

**WEBJET LIMITED AND CONTROLLED ENTITIES**

**A.C.N. 002 013 612**

**ANNUAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2003**

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
**ACN 002 013 612**

**DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2003.

**Directors**

The names of the directors in office at any time during or since the end of the year are:

Allan Nahum  
Bernard H Lochtenberg  
David R Clarke  
John Lemish  
Steven Scheuer

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Principal Activities**

The economic entity's principal activity is that of an electronic manager and marketer of travel and related services, utilising the internet and other mediums.

**Operating Results**

The consolidated result for the year ended 30 June 2003 was a loss of \$1,684,167 (2002: loss \$1,587,220).

**Dividends**

Since the end of the previous final year no amount has been paid or declared by way of dividend. The directors do not recommend that any dividend be paid.

**Review of Operations**

The year ended 30 June 2003 has produced a consolidated loss of \$1.684 million (2002: loss \$1.587 million).

As has been extensively reported in the general media, all travel operations in Australia were adversely affected in the course of 02/03 by a series of external events including the Bali terrorism incident, the outbreak of hostilities in the Gulf, followed in turn by SARS in Asia.

In our view, the impact of these events has in many cases led to a deferment of travel plans and an alternative spend of the discretionary holiday dollar on consumer durables, motorcars, house upgrades and associated matters. It is impossible to precisely quantify the impact of these events. We note that turnover growth which had been compounding at approximately 24% per quarter to the end of March evaporated in the quarter April, May and June, which would suggest that gross turnover in the region of \$2-\$3 million dollars was lost in this financial year due to these events.

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**DIRECTORS' REPORT**

**Review of Operations (cont'd)**

Despite these events your company was however able to produce a gross transaction increase in the year of some 65% relative to the previous year.

During the same period Webjet's commercial arrangements in relation to commission support by Virgin Blue reduced with effect from April 03 with the consequent effect on income of approx \$60,000.

Following the recent ASIC deliberations on the interpretation of Australian Accounting Standards covering turnover disclosures and revenue disclosures, Webjet has concluded that it is appropriate to change its recognition of revenue policy to nett commissions received or due and a further explanation of the affect of that change is covered under note 1(f) and 2. For the 02/03-year, gross transactions totalled \$19.5m compared with \$11.8m for 01/02 an increase of 65% with both figures exclusive of GST.

**Significant Changes in State of Affairs**

During the year Webjet entered into a major technology development contract with Microsoft Australia and its associated and inter-related subscription agreements and development agreements previously reported to the market with Galileo.

This development program envisages an environment in the Australian distribution of travel where increasingly products which were previously sourced through airline global distribution systems will be available otherwise on the internet. An example currently in operation is Virgin Blue in Australia, part of the Air New Zealand operation and forthcoming changes by Qantas.

Webjet considers that the development of the platform will provide a very significant strategic advantage moving forward where the travel services aggregation platform will bring together disparate sources of supply and provide Webjet customers with an integrated itinerary management facility. It is likely to provide an ongoing competitive advantage for Webjet.

These changes will result in lower cost of operation going forward and it is anticipated that the platform will be operational at the beginning of the 2004 calendar year as originally announced to the market.

There were no other significant changes in the state of affairs of the parent entity or the subsidiary entities during the year.

**Events Since the End of the Financial Year**

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or state of affairs of the economic entity, in subsequent years with the exception of the following matter:

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On 20 August 2003, the parent entity subscribed to purchase 1,500,000 ordinary shares of \$1 each in the wholly owned subsidiary, Webjet Marketing Pty Ltd. The subscription price of \$1,500,000 was fully paid via a reduction in the intercompany payable by Webjet Marketing Pty Ltd to Webjet Limited.

**Likely Developments**

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 Issues**

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

**Directors' Benefits**

No director has received or become entitled to receive, during or since the end of financial year, a benefit because of a contract made by the company or a related body corporate with a director, a firm of which a director is a member or a company in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee of the company or related body corporate, other than the following:

Mr A Nahum is a partner of MGI Meyrick Webster, a chartered accounting firm which rendered professional services and corporate advice and received normal professional fees during the year ended 30 June 2002. Refer to note 24 for further disclosure.

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**DIRECTORS' REPORT**

**Information on Directors**

<b>Director</b>	<b>Experience</b>	<b>Relevant Interest in Shares</b>	<b>Relevant Interest in Options</b>
<b>Non Executive Chairman Allan Nahum FCA, FICD, AIMM AAISA, AIAA</b>	Partner in the Melbourne based accounting and consulting firm MGI Meyrick Webster, 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.	2,606,704	1,000,000
<b>Non Executive Deputy Chairman Bernard Lichtenberg BE (Hons) D Phil FTSE</b>	Former Chairman of Orica Limited and the Mental Health Research Institute. Former Director of Capral Aluminium Limited. Director of Melbourne University Private Ltd and a Member of Council at the University of Melbourne.	300,000	700,000
<b>Executive Managing Director David R Clarke</b>	Held senior management positions with the Jetset travel group from 1977 to 1995. He is regarded as pioneering the introduction of wholesale packaging through distributed 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 nearly 20 years and is internationally recognised in the travel industry.	4,138,344	2,000,000

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**DIRECTORS' REPORT**

**Information on Directors (cont'd)**

<b>Executive Operations Director John Lemish B.Ec</b>	With over 20 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 in all countries globally.	5,308,350	2,000,000
<b>Non Executive Director Steven Scheuer B.Bus (Acc.)</b>	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. He holds a Bachelor of Business (Accounting) degree.	24,899,143	600,000

**Directors Emoluments**

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

The emoluments of each Director are as follows:

