Flight Centre (UK) Limited

Directors' report and financial statements for the year ended 30 June 2013

Registered number: 02937210

Directors' report and financial statements for the year ended 30 June 2013
Contents

	Page
Company Information for the year ended 30 June 2013	1
Directors' report for the year ended 30 June 2013	2
Independent auditor's report to the members of Flight Centre (UK) Limited	7
Statement of comprehensive income for the year ended 30 June 2013	8
Statement of financial position as at 30 June 2013	9
Statement of changes in equity for the year ended 30 June 2013	10
Statement of cash flows for the year ended 30 June 2013	11
Notes to the financial statements for the year ended 30 June 2013	12

Directors

G Turner
C Galanty

Company Secretary
A Murray

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Independent Auditors
Ernst and Young LLP
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London
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Registered Number
02937210

The board have pleasure in presenting the directors' report and audited financial statements of Flight Centre (UK) Limited for the year ended 30 June 2013

Principal activities and business review

The company's principal activity continued to be that of a retailer of domestic and international travel and the provision of travel management services

In the opinion of the directors the company performed well in the financial year, exceeding the previous year's record levels in total transactional value and profit before income tax This years success has been underpinned by both strong growth and increased profits by the Retail division Growth of both the Retail and Corporate divisions remains a primary stategic objective The company has set the goal of reaching an annual total transactional value of £1 billion for the year ending 30 June 2015, and a further target of £1 5 billion total transactional value by 30 June 2017 This year's performance represents a significant milestone towards achieveing these goals

On 31 May 2013 Flight Centre (UK) Limited made an asset purchase from The Gapyear Company Limited These entities were already under shared control, with the same directors and executive team and this combination of the legal entities reflects the intention to continue to operate them as a single entity going forward Please refer to notes 12 and 23 for further details

In 2009 Flight Centre Limited (FCL) and Peak Adventure Travel Group Limited (Peak) entered into a joint venture to own and operate specialist retail travel stores in Australia, the UK and other countries where both companies have a presence The stores are branded as Interpid My Adventure Store (IMAS) During the year ended 30 June 2013 FCL and Peak agreed to end the joint venture and divide up the assets of the IMAS group in all countries In relation to the UK, Flight Centre UK Limited purchased 100% of the share capital in Intrepid My Adventure UK Limited (IMAS UK) on 30 June 2013 for the consideration of £245,000 Subsequently on 30 September 2013 IMAS UK sold the Islington store together with current bookings and associated liabilities to a Peak group company in the UK Please refer to notes 12 and 24 for further details

Principal risks and uncertainties

The board and senior executives consider the principal risks and uncertainties affecting the company to fall under the categories detailed below The risk factors detailed below should not be regarded as a full and comprehensive statement of all potential risks that might impact the company's performance

Trading risks

Events outside the board's control include acts of terrorism, international wars, earthquakes and other natural disasters Such events would have an adverse impact on the company's trading position The board recognises that you cannot mitigate specifically against these acts, however the company's continuing broad product offering in terms of customer experience and destination can reduce the impact of these risks

Competition

The company faces competition from a wide range of travel companies due to its broad travel offering Such competition can adversely impact market share, margins and ultimately, profit The company looks to mitigate this risk by undertaking frequent reviews of pricing to ensure competitiveness and by differentiating itself from the competition through the high levels of customer service and product understanding it can offer through all its brands

Internet

The ever increasing use of the internet by customers poses a risk to the company's market share The company continues to ensure that its own websites strongly communicate to its customers the offerings and benefits available through dealing directly with its travel consultants in its high street stores or over the phone Flight Centre (UK) Limited continues to invest in its high street stores to ensure that they remain relevant to its customers and represent a desirable retail experience As part of a Flight Centre global initiative investment is currently under way to deliver a fully blended online and offline customer experience which will combine the best elements of face to face customer service and the flexibility of online transacting Flight Centre (UK) Limited continually reviews its online strategy to ensure that it reflects the changing needs of its customers and how they choose to purchase travel

Financial review and key performance indicators

The company objectives are set annually and their progress monitored by the board of directors and senior executives A number of key performance indicators are used as part of this process, tracking performance on a monthly basis Listed below are the key performance indicators used to track performance year on year

Total transactional value £'000

2013	£781,536
2012	£744,112
% Variance	5 0% increase

Total transactional value represents the price at which travel products and services have been sold and is stated net of VAT

The significant year on year growth delivered this year has been underpinned by very strong performance across the Retail Division Growth across both the Retail and Corporate divisions remains central to achieving the target of reaching £1 billion total transactional value for the year ending 30 June 2015

Gross margin £'000

2013	£112,999	14 5%
2012	£104,064	14 0%
% Variance	0 5% increase	

Gross margin in this respect is analysed as gross profit as a percentage of total transactional value.

