Gary Harris	2,402,402	1.03
17	Mr Ian Stanley Bootes & Mrs Kylie Bootes	2,137,000	0.92
18	Roemer Nominees Pty Ltd	1,793,778	0.77
19	Mr Peter Burton	1,700,000	0.73
20	Denlie Pty Ltd <Bowen Pension Fund A/C>	1,600,000	0.69
		142,160,974	61.21

## ASX Additional Information continued

### (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	<b>Number of Shares</b>
Harvey World Travel Group Limited	44,000,000
Mr Steven Scheuer	24,899,143
GIW Holdings CV	15,850,000

### (d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.