	<b>Salary</b>	<b>Directors' Fees</b>	<b>Superannuation</b>	<b>Non-cash Benefits *</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
A Nahum	-	21,833	-	20,000	41,833
B Lochtenberg	-	20,000	-	14,000	34,000
D Clarke	147,688	-	33,842	40,000	221,530
J Lemish	162,030	-	19,500	40,000	221,530
S Scheuer	-	7,464	1,800	12,000	21,264
<b>TOTAL</b>	<b>309,718</b>	<b>49,297</b>	<b>55,142</b>	<b>126,000</b>	<b>540,157</b>

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**DIRECTORS' REPORT**

**Executive Officers**

	<b>Salary</b>	<b>Directors' Fees</b>	<b>Superannuation</b>	<b>Non-cash Benefits *</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
D Maidment	142,156	-	12,794	27,000	181,950
P Burton	151,667	-	32,500	10,000	194,167
<b>TOTAL</b>	<b>293,823</b>	<b>-</b>	<b>45,294</b>	<b>37,000</b>	<b>376,117</b>

\* The non-cash benefits listed above related to options granted to date over unissued ordinary shares of Webjet Limited. The options have been valued at 2 cents based upon the Black-Scholes model. The value attributable is the assessed value based on the share price at year end given the significant diminution in the underlying share price since grant dates.

Details of the options issued to Directors and Executive Officers during the financial year are contained in the following paragraph.

**Options**

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following directors and to the following executive officers of the Company as part of their remuneration:

<b>Director</b>	<b>Number of options granted</b>	<b>Grant date</b>	<b>Exercise Date (from)</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
David Clarke	1,000,000	18 Nov 02	18 May 04	18 May 05	\$0.0667
Allan Nahum	500,000	18 Nov 02	18 May 04	18 May 05	\$0.0667
John Lemish	1,000,000	18 Nov 02	18 May 04	18 May 05	\$0.0667
Steven Scheuer	500,000	18 Nov 02	18 May 04	18 May 05	\$0.0667
Ben Lochtenberg	500,000	18 Nov 02	18 May 04	18 May 05	\$0.0667
<b>Executive Officer</b>					
Dean Maidment	900,000	15 Nov 02	30 Apr 04	30 Apr 05	\$0.06784
Peter Burton	1,000,000	15 Nov 02	30 Apr 04	30 Apr 05	\$0.06784

No options have been granted since the end of the financial year. No shares have been issued by virtue of the exercise of an option during the year or to the date of this report. At the date of this report there are 15,796,000 outstanding options to acquire ordinary shares. Further details on options can be found in Note 19 to the financial statements.

**Meetings of Directors**

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

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DIRECTORS' REPORT

Directors	Directors' Meetings		Audit & Risk Committee		Remuneration Committee	
	Eligible to Participate	Number Attended	Eligible to Participate	Number Attended	Eligible to Participate	Number Attended
A Nahum	13	12	-	-	1	1
B Lochtenberg	13	13	2	2	1	1
D Clarke	13	13	-	-	-	-
J Lemish	13	13	-	-	-	-
S Scheuer	13	12	2	2	1	1

**Corporate Governance**

The Board of Directors establishes criteria for Board membership and selects appropriate members of the Board. Shareholder approval is required on the composition of the Board.

The company's policy regarding the terms and conditions for remuneration relating to Board members are approved by the Board. The Board also approves the remuneration of executive officers and senior management based upon the recommendations of the remuneration committee. Each Director has the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. The Chairman's prior approval of such expenditure is required.

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and for developing policies regarding the establishment and maintenance of appropriate ethical standards, giving particular attention to:

- Ensuring compliance with legal, statutory and ethical matters;
- Monitoring the business environment;
- Identifying business risk areas;
- Identifying business opportunities; and
- Monitoring systems established to ensure prompt and appropriate responses to shareholder concerns and enquiries.

The directors' have noted the issue of the "Principles of Good Corporate Governance" by the ASX and will undertake a bench marking review of current procedures during the year ending 30 June 2004.

**Audit & Risk Committee**

The company has an audit and risk committee which reports to the Board. The following non executive directors are members :

B Lochtenberg (Chairman)  
S Scheuer

The audit and risk committee also receives assistance and advice from the external auditor and the executives of the company when and as required.

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The role of the audit and risk committee is to review the performance of the external auditors on an annual basis and corresponds with them during the year:

- To discuss any significant problems that can be foreseen;
- To discuss the impact of any proposed changes in accounting policies on the financial statements;
- To review the nature and impact of any changes in accounting policies adopted by the economic entity during the year; and
- To review the fees proposed for the audit work to be performed.

**Remuneration Committee**

The remuneration committee is comprised of the following non executive directors :

B Lochtenberg (Chairman)  
S Scheuer

A Nahum.

The committee receives assistance and advice from external parties from time to time in relation to appropriate remuneration levels and associated benefits.

**Indemnifying Officers or Auditor**

The Company has not during, or since the end of, the financial year, in respect of any person who is or has been an officer of the Company or auditor of the Company:

- Indemnified or made relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings with the exception of the following;

During the financial year, a subsidiary of the company has paid premiums to insure each of the following directors, senior executives and consultants against liabilities for costs and expenses which may be incurred by them, in defending any legal proceedings arising out of their conduct while acting in the capacity of director of any company in the group, other than conduct involving a wilful breach of duty in relation to the company:

Allan Nahum  
David Clarke  
Steven Scheuer

Ben Lochtenberg  
John Lemish  
Peter Love

The contract of insurance contains a confidentiality clause and hence the amount of the premium can not be disclosed.