Gross margins have been maintained at similar levels to last year

Profit before income tax (£'000)

2013	£14,453
2012	£8,445
% Variance	71 1% increase

The significant improvements in profit this year reflect the growth in turnover whilst maintaining overhead, support and infrastructure costs at previous levels

Average consultant numbers

2013	1,114
2012	1,062
% Variance	4 9% increase

Average consultant numbers represent the full time equivalent ("FTE" hereon) average of the number of sales consultants at the end of each month in the financial year

Growth continues to be a key priority across all divisions, whilst at the very least maintaining current levels of consultant productivity

Financial review and key performance indicators (continued)

Average shop and branch numbers	
2013	230
2012	215
% Variance	7 0% increase

The company has a number of locations where multiple teams operate within a single location Each of these teams is treated as a separate retail shop or corporate branch

Average shop and branch numbers represents the average of the number of teams at the end of each month in the financial year

Shop and teams have not increased in line with consultant numbers due to an increase in operating hours across Retail to better meet the needs of our customers

Future developments

Shop and consultant number growth is planned to continue with the goal of achieving £1 5 billion annual total transactional value by June 2017 The company will be reinforcing its commitment to its high street offering with the roll out of further multi team, multi brand, single location hyper stores in prominent high street locations across the United Kingdom ("UK" hereon) These new retail locations will incorporate a new 'Shop of the Future' design, to ensure that the retail experience offered to our customers is exciting and relevant This will be coupled with a more integrated approach to Flight Centre UK Limited's online offerings The company will continue to grow its corporate travel brands, Corporate Traveller, FCM Travel Solutions and Ci Events This next financial year will also see a number of projects to deliver productivity gains for its selling staff, which will ease the pressure on physical growth, whilst remaining on track for the company's turnover targets for the next five years

Results and dividends

The trading results for the financial year and the company's financial position at the end of the financial year are shown in these financial statements The directors have not recommended the payment of a dividend (2012 £nil)

Directors

The directors who held office during the financial year and up to the date of signing these financial statements are given on page 1

Employees and equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its success The company encourages the involvement of employees by means of standard communication systems, which stipulate that leaders at all levels should have regular one to one meetings with their staff as well as weekly business meetings with their teams Furthermore, leaders at all levels within the company publish regular newsletters on the company's intranet which keep all readers informed on current developments within their respective areas

The company conducts an annual employee survey to gauge employee engagement with the company and ascertain levels of motivation, contentment, quality of leadership, systems and levels of reward The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its success

Creditor payment policy

The company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the company's practice is to

a) agree the terms of payment at the start of business with the supplier,

b) ensure that those suppliers are made aware of the terms of payment, and

c) pay in accordance with its contractual and other legal obligations

The company's average creditor payment period as at 30 June 2013 was 35 days (2012 39 days)

Policy on financial risk management

The company's policy on financial risk management is continually reviewed throughout the financial year to ensure it is current and appropriate The senior management team jointly have responsibility for this Further details on the company's management of this risk can be found in note 3

Charitable donations

During the financial year £31,000 was recognised as charitable donations in support of the community (2012 £48,000) This amount represents the amount the company matches pound for pound of the funds raised by its employees throughout the year from company organised fund raising events in support of the company's designated charity Make a Wish Foundation

Events occurring after the balance date

Following the acquisition of Intrepid My Adventure UK Limited on 30 June 2013, as mentioned in this directors' report and detailed in notes 12 and 24, on 30 September 2013, Flight Centre (UK) Limited sold the trading assets and associated liabilities of My Adventure Store (UK) Limited (formerly Intrepid My Adventure UK Limited) for a total consideration of £1 This represented the conclusion of a process to end the joint venture relationship between Intrepid Travel Pty Limited and Flight Centre Limited and the division of the assets between the two parties

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

• select suitable accounting policies and then apply them consistently,

• make judgements and accounting estimates that are reasonable and prudent,

• state whether applicable International Financial Reporting Standards (IFRSs), as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements,

• provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance, and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement on disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that, so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware Each of the directors has taken all of the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' indemnities

Flight Centre Limited ("FCL" hereon), the company's ultimate parent undertaking and controlling party, maintains liability insurance for the company's directors and officers

By order of the Board

A Murray
Company secretary

20/12/2013

Independent auditor's report to the members of Flight Centre (UK) Limited

We have audited the financial statements of Flight Centre (UK) Limited for the year ended 30 June 2013 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 25 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

• give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its profit and cash flows for the year then ended,