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**DIRECTORS' REPORT**

**Proceedings on behalf of the Company**

No persons has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

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

**David Clarke**  
Director

Dated : 9 September 2003

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**STATEMENTS OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2003**

		Economic Entity		Parent Entity	
	Notes	2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from ordinary activities	2	1,437,596	1,180,496	14,305	86,119
Employee benefits expense		(921,712)	(793,754)	-	(51,520)
Depreciation and amortisation expense	3	(80,086)	(70,530)	-	-
Marketing expenses		(679,346)	(794,144)	(628,435)	(746,317)
Website hosting expenses		(376,688)	(247,912)		
Professional fees		(286,802)	(251,211)	(229,621)	(180,381)
Web and software development expenses		(145,475)	(145,830)	(145,475)	(100,000)
Directors' fees		(51,097)	(50,000)	(51,097)	(50,000)
Listing and registry expenses		(51,413)	(40,379)	(51,413)	(40,379)
Insurance		(40,623)	(20,606)	(39,658)	(20,606)
Stationery		(14,090)	(18,280)	(10,000)	(10,000)
Rent		(146,446)	(63,210)	(23,000)	-
Telephones		(62,432)	(49,102)	(30,000)	(22,509)
Diminution in value of investment	3	-	-	(4,000,000)	-
Doubtful debts	3	(40,000)	-	-	-
Other expenses from ordinary activities		(225,553)	(222,758)	(121,812)	(26,410)
<b>Loss from ordinary activities before income tax expense</b>	3	(1,684,167)	(1,587,220)	(5,316,206)	(1,162,003)
Income tax relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after related income tax		(1,684,167)	(1,587,220)	(5,316,206)	(1,162,003)
<b>Net Loss</b>		(1,684,167)	(1,587,220)	(5,316,206)	(1,162,003)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		(1,684,167)	(1,587,220)	(5,316,206)	(1,162,003)
Basic loss per share (cents per share)	7	1.25	1.35		
Diluted loss per share (cents per share)	7	1.24	1.35		

The accompanying notes 1 to 27 form part of these financial statements

WEBJET LIMITED AND CONTROLLED ENTITIES  
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STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2003

		Economic Entity		Parent Entity	
		2003	2002	2003	2002
	Notes	\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	9	1,843,083	2,147,696	107,587	703,502
Receivables	10	191,251	69,639	814	943,488
Other	11	43,758	69,339	-	-
<b>TOTAL CURRENT ASSETS</b>		<u>2,078,092</u>	<u>2,286,674</u>	<u>108,401</u>	<u>1,646,990</u>
<b>NON-CURRENT ASSETS</b>					
Receivables	10	-	-	1,500,689	-
Property, plant and equipment	12	95,646	144,648	-	-
Intangible assets	13	576,294	49,873	-	-
Other financial assets	14	-	-	68,336	3,668,336
<b>TOTAL NON-CURRENT ASSETS</b>		<u>671,940</u>	<u>194,521</u>	<u>1,569,025</u>	<u>3,668,336</u>
<b>TOTAL ASSETS</b>		<u>2,750,032</u>	<u>2,481,195</u>	<u>1,677,426</u>	<u>5,315,326</u>
<b>CURRENT LIABILITIES</b>					
Payables	16	816,534	345,932	200,000	-
Interest bearing liabilities	17	135	-	135	-
Provisions	18	58,537	54,441	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>875,206</u>	<u>400,373</u>	<u>200,135</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>875,206</u>	<u>400,373</u>	<u>200,135</u>	<u>-</u>
<b>NET ASSETS</b>		<u>1,874,826</u>	<u>2,080,822</u>	<u>1,477,291</u>	<u>5,315,326</u>
<b>EQUITY</b>					
Contributed equity	19	10,327,734	8,849,563	10,327,734	8,849,563
Accumulated losses	20	(8,452,908)	(6,768,741)	(8,850,443)	(3,534,237)
<b>TOTAL EQUITY</b>		<u>1,874,826</u>	<u>2,080,822</u>	<u>1,477,291</u>	<u>5,315,326</u>

The accompanying notes 1 to 27 form part of these financial statements

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	Economic Entity		Parent Entity	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		1,271,440	1,086,540	-	-
Payments to suppliers and employees		(3,050,596)	(2,598,927)	(1,330,511)	(1,248,122)
Interest received		54,211	100,204	14,305	86,119
Net cash used in operating Activities	8	<u>(1,724,945)</u>	<u>(1,412,183)</u>	<u>(1,316,206)</u>	<u>(1,162,003)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Loan to controlled entity		-	-	(1,888,171)	(1,330,467)
Repayments of loan to controlled entity		-	-	1,330,156	1,522,800
Investment in controlled entity		-	-	(400,000)	(275,000)
Payment for plant and equipment		(6,973)	(103,358)	-	-
Payment for intangible assets		(251,001)	(49,873)	-	-
Proceeds on sale of mining exploration tenement		-	25,000	-	25,000
Net cash used in investing activities		<u>(257,974)</u>	<u>(128,231)</u>	<u>(958,015)</u>	<u>(57,667)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		1,785,000	900,769	1,785,000	900,769
Proceeds from debenture issue		200,000	-	200,000	-
Payments relating to share issue & placements		<u>(306,829)</u>	<u>(250,000)</u>	<u>(306,829)</u>	<u>(250,000)</u>
Net cash provided by financing Activities		<u>1,678,171</u>	<u>650,769</u>	<u>1,678,171</u>	<u>650,769</u>
Net decrease in cash held		(304,748)	(889,645)	(596,050)	(568,901)
Cash at beginning of financial year		<u>2,147,696</u>	<u>3,037,341</u>	<u>703,502</u>	<u>1,272,403</u>
Cash at end of financial year	9	<u>1,842,948</u>	<u>2,147,696</u>	<u>107,452</u>	<u>703,502</u>

The accompanying notes 1 to 27 form part of these financial statements

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2003**

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial report covers the economic entity of Webjet Limited and controlled entities, and Webjet Limited as an 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.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) 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 the 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.

**(b) Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and on-call deposits with banks.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(c) 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 cashflows 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:

<b>Class of fixed Asset</b>	<b>Depreciation Rate</b>
Office Furniture & Equipment	15%
Computer equipment and software	40%

**(d) Income tax**

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2003**

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income 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.

**(e) Intangibles**

Intangibles are valued in the accounts at cost. The related benefits are amortised over a three year period (33% straight line).

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.

**(f) Revenue**

Revenue from commission on the sale of airline tickets and travel packages is recognised when the booking is made by the consumer, with the exception of the sale of airline tickets via hyperlink to a third party supplier, where the company does not carry the credit risk associated with the sale, which are accounted for on a cash received basis.

Interest revenue is recognised as it accrues.

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

The accounting policy in relation to the recognition of revenue from the sale of airline tickets and travel packages has changed. In the previous year, revenue from the sale of airline tickets and travel packages was recognised on a gross basis when bookings were made by the consumer. A resulting cost of sale was also recognised as an expense reflecting the cost of the sale transaction to Webjet Marketing Pty Ltd. In the current year, 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.

The change in accounting policy has had no affect upon the reported loss of the entity. The prior period comparatives have been amended as required to allow for a reasonable comparison of financial results. Please refer to note 2 for further disclosure.

**(g) Research and Development Expenditure**

Research and development costs are charged to loss 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 on a 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(h) 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 the amounts expected to be paid when the liability is settled plus related on-costs. 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 are made by the economic entity to an employee superannuation fund are charged as expenses when incurred.

Webjet Limited granted options to purchase ordinary shares in Webjet Limited to certain employees under an employee shares 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 recognised in the financial statements when exercised. Further information is set out in Note 19.

**(i) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expense in the periods in which they are incurred.

**(j) 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 value 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 their present value in determining the recoverable amounts.

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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 2 : REVENUE</b>				
Operating activities				
Commission revenue	1,009,720	1,080,292	-	-
Commission revenue – hyperlink sales	205,665	-	-	-
Marketing support	168,000	-	-	-
	<u>1,383,385</u>	<u>1,080,292</u>	<u>-</u>	<u>-</u>
Interest received – other parties	<u>54,211</u>	<u>100,204</u>	<u>14,305</u>	<u>86,119</u>
Total revenue	<u>1,437,596</u>	<u>1,180,496</u>	<u>14,305</u>	<u>86,119</u>

As detailed in note 1 (f), Revenue, the accounting policy in relation to the recognition of revenue from the sale of airline tickets and travel packages has changed when compared with the previous year. The comparative information has been amended to allow for the reasonable comparison of financial data. While the change had no direct affect on the loss of the Company for the year, the following disclosures would have been presented had the change not occurred:

	Note	Economic Entity	
		2003	2002
		\$	\$
<b>Operating activities</b>			
Sale of airline tickets and travel packages		18,640,096	11,181,585
Commission revenue		461,086	638,648
Commission revenue – hyperlink sales		205,665	-
Marketing support		168,000	-
Revenue from operating activities prior to interest		<u>19,474,847</u>	<u>11,820,233</u>
Further, cost of sales directly relating to the sale of airline tickets and travel packages as disclosed below would have been reported within the Statement of Financial Performance as an expense.			
Cost of Sales		<u>18,091,462</u>	<u>10,739,941</u>

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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 3 : OPERATING LOSS</b>				
Operating loss from ordinary activities before income tax expense has been determined after:				
<b>Expenses</b>				
Amortisation of non-current assets				
- Website development	24,111	13,711	-	-
- Research & development	-	11,666	-	-
- Preliminary costs	-	12,183	-	-
	<u>24,111</u>	<u>37,560</u>	<u>-</u>	<u>-</u>
Depreciation of non-current assets				
- Office furniture and equipment	7,658	2,645	-	-
- Computer equipment and software	48,317	30,325	-	-
	<u>55,975</u>	<u>32,970</u>	<u>-</u>	<u>-</u>
Write-down of intangible assets to recoverable amount	<u>33,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rental expense on operating leases				
- minimum lease payments	<u>146,446</u>	<u>91,599</u>	<u>-</u>	<u>-</u>
Movement in provision for doubtful debts	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diminution in value of investment	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>

**NOTE 4 : INCOME TAX EXPENSE**

The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:

Operating loss before income tax	<u>(1,684,167)</u>	<u>(1,587,220)</u>	<u>(5,316,206)</u>	<u>(1,162,003)</u>
Income tax benefit calculated @ 30%	(505,250)	(476,166)	(1,594,862)	(348,601)

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NOTES TO THE FINANCIAL STATEMENTS  
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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 4 : INCOME TAX EXPENSE</b>				
<b>(cont'd)</b>				
Tax effect of permanent differences:				
Diminution in value of investment	-	-	1,200,000	-
Amortisation of intangibles and other expenditures	7,233	11,268	-	-
Income tax expense (benefit) adjusted for permanent differences	(498,017)	(464,898)	(394,862)	(348,601)
Timing differences and tax losses not brought to account as future income tax benefits	498,017	464,898	394,862	348,601
Income tax attributable to operating loss	-	-	-	-

The directors' estimate that the future income tax benefit (due to tax losses and timing differences) not brought to account as at 30 June 2003 is \$1,850,347 (2002: \$1,364,330).