• have been properly prepared in accordance with IFRSs as adopted by the European Union, and

• have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

• the financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit

Ernst & Young LLP

J I Gordon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

London

20 DECEMBER 2013

Flight Centre (UK) Limited
Statement of comprehensive income
for the year ended 30 June 2013

	Notes	30-Jun 2013 £'000	30-Jun 2012 £'000
Revenue			
Revenue from the sale of travel services	5	99,123	87,864
Revenue from the sale of travel as principal	5	146,191	149,542
Total revenue		245,314	237,406
Cost of sales	6	(132,315)	(133,342)
Gross profit		112,999	104,064
Operating expenses	6	(99,647)	(96,582)
Operating profit	6	13,352	7,482
Finance income	8	1,101	963
Profit before income tax		14,453	8,445
Income tax expense	9	(3,775)	(2,454)
Profit and total comprehensive income for the year		10,678	5,991

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Items in the statement above are all derived from continuing activities

There is no other comprehensive income for the year

Flight Centre (UK) Limited
Statement of financial position
as at 30 June 2013

	Notes	30-Jun 2013 £'000	30-Jun 2012 £'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**6,001**	5,463
Intangible assets	11	**2,164**	831
Deferred income tax assets	13	**588**	455
Investment in subsidiaries	12	**536**	1,553
Total non-current assets		**9,289**	8,302
Current assets			
Trade and other receivables	14	**82,332**	67,285
Cash and cash equivalents	15	**65,087**	58,482
Total current assets		**147,419**	125,767
Total assets		**156,708**	134,069
LIABILITIES			
Non-current liabilities			
Trade and other payables	16	**1,561**	1,434
Provisions for other liabilities and charges	17	**1,730**	502
Total non-current liabilities		**3,291**	1,936
Current liabilities			
Trade and other payables	16	**105,741**	94,991
Current income tax liabilities		**1,298**	535
Total current liabilities		**107,039**	95,526
Total liabilities		**110,330**	97,462
Net assets		**46,378**	36,607
EQUITY			
Share capital	19	**4,604**	4,604
Share premium account		**4,674**	4,674
Capital reserve		**(907)**	-
Retained earnings		**38,007**	27,329
Total equity		**46,378**	36,607

The notes on pages 12 to 38 form part of these financial statements

The financial statements which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 25 were approved by the board of directors on

and were signed on its behalf by

20/12/13

C Galanty
Director

Registered number 02937210

	Notes	Called up share capital £'000	Share premium account £'000	Capital reserve	Retained earnings £'000	Total equity £'000
Balance as at 1 July 2011		4,604	4,674	-	21,338	30,616
Profit for the year		-	-	-	5,991	5,991
Total comprehensive income		-	-	-	5,991	5,991
Balance as at 30 June 2012		4,604	4,674	-	27,329	36,607
Profit for the year		-	-	-	10,678	10,678
Total comprehensive income		-	-	-	10,678	10,678
Inter group acquistion of the Gap Year Company Limited	23	-	-	(907)	-	(907)
Balance as at 30 June 2013		**4,604**	**4,674**	**(907)**	**38,007**	**46,378**

The above statement of changes in equity should be read in conjunction with the accompanying notes

The capital reserve represents the excess of the cost of investment over the identified assets and liabilities transferred by a subsidiary company as part of a group restructuring See note 23 for further details

Flight Centre (UK) Limited
Statement of cash flows
for the year ended 30 June 2013

	Notes	30-Jun 2013 £'000	30-Jun 2012 £'000
Cash flows from operating activities			
Cash generated from operations	7	**12,434**	41,984
Interest received	8	**176**	153
Income tax paid		**(3,021)**	(2,644)
Net cash generated from operating activities		**9,589**	39,493
Cash flows from investing activities			
Purchase of intangible fixed assets	11	**(87)**	(129)
Purchase of property, plant and equipment	10	**(2,709)**	(1,802)
Acquisition of subsidiaries		**(188)**	-
Net cash flow used in investing activities		**(2,984)**	(1,931)
Net increase in cash and cash equivalents		**6,605**	37,562
Cash and cash equivalents brought forward		**58,482**	20,920
Cash and cash equivalents carried forward	15	**65,087**	58,482

The notes on pages 12 to 38 form part of these financial statements

1 General information

Flight Centre (UK) Limited ('the company' hereon) are providers of international and domestic travel solutions and the provision of travel management services

The company is a limited liability company incorporated and domiciled in the United Kingdom The address of its registered office is Level 6, CI Tower, St Georges Square, High Street, New Malden, Surrey, KT3 4TE