This benefit will only be obtained if:

- (a) the Company derives income of a nature and amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss.

The Company cannot claim a deduction for losses incurred prior to 22 March 2001 due to the change of business activity and substantial changes to the shareholders.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2003

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
<b>NOTE 5: REMUNERATION AND RETIREMENT BENEFITS</b>				
<b>(a) Directors</b>				
Income paid or payable, or otherwise made available, to all directors of each entity in the economic entity by the entities of which they are directors and any related parties	<u>\$414,157</u>	<u>\$393,500</u>	<u>-</u>	<u>-</u>
Income paid or payable to all directors of the parent entity by the parent entity and any related party	<u>-</u>	<u>-</u>	<u>\$414,156</u>	<u>\$393,500</u>
Income paid or payable to all directors of the parent entity directly by the parent entity	<u>-</u>	<u>-</u>	<u>\$51,097</u>	<u>\$50,000</u>
The number of parent entity directors whose total income from the parent entity or related parties was within the following bands:			<b>No.</b>	<b>No.</b>
\$0 - \$9,999			1	-
\$10,000 - \$19,999			-	1
\$20,000 - \$29,999			2	2
\$170,000 - \$179,000			-	2
\$180,000 - \$189,999			<u>2</u>	<u>-</u>

At 30 June 2003 the economic entity had no liability, contingent or otherwise, for termination benefits under service agreements with directors. Directors of the parent entity who have held office during the financial year are:

Allan Nahum  
David R Clarke  
John Lemish  
Bernard H Lochtenberg  
Steven Scheuer

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NOTES TO THE FINANCIAL STATEMENTS  
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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
<b>NOTE 5: REMUNERATION AND RETIREMENT BENEFITS (cont'd)</b>				
<b>(b) Executive Officers</b>				
Remuneration received or due and receivable by executive officers of the economic entity, from entities in the economic entity and any related party entities for management of the affairs of the economic entity, whose remuneration is \$100,000 or more	<u>\$339,117</u>	<u>\$115,000</u>	<u>-</u>	<u>-</u>
Remuneration received or due and receivable by executive officers of the parent entity, from the parent entity and any related parties for the management of the affairs of the parent entity and its subsidiaries, whose income is \$100,000 or more	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The number of executives whose income was within the following band:	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
\$110,000 - \$119,000	-	1	-	-
\$150,000 - \$159,999	1	-	-	-
\$180,000 - \$189,999	1	-	-	-

**NOTE 6: AUDITORS' REMUNERATION**

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	26,000	23,000	11,700	8,800
- due diligence committee meetings	-	10,000	-	10,000
- other services	4,520	4,500	3,300	-
	<u>30,520</u>	<u>37,500</u>	<u>15,000</u>	<u>18,800</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 7 : EARNINGS PER SHARE</b>				
Basic loss per share (cents)	1.25c	1.35c		
Diluted loss per share (cents)	<u>1.24c</u>	<u>1.35c</u>		
(a) Reconciliation of earnings to net profit and loss				
Net Loss	<u>(1,684,167)</u>	<u>(1,587,200)</u>		
Earnings used in calculation of basic EPS	<u>(1,684,167)</u>	<u>(1,587,200)</u>		
Earnings used in calculation of dilutive EPS	<u>(1,684,167)</u>	<u>(1,578,200)</u>		
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basis EPS	<u>134,285,579</u>	<u>117,873,905</u>		
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	<u>135,970,515</u>	<u>117,873,905</u>		
(c) There are 15,796,000 (2002: 11,666,000) options issued to acquire ordinary shares, all of which are considered non-dilutive for the year ended 30 June as they are exercisable at a price greater than the current market price.				

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NOTES TO THE FINANCIAL STATEMENTS  
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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 8 : CASHFLOW INFORMATION</b>				
<b>Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax</b>				
Loss from ordinary activities after income tax	(1,684,167)	(1,587,220)	(5,316,206)	(1,162,003)
Non-cash flows in loss from ordinary activities:				
Amortisation	24,111	37,560	-	-
Depreciation	55,975	32,970	-	-
Write-down of intangibles to recoverable amount	33,249	-	-	-
Diminution in value of investment	-	-	4,000,000	-
Doubtful debts	40,000	-	-	-
Changes in assets and liabilities:				
Decrease (increase) in receivables	(161,612)	15,633	-	-
(Increase) decrease in other debtors	25,581	(9,385)	-	-
Increase (decrease) in payables	(62,178)	79,771	-	-
Increase in provisions	4,096	18,488	-	-
Cash flow used in operations	<u>(1,724,945)</u>	<u>(1,412,183)</u>	<u>(1,316,206)</u>	<u>(1,162,003)</u>
<b>NOTE 9 : CASH ASSETS</b>				
Cash at bank	10,352	28,883	-	186
Deposits at call	1,832,731	2,118,813	107,587	703,316
	<u>1,843,083</u>	<u>2,147,696</u>	<u>107,587</u>	<u>703,502</u>
Reconciliation of cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:				
Cash	1,843,083	2,147,696	107,587	703,502
Overdraft (Note 17)	(135)	-	(135)	-
	<u>1,842,948</u>	<u>2,147,696</u>	<u>107,452</u>	<u>703,502</u>
<b>NOTE 10 : RECEIVABLES CURRENT</b>				
Trade debtors	193,194	60,764	-	-
Provision for doubtful debts	(40,000)	-	-	-
	<u>153,194</u>	<u>60,764</u>	<u>-</u>	<u>-</u>