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3

The company operates an employee incentive scheme under which store managers are able to share in up to 10 0% of the profit of their store in return for an investment of funds the value of which is calculated based on the store's historic profit performance As part of this scheme, the company has set up notional loans to some of the store managers, which attract interest charges of 6 0% The balance of these employee incentives is £3,335,000 (2012 £3,167,000) and they are recognised within other payables They are unsecured and repayable on demand It has been concluded that there is a right to offset the related employee loans of £2,513,000 (2012 £2,474,000) against these employee incentives Comparative balances of trade and other receivables (see note 14) and trade and other payables have been restated to better reflect the substance of the transaction The balance of the investments, net of the notional loans is £822,000 (2012 £693,000)

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below These policies have been consistently applied to all the periods presented, unless otherwise stated

Statutory base

Flight Centre (UK) Limited is a company registered under the Companies Act 2006

Historical cost convention

These financial statements have been prepared under the historical cost convention

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group The company has not prepared group financial statements as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Flight Centre Limited, a company incorporated in Australia, details of which are in note 25, and is included in the consolidated financial statements of that company

Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate without changes to its current financing structure

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future The directors therefore continue to adopt the going concern basis in preparing its financial statements

(b) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Great British Pounds, which is the company's functional and presentation currency

(ii) Monetary assets and liabilities

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the re translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income

2 Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue comprises the fair value for the sale of domestic and international travel, as well as other goods and services, net of Value Added Tax ('VAT'), rebates and discounts Revenue is recognised as follows

(i) Revenue from travel services

On 1 April 2008 the Civil Aviation Authority made amendments to consumer protection rules From this date onwards, where the company sells a holiday or flight under its own ATOL, the company has become the principal for these transactions as the risks and rewards now lie with the company Revenue is recognised according to whether the company has acted as an agent or a principal Where the company acts as a principal, revenue represents the full total transactional value of holidays and flights, net of any related taxes Total transactional value represents the price at which travel products and services have been sold, plus revenue from other sources, and is stated net of value added tax Revenue from these sales is recorded on the date of departure Revenue and related costs are held as deferred income and prepayments respectively in the statement of financial position until the date of departure Where the company acts as an agent, revenue represents commission earned on flight, hotel, package and other travel-related sales Revenue from the sale of travel services as agent is recorded when all customer monies relating to each sale have been received and all obligations on the company to fulfil the booking have been met Revenue not generated directly from the issuing of travel documents is recognised in accordance with contractual agreements

(ii) Total Transaction Value

Total Transaction Value (TTV) does not represent revenue in accordance with IFRS TTV represents the price at which travel products and services have been sold across the company as agent for various airlines and other service providers, plus revenue from other sources The company's revenue is, therefore, derived from TTV TTV is stated net of VAT payable

(d) Income tax

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate for each jurisdiction, any prior years' under/over provisions, and movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss

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

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

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease

2 Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts

Client cash represents amounts from customers held before release to service and product suppliers

(g) Investments and other financial assets

The company classifies its investments and other financial assets in the following categories financial assets at fair value through statement of comprehensive income, loans and receivables and available-for-sale financial assets The classification depends on the purpose for which the investments were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at each

(i) Financial assets at fair value through statement of comprehensive income

Assets in this category are those designated at fair value through statement of comprehensive income at inception

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through statement of comprehensive income' category are included in the statement of comprehensive income in the period in which they arise
Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets Loans and receivables are included in receivables in the statement of financial position

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts

Collectability of trade receivables is reviewed on an ongoing basis Debts which are known to be uncollectible are written off through operating expenses A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in

Subsequent recoveries of amounts previously written off are credited against operating expense in the statement of comprehensive income

(i) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques

2 Summary of significant accounting policies (continued)

(j) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment Historical cost includes expenditure that is directly attributable to the acquisition and installation of items for their intended use

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows

- fixtures and fittings	5 - 12 5 years
- other property, plant and equipment	5 - 12 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing asset proceeds with carrying amounts These are included in the statement of comprehensive income within operating expenses

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets at the date of acquisition and is included in intangible assets Goodwill is not amortised Instead, goodwill is tested for impairment annually or immediately if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

Goodwill is allocated to cash generating units for the purpose of impairment testing

(ii) Computer software

Software costs have a finite useful life Capitalised software is amortised using the straight line method and written off over the useful economic life of 2 to 5 years

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets Direct costs include the costs of software development employees and an appropriate portion of relevant overheads

(iii) Other intangible assets

These amounts represent decommissioning assets The present value of the make good costs associated with the fitout of new location are capitalised in line with IAS 16 Property, Plant and Equipment and amortised over the life of [illegible]

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid The amounts are unsecured The amounts are initially recognised at fair value and subsequently held at amortised cost

2 Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated Provisions are not recognised for future operating losses

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability The increase in the provision due to the passage of time is recognised as interest expense

(n) Employee benefits

Liabilities for wages and salaries, expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The contributions are recognised in the statement of comprehensive income See note 18 for costs associated with this scheme

(o) Royalties

Royalties are recognised in accordance with the relevant licence agreements each period Any differences between the estimated and actual royalties are adjusted for in the following year

(p) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the company

- IAS 12 Income Taxes (Amendment) – Deferred Taxes Recovery of Underlying Assets, 'Disclosures of interests in other entities' The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis The amendment is effective for annual periods beginning on or after 1 January 2012 and has had no effect on the company's financial position, performance or its disclosures
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI) Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) The amendments became effective for annual periods beginning on or after 1 July 2012 and had no impact on the company's financial position or performance

ii) New standards, amendments issued but not effective for the financial year beginning 1 July 2012 and not early adopted

- IFRS 11 'Joint Arrangements', supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities —Non-Monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted IFRS 11 is concerned principally in addressing two aspects of IAS 31 first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities IFRS 11 improves on IAS 31 by requiring a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement The company is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

2 Summary of significant accounting policies (continued)

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles The company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP The company is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

- IAS 19 'Employee Benefits', which is effective from 1 January 2013 These amendments finalise proposals in the exposure draft Defined Benefit Plans, published in April 2010 and proposals related to termination benefits in the exposure draft IAS 37 Provisions, Contingent Liabilities and Contingent Assets, published in June 2005 These amendments will make it easier for users of financial statements to understand how defined benefit plans affect an entity's financial position, financial performance and cash flows The company is yet to assess IAS 19's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

- IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 These amendments clarify the meaning of "currently has a legally enforceable right to set-off" The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014

- IFRS 1 Government Loans –Amendments to IFRS 1 These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest The amendment is effective for annual periods on or after 1 January 2013 The amendment has no impact on the company

- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 These amendments require an entity to disclose information about rights to set-off and related arrangements (e g , collateral agreements) The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32 These amendments will not impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013

- IFRS 9 Financial Instruments Classification and Measurement (effective 1January2015) IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39 In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the company's financial assets The company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture

- IFRS 10 Consolidated Financial Statements (effective 1 January 2014) IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements It also includes the issues raised in SIC-12 Consolidation —Special Purpose Entities IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27 The company is currently assessing the

2 Summary of significant accounting policies (continued)

- IFRS 1 First-time Adoption of International Financial Reporting Standards This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1 If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS
- IAS 1 Presentation of Financial Statements This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information Generally, the minimum required comparative information is the previous period
- IAS 16 Property Plant and Equipment This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory
- IAS 32 Financial Instruments, Presentation This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes
- IAS 34 Interim Financial Reporting The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements This clarification also ensures that interim disclosures are aligned with annual disclosures
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates The revised standard becomes effective for annual periods beginning on or after 1 January 2013

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

(i) Income taxes

The company is subject to income taxes in the UK The company makes estimates and judgements in determining income tax expense for financial statement purposes and recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due Currently, there are no anticipated tax audit issues Further details on taxes are disclosed in note 9

(ii) Estimated impairment of goodwill

The company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2k(i) The recoverable amounts of cash generating units have been determined based on value-in-use calculations These calculations require the use of assumptions At 30 June 2013, the company recognised a balance of goodwill of £1,646,000 (2012 £409,000)

3 Critical accounting estimates and judgements (continued)

(i) Override revenue

In addition to commission payments, Flight Centre (UK) Limited is eligible for override payments from its suppliers These overrides are negotiated with individual suppliers and will typically include a combination of guaranteed payments and volume incentives

The volume incentives are recognised at the amount receivable when annual targets are likely to be achieved

The override revenue accrual process is inherently judgemental and is impacted by factors which are not completely under the company's control These factors include timing, renegotiations and timing of supplier contract periods

At 30 June 2013, the carrying value of override receivables was £4,573,000 (2012 £3,211,000)

4 Divisional information

Description of segments

Business segments

Flight Centre (UK) Limited operates predominantly in one business segment, the sale of travel and travel-related services and products

Geographical segments

Flight Centre (UK) Limited operates in one geographic segment, being the UK

5 Revenue

	30-Jun 2013 £'000	30-Jun 2012 £'000
Total transaction value (TTV) *	**781,536**	744,112
Revenue from the sale of travel services		
Revenue from the provision of travel	**95,833**	85,742
Other revenue from travel services	**3,290**	2,122
	99,123	87,864
Revenue from the sale of travel as principal	**146,191**	149,542
Total revenue	**245,314**	237,406