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	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 10 : RECEIVABLES (cont'd)</b>				
<b>Current</b>				
Sundry debtors	38,057	8,875	814	814
Amounts receivable from - controlled entities	-	-	-	942,674
	<u>191,251</u>	<u>69,639</u>	<u>814</u>	<u>943,488</u>
<b>Non Current</b>				
Amounts receivable from - controlled entities	-	-	1,500,689	-
<b>NOTE 11 : OTHER</b>				
Prepayments	18,667	31,518	-	-
Bonds	10,981	30,990	-	-
Other	14,110	6,831	-	-
	<u>43,758</u>	<u>69,339</u>	<u>-</u>	<u>-</u>
<b>NOTE 12 : PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Office Furniture &amp; Equipment</b>				
At Cost	43,572	43,572	-	-
Accumulated Depreciation	(14,847)	(7,189)	-	-
	<u>28,725</u>	<u>36,383</u>	<u>-</u>	<u>-</u>
<b>Computer Equipment &amp; Software</b>				
At cost	169,065	162,092	-	-
Accumulated Depreciation	(102,144)	(53,827)	-	-
	<u>66,921</u>	<u>108,265</u>	<u>-</u>	<u>-</u>
	<u>95,646</u>	<u>144,648</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 12 : PROPERTY, PLANT & EQUIPMENT (cont'd)

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Furniture & Equipment \$	Computer Equipment & Software \$	Total \$
<b>Economic Entity:</b>			
Balance at the beginning of the year	36,383	108,265	144,648
Additions	-	6,973	6,973
Disposals	-	-	-
Depreciation expense	<u>(7,658)</u>	<u>(48,317)</u>	<u>(55,975)</u>
Carrying amount at the end of the year	<u>28,725</u>	<u>66,921</u>	<u>95,646</u>
<b>Patent Entity:</b>			
Balance at the beginning of the year	-	-	-
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>
Carrying Current at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
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	2003 \$	2002 \$	2003 \$	2002 \$
<b>NOTE 13 : INTANGIBLES</b>				
Software platform under construction	538,815	49,873	-	-
Web development at cost	44,966	41,133	-	-
Accumulated amortisation	(7,487)	(41,133)	-	-
	<u>37,479</u>	<u>-</u>	<u>-</u>	<u>-</u>
Research & development at cost	-	35,000	-	-
Accumulated amortisation	-	(35,000)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Preliminary costs at cost	-	36,548	-	-
Accumulated amortisation	-	(36,548)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intangible assets	<u>576,294</u>	<u>49,873</u>	<u>-</u>	<u>-</u>
<b>NOTE 14 : OTHER FINANCIAL ASSETS</b>				
Investment in Webjet Marketing Pty Ltd (Controlled Entity) – Note 15	-	-	4,068,336	3,668,336
Provision for diminution of investment	-	-	(4,000,000)	-
	<u>-</u>	<u>-</u>	<u>68,336</u>	<u>3,668,336</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 15 : CONTROLLED ENTITIES

	Country of Incorporation	Shares	% Owned		Investment at cost		Contribution to consolidation operating loss after income tax	
			2003	2002	2003	2002	2003	2002
					\$	\$	\$	\$
Parent Entity: Webjet Limited	Australia		-	-	-	-	(5,316,206)	(1,162,003)
Directly Controlled by Webjet Limited: Webjet Marketing Pty Ltd	Australia	Ordinary	100	100	<u>4,068,336</u>	<u>3,668,336</u>	(367,961)	(425,217)
Directly controlled by Webjet Marketing Pty Ltd: Webjet Operations Elimination of write down of investment in subsidiary on consolidation	Australia	Ordinary	100	100	<u>2</u>	<u>2</u>	-	-
							<u>4,000,000</u>	<u>-</u>
							(1,684,167)	(1,587,220)

During the financial year ended 30 June 2003, Webjet Limited, purchased 400,000 ordinary shares (2002: 275,000) to the value of \$400,000 (2002: \$275,000) in Webjet Marketing Pty Ltd to fund the ongoing operations of the entity. Ownership remains at 100%.

During the financial year ended 30 June 2003, a provision for diminution in value of the investment in Webjet Marketing Pty Ltd of \$4,000,000 was raised.

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 16 : PAYABLES</b>				
Unsecured liabilities				
Trade creditors	496,316	230,031	-	-
Sundry creditors and accrued expenses	<u>120,218</u>	<u>115,901</u>	<u>-</u>	<u>-</u>
	<u>616,534</u>	<u>345,932</u>	<u>-</u>	<u>-</u>
Secured liabilities				
Convertible debentures	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
	<u>816,534</u>	<u>345,932</u>	<u>200,000</u>	<u>-</u>

The debentures are secured zero-coupon convertible debentures. They were issued on 5 May 2003, 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.