** Total Transaction Value (TTV) does not represent revenue in accordance with IFRS TTV represents the price at which travel products and services have been sold across the company's various operations, as agent for various airlines and other service providers, plus revenue from other sources Flight Centre (UK) Limited's revenue is derived from TTV*

6 Operating profit

(a) Expenses by nature

	Notes	30-Jun 2013 £'000	30-Jun 2012 £'000
Profit before income tax includes the following specific expenses:			
Cost of sales from the sale of travel as principal		144,546	145,288
Management fee income received from Flight Centre (UK) Wholesale Limited		(12,231)	(11,946)
Cost of sales		132,315	133,342
Wages and salaries		53,353	48,944
Pension costs	18	1,006	989
Social security costs		5,697	5,385
Total staff costs		60,056	55,318
Total depreciation and amortisation	10, 11	2,353	2,445
Operating lease payments		6,992	6,874
Royalties	22	4,313	8,775
Foreign exchange loss / (gain)		20	(160)
Other expenses		25,832	23,238
		39,510	41,172
During the financial year the company obtained the following services from the company's auditors			
Fees payable to the company's auditors for audit of the company financial statements		73	83
Fees payable to the company's auditors for other services			
- tax services		2	2
- other services		6	7
		81	92
Operating expenses		99,647	96,582
Total cost of sales and operating expense		231,962	229,924

6 Operating profit (continued)

Management fee receivable from a subsidiary undertaking represents the amount receivable from Flight Centre (UK) Wholesale Limited in relation to management services provided The total management fee income for the year is £76,060,000 (2012 £65,638,000), in which £12,231,000 (2012 £11,946,000) relates to principal purchases and as such is disclosed net of principal cost of sales above whereas £63,829,000 (2012 £53,692,000) relates to agency purchases and has been disclosed within agents commission against the incremental costs incurred

Royalties are recognised in accordance with the relevant licence agreements each period Any differences between the estimated and actual royalties are adjusted for in the following year

Operating expense is classified as follows

	30-Jun 2013 £'000	30-Jun 2012 £'000
Selling and distribution expenses	**5,572**	4,958
Administrative expenses	**94,075**	91,624
	99,647	96,582

(b) Employee information

The full time equivalent (FTE) average monthly number of persons employed by the company during the year including executive directors was

	2013 Number	2012 Number
Consultants	**1,114**	1,062
Administration	**403**	399
	1,517	1,461

(c) Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	**979**	880
Pension contributions	**21**	32
	1,000	912
Aggregate emoluments include		
Short term benefit	**615**	577
Long term incentive plan	**364**	303
	979	880

The long term incentive plan is payable to the directors in future years if longevity targets are reached

6 Operating profit (continued)

	2013	2012
	Number	Number
Number of directors to whom retirement benefits are accruing under a pension contribution scheme	**1**	1

Highest paid director

	2013	2012
	£'000	£'000
Amounts included above		
Aggregate emoluments	**1,850**	577
Pension contributions	**21**	32
	1,871	609

G Turner received no remuneration (2012 £nil) from the company in respect of his service as director of Flight Centre (UK) Limited The emoluments of this director are paid by the ultimate parent company, Flight Centre Limited which makes no recharge to this company This individual is a director of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries Accordingly, the above details include no emoluments in respect of this director The total emoluments of this director are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company

Key management and personnel compensation

	2013	2012
	£'000	£'000
Aggregate emoluments	**2,472**	1,281
Pension contributions	**54**	67
	2,526	1,348

The key management personnel are the five executives with the greatest authority for the strategic direction and management of the company

7 Cash flow from operating activities

	Notes	30-Jun 2013 £'000	30-Jun 2012 £'000
Cash generated from operations			
Profit before income tax		**14,453**	8,445
Adjustments for			
- Depreciation of property, plant and equipment	10	**2,147**	2,096
- Amortisation of intangible assets	11	**206**	349
- Loss on disposal of fixed assets	10	**27**	35
- Loss on disposal of intangible assets	11	**35**	74
- Finance income	8	**(1,101)**	(963)
Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries)			
- Decrease / (increase) in trade and other receivables		**(16,201)**	25,788
- Increase in trade and other payables		**12,868**	6,160
Cash generated from operations		**12,434**	41,984

8 Finance income

	30-Jun 2013 £'000	30-Jun 2012 £'000
Profit before income tax includes the following specific income and expenses		
Finance income		
Bank interest receivable	**8**	11
Interest receivable on amounts owed by group undertakings	**925**	810
Interest receivable on employee incentive scheme	**168**	142
	1,101	963