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	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 17 : INTEREST BEARING LIABILITIES</b>				
Bank overdraft	<u>135</u>	<u>-</u>	<u>135</u>	<u>-</u>
<b>NOTE 18 : PROVISIONS</b>				
Employee entitlements	<u>58,537</u>	<u>54,441</u>	<u>-</u>	<u>-</u>
Aggregate employee entitlements liability	<u>58,537</u>	<u>54,441</u>	<u>-</u>	<u>-</u>
Number of employees at year end	<u>15</u>	<u>12</u>	<u>-</u>	<u>1</u>
	<b>Parent Entity &amp; Economic Entity</b>		<b>Parent Entity &amp; Economic Entity</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 19 : CONTRIBUTED EQUITY</b>				
Fully Paid Ordinary Shares	<u>159,591,606</u>	<u>123,891,606</u>	<u>10,327,734</u>	<u>8,849,563</u>
Opening Balance	123,891,606	107,731,829	8,849,563	8,198,794
Transaction costs relating to share issues	-	-	(306,829)	(250,000)
Issue and allotment of ordinary shares on 4 September 2001	-	5,000,000	-	250,000
Issue and allotment of ordinary shares on 5 December 2001	-	10,000,000	-	500,000
Issue and allotment of ordinary shares on 4 March 2002	-	1,159,777	-	150,769
Issue and allotment of ordinary shares on 8 May 2003	<u>35,700,000</u>	<u>-</u>	<u>1,785,000</u>	<u>-</u>
Balance at the end of the financial year	<u>159,591,606</u>	<u>123,891,606</u>	<u>10,327,734</u>	<u>8,849,563</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 19: CONTRIBUTED EQUITY (cont'd)

(a) Options

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.

3,500,000 options were issued to directors under the directors and employee share option plan during the year, as approved by shareholders at the Annual General Meeting on 15 November 2002.

3,000,000 options were also issued during the year as part of the capital raising arrangements, as approved by shareholders at the Annual General Meeting on 15 November 2002.

There are no voting or dividend rights attached to the options or the unissued shares. The options are not quoted on the ASX. No shares have been issued by virtue of the exercise of an option during the year.

(i) Options issued during year

Grant Date	Exercise Date (from)	Expiry Date	Exercise Price \$	Parent Entity	
				2003	2002
<i>Issues under directors and employee share option scheme</i>					
01 Jan 02	30 Jun 03	30 Jun 04	0.056020	-	5,641,000
17 Jan 02	01 Jan 03	31 Dec 03	0.046127	-	900,000
15 Nov 02	30 Apr 04	30 Apr 05	0.067840	3,770,000	-
18 Nov 02	18 May 04	18 May 05	0.066700	3,500,000	-
				<u>7,270,000</u>	<u>6,541,000</u>
<i>Options issue in relation to capital raising</i>					
07 Feb 03	07 Feb 03	15 Dec 03	0.05000	3,000,000	-
				<u>10,270,000</u>	<u>6,541,000</u>

(ii) Movement in the number of share options held by employees and directors

Opening Balance	6,666,000	125,000
Granted during the year	7,270,000	6,541,000
Lapsed during the year	(1,140,000)	-
Closing Balance	<u>12,796,000</u>	<u>6,666,000</u>



WEBJET LIMITED AND CONTROLLED ENTITIES  
ACN 002 013 612

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002	2003	2002
	\$	\$	\$	\$
<b>NOTE 21 : CAPITAL AND LEASING COMMITMENTS</b>				
Operating lease commitments contracted for but not capitalised in the financial statements of the economic entity are:				
Payable:				
- Not later than one year	77,603	70,520	-	-
- Later than 1 year but not later than 5 years	144,277	207,358	-	-
- More than 5 years	-	-	-	-
	<u>221,880</u>	<u>277,878</u>	<u>-</u>	<u>-</u>

The office lease is a non-cancellable lease with a four year term. Rent is payable monthly in advance. The lease contains 2 options for a further 4 years.

The company also has various rental agreements for computer equipment which are fixed rentals with terms of 2 or 3 years. Rental on this equipment is payable monthly in advance.

**NOTE 22 : SEGMENT REPORTING**

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

The economic entity operates in one geographical segment being Australia.

**NOTE 23 : EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

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

- (a) the operations, in financial years subsequent to 30 June 2003, of the economic entity; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2003 of the economic entity with the exception of the following matter:

On 20 August 2003, the parent entity subscribed to purchase 1,500,000 ordinary shares of \$1 each in the wholly owned subsidiary, Webjet Marketing Pty Ltd. The subscription price of \$1,500,000 was fully paid via a reduction in the intercompany payable by Webjet Marketing Pty Ltd to Webjet Limited.

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
**ACN 002 013 612**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2003**

**NOTE 24 : RELATED PARTY TRANSACTIONS**

**(i) Directors**

The names of directors who have held office during the financial year are Allan Nahum, Bernard Lochtenberg, David Clarke, John Lemish, Steven Scheuer.

Mr Nahum is a partner of MGI Meyrick Webster Chartered Accountants, which rendered corporate advice along with accounting and secretarial services and received professional fees totalling \$79,970 for the year ended 30 June 2003 (2002: \$62,173). These fees were charged on normal terms and conditions.

Other than the above, there were no contracts involving directors' interests existing at the end of the financial year or entered into since the end of the financial year.

At 30 June 2003 the economic entity had no liability, contingent or otherwise, for termination benefits under service agreements with directors.

**(ii) Shares and option transactions with directors and their director related entities**

The aggregate number of shares and options issued to directors and their related entities in the Company during the year is summarised in note 19.

**(iii) Details of Directors' Shareholdings**

	<b>Relevant Interest in Shares</b>	<b>Relevant Interest in Options</b>
Allan Nahum	2,606,704	1,000,000
Bernard Lochtenberg	300,000	700,000
David R Clarke	4,138,344	2,000,000
John Lemish	5,308,350	2,000,000
Steven Scheuer	24,899,143	600,000

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2003**

**NOTE 24 : RELATED PARTY TRANSACTIONS (cont'd)**

**(iv) Transaction within the Economic Entity**

Webjet Limited (the parent entity) purchased ordinary shares in Webjet Marketing Pty Ltd (the subsidiary) during the financial year (refer note 15).

Webjet Limited provided an interest free loan to Webjet Marketing Pty Ltd during the financial year which is not payable in the next twelve months (refer note 10).