9 Income tax expense

	30-Jun 2013 £'000	30-Jun 2012 £'000
(a) Income tax expense		
Current tax		
Tax on profit for the year	**3,791**	2,454
Adjustment in respect of previous years	**118**	20
	3,909	2,474
Deferred tax		
Origination and reversal of timing differences	**(150)**	(84)
Adjustment in respect of previous years	**(15)**	28
Change in tax rate	**31**	36
	(134)	(20)
Total tax charge	**3,775**	2,454

(b) Reconciliation of income tax expense

The tax assessed for the year is higher (2012 higher) than the standard rate of corporation tax in the UK of 23 75% (2012 25 5%)

The differences between the actual tax charge and the standard rate of corporation tax is explained as follows

	30-Jun 2013 £'000	30-Jun 2012 £'000
Profit before income tax	**14,453**	8,445
Tax at UK tax rate of 23 75% (2012 25 5%)	**3,433**	2,154
Tax effect of amounts		
Expenses not allowable for tax purposes	**293**	216
Adjustments in respect of previous years - deferred tax	**(15)**	28
Adjustments in respect of previous years - current tax	**118**	20
Change in tax rate	**31**	36
Group losses utilised	**(85)**	-
Income tax expense	**3,775**	2,454

(c) Factors affecting future tax charges

The Finance Act 2012 reduced the main rate of corporation tax to 23% with effect from 1 April 2013 The effect of this change on deferred tax balances has been included in these financial statements and is detailed above In the 2012 Autumn Statement the Chancellor of the Exchequer announced that the main rate of corporation tax will be 21% for the year commencing 1 April 2014 and in the March 2013 Budget he announced that the rate will be further reduced to 20% wiht effect from 1 April 2015 These changes have not been reflected in the financial statements

10 Property, plant and equipment

	Notes	Fixtures and fittings	Other property, plant and equipment	Total
		£'000	£'000	£'000
At 30 June 2011				
Cost		10,828	5,444	16,272
Accumulated depreciation		(6,291)	(4,189)	(10,480)
Net book amount		4,537	1,255	5,792
Year ended 30 June 2012				
Opening net book amount		4,537	1,255	5,792
Additions		1,291	511	1,802
Disposals		(7)	(28)	(35)
Depreciation charge	6	(1,526)	(570)	(2,096)
Closing net book amount		4,295	1,168	5,463
At 30 June 2012				
Cost		12,078	5,824	17,902
Accumulated depreciation		(7,783)	(4,656)	(12,439)
Net book amount		4,295	1,168	5,463
Year ended 30 June 2013				
Opening net book amount		4,295	1,168	5,463
Additions		1,659	1,050	2,709
Acquisition	23	-	3	3
Disposals		(25)	(2)	(27)
Depreciation charge	6	(1,518)	(629)	(2,147)
Closing net book amount		4,411	1,590	6,001
At 30 June 2013				
Cost		12,982	6,579	19,561
Accumulated depreciation		(8,571)	(4,989)	(13,560)
Net book amount		4,411	1,590	6,001

Included in the cost of £19,561,000, £7,808,000 represents assets that are fully depreciated, but still in use

11 Intangible assets

	Notes	Goodwill £'000	Computer software £'000	Other intangible assets £'000	Total £'000
At 30 June 2011					
Cost		460	2,601	262	3,323
Accumulated amortisation and impairment		-	(2,201)	(177)	(2,378)
Net book amount		460	400	85	945
Year ended 30 June 2012					
Opening net book amount		460	400	85	945
Additions		-	129	180	309
Disposals		(51)	(13)	(10)	(74)
Amortisation charge	6	-	(252)	(97)	(349)
Closing net book amount		409	264	158	831
At 30 June 2012					
Cost		409	2,665	340	3,414
Accumulated amortisation and impairment		-	(2,401)	(182)	(2,583)
Net book amount		409	264	158	831
Year ended 30 June 2013					
Opening net book amount		409	264	158	831
Additions		-	87	86	173
Acquisition	23	1,237	164	-	1,401
Disposals		-	-	(35)	(35)
Amortisation charge	6	-	(162)	(44)	(206)
Closing net book amount		1,646	353	165	2,164
At 30 June 2013					
Cost		1,646	3,009	364	5,019
Accumulated amortisation and impairment		-	(2,656)	(199)	(2,855)
Net book amount		1,646	353	165	2,164

The amortisation of intangible assets is included in operating expenses in the statement of comprehensive income

Goodwill

Flight Centre (UK) Limited has performed an impairment test based on value-in-use in the 2013 and 2012 financial years