**NOTE 25 : SUPERANNUATION COMMITMENTS**

The economic entity contributes to the individual superannuation plans of each employee. Benefits provided under the plans are based on accumulated contributions and fund earnings for each employee.

**NOTE 26 : FINANCIAL INSTRUMENTS**

**(a) Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	%	%	\$	\$	\$	\$	\$	\$
Cash	4.1	4.5	1,843,083	2,147,696	-	-	1,843,083	2,147,696
Receivables	-	-	-	-	231,251	69,639	231,251	69,639
<b>Total Financial Assets</b>			<b>1,843,083</b>	<b>2,147,696</b>	<b>231,251</b>	<b>69,639</b>	<b>2,074,334</b>	<b>2,217,355</b>
Trade & sundry creditors	-	-	-	-	616,534	345,932	616,534	345,932
Debentures	-	-	-	-	200,000	-	200,000	-
			<b>-</b>	<b>-</b>	<b>816,534</b>	<b>345,932</b>	<b>816,534</b>	<b>345,932</b>

There were no financial liabilities and no fixed interest rate financial assets.

**(b) Net Fair Value**

The carrying amounts of financial assets are the same as net fair value at 30 June 2003 and 2002.

**WEBJET LIMITED AND CONTROLLED ENTITIES  
ACN 002 013 612**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2003**

**NOTE 26 : FINANCIAL INSTRUMENTS (cont'd)**

**(c) Credit Risk**

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.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered in the economic entity.

**NOTE 27 : COMPANY DETAILS**

The registered office of the company is :

Webjet Limited  
C/- MGI Meyrick Webster  
160 Queen Street  
MELBOURNE VIC 3000

The principal place of business is:

Webjet Limited  
Level 5  
492 St Kilda Road  
MELBOURNE VIC 3004

**WEBJET LIMITED AND CONTROLLED ENTITIES  
ACN 002 013 612**

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. The financial statements and notes of the Company and of the Economic Entity:
  - (a) are in accordance with the Corporations Act 2001 and Accounting Standards; and
  - (b) give a true and fair view of the company's and economic entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the board

**David Clarke**  
Director

Dated this 9<sup>th</sup> day of September 2003.

**WEBJET LIMITED AND CONTROLLED ENTITIES  
ACN 002 013 612**

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

**Matters Relating to the Electronic Presentation of the Audited Financial Report**

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

**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 2003, as set out on pages 11 to 36. The consolidated entity comprises both the company and the entities it controlled during that year.

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

*Audit Approach*

We 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. The nature of an audit is influenced by factors such as the use of professional judgment, 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.

**WEBJET LIMITED AND CONTROLLED ENTITIES  
ACN 002 013 612**

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

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.

**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 is in accordance with:

- (a) 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 2003 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.

**BDO**  
Chartered Accountants

**R D D Collie**  
Partner

Melbourne, 9 September 2003

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
**ACN 002 013 612**

**DISCLOSURE OF SHAREHOLDER INFORMATION**  
**YEAR ENDED 30 JUNE 2003**

**Substantial Shareholders**

The names of the substantial shareholders listed in the Company's register as at 31 July 2003 are:

	<b>Shares</b>	<b>%</b>
Mr Steven Scheuer	24,899,143	15.6
GIW Holdings CV	15,850,000	9.93

**Distribution of Shareholders Number**

Analysis of numbers of shareholders and option holders by size of holding:

<b>Size of Holding</b>	<b>Ordinary Shares</b>	<b>Unlisted Options</b>
1 to 1,000	8	-
1,001 to 5,000	186	-
5,001 to 10,000	326	-
10,001 to 100,000	646	-
100,001 and over	146	14

There were 550 holders of less than a marketable parcel of ordinary shares.

All shares have equal voting rights.

**Twenty largest shareholders**

The percentage of the total holding of the 20 largest holders of ordinary shares at 31 July 2003 was 56.82%

The names of the 20 largest shareholders as at 31 July 2003 are listed below:

<b>Name</b>	<b>Number of Ordinary Shares Held</b>	<b>%</b>
Mr Steven Scheuer	24,899,143	15.60
GIW Holdings CV	15,850,000	9.93
Capstan Nominees Pty Ltd	6,882,016	4.31
Mr John Lemish	5,088,350	3.19
Southern Cross Distribution Systems Pty Ltd	5,000,000	3.13
Ms Angela Knell	4,185,481	2.62
Mr David Clarke	3,940,744	2.47
Denlie Pty Ltd	3,550,000	2.22

**WEBJET LIMITED AND CONTROLLED ENTITIES**  
**ACN 002 013 612**

**DISCLOSURE OF SHAREHOLDER INFORMATION**

**YEAR ENDED 30 JUNE 2003**

<b>Name</b>	<b>Number of Ordinary Shares Held</b>	<b>%</b>
Brincliff Pty Ltd	3,258,433	2.04
Mr Rhett Gary Harris	2,237,402	1.40
Intersuisse (Nominees) Pty Ltd	2,128,100	1.33
ANZ Nominees Limited	2,091,500	1.31
Mr Chris Carr & Mrs Betsy Carr	2,000,000	1.25
Roemer Nominees Pty Ltd	1,793,778	1.12
King-Eng Tan	1,770,147	1.11
Obelisk Nominees Pty Ltd	1,664,171	1.04
Mrs Karina Harris	1,177,796	0.74
Jolica Pty Ltd	1,100,000	0.69
Mr Finlay Stuart & Mr Andrew Stuart	1,100,000	0.69
Mr David Geoffrey Bowen & Mrs Diane Patricia Bowen	1,000,000	0.63