The value-in-use calculations use cash flow projections based on management-approved financial budgets covering a five year period Terminal growth rates up to 5 5% (2012 0% and 3%) are applied and the discount rate is calculated each year based on market data

12 Investment in subsidiaries

Company	Britannic Travel Limited	The Gapyear Company Limited	Flight Centre (UK) Wholesale Limited	Flight Centre Moneywise Limited	Intrepid My Adventure UK Limited	Total
Cost and net book value (£'000)						
At 1 July 2012	-	1,264	2	287	-	1,553
Additions	-	-	-	-	245	245
Capital contribution	-	1,104	-	-	-	1104
The Gapyear Company Limited acquistion (note 23)	-	(2,366)	-	-	-	(2,366)
At 30 June 2013	**-**	**2**	**2**	**287**	**245**	**536**

Name of undertaking	Country of incorporation	Effective holding	Proportion of voting rights	Nature of business
The Gapyear Company Limited	United Kingdom	100%	100%	Dormant company
Flight Centre (UK) Wholesale Limited	United Kingdom	100%	100%	Wholesale company
Britannic Travel Limited	United Kingdom	100%	100%	Dormant company
Flight Centre Moneywise Limited	United Kingdom	100%	100%	Trading company
Intrepid My Adventure UK Limited	United Kingdom	100%	100%	Trading company

The directors believe that the carrying value of the investments is supported by their underlying net assets

On 31 May 2013, Flight Centre (UK) Limited made a contribution by waiving its intercompany loan of £1,104,000 with The Gapyear Company Limited as part of a group restructuring

On 31 May 2013, Flight Centre (UK) Limited acquired the trading assets of The Gapyear Company Limited, a subsidiary company incorporated in Great Britain, for nil consideration in a common controlled transaction The company is now dormant See note 23 for further details

On 30 June 2013, Flight Centre (UK) Limited acquired 100% of the share capital in Intrepid My Adventure UK Limited for a total cash consideration of £245,000

13 Deferred income tax assets

The balance comprises temporary differences attributable to

	30-Jun 2013 £'000	30-Jun 2012 £'000
Decelerated capital allowances	**588**	455
Expected settlement		
In excess of 12 months	**588**	455
	588	455

The utilisation of deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences The recognition of the deferred tax asset is evidenced by forecasts of taxable income arising in the next year

13 Deferred income tax assets (continued)

Movements

	Notes	Capital allowances £'000	Total £'000
At 1 July 2011		435	435
Credited to the statement of comprehensive income	9(a)	20	20
At 30 June 2012		455	455
Credited to the statement of comprehensive income	9(a)	133	133
At 30 June 2013		**588**	**588**

There are no amounts of unprovided deferred tax (2012 £nil)

14 Trade and other receivables

	30-Jun 2013 £'000	30-Jun 2012 £'000
Net trade receivables		(restated)
Trade receivables	**53,311**	45,593
Less Provision for impairment of receivables	**(694)**	(788)
Trade receivables - net	**52,617**	44,805
Other receivables		
Amounts owed by group undertakings	-	814
Deposits refundable	**206**	92
Available-for-sale assets	**19**	19
Prepayments	**29,490**	21,555
	29,715	22,480
	82,332	67,285

Amounts owed by group undertakings are unsecured and bear interest at between 2 43% and 2 68% (2012 between 2 33% and 3 98%) and are due on demand

Other assets are unsecured, interest free and are due within their payment terms

14 Trade and other receivables (continued)

The company operates an employee incentive scheme under which store managers are able to share in up to 10 0% of the profit of their store in return for an investment of funds the value of which is calculated based on the store's historic profit performance As part of this scheme, the company has set up notional loans to some of the store managers, which attract interest charges of 6 0% The balance on these loans is £2,513,000 (2012 £2,474,000) and they are recognised within interest bearing loans They are unsecured and repayment is due on demand It has been concluded that there is a right to offset these loans against the related employee incentives which are included in other payables with investment of funds Comparative balances of trade and other receivables and trade and other payables (see note 16) have been restated to better reflect the substance of the transaction

(a) Impaired receivables

As at 30 June 2013 impaired current trade receivables were £694,000 (2012 £788,000)

As of 30 June 2013, trade receivables of £8,905,000 (2012 £2,554,000) were past due but not impaired These relate to a number of independent customers for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	30-Jun 2013 £'000	30-Jun 2012 £'000
1 to 3 months	**8,905**	2,554
3 to 6 months	-	-
Over six months	-	-
	8,905	2,554

Movements in the provision for impairment of receivables are as follows

	30-Jun 2013 £'000	30-Jun 2012 £'000
Carrying amount at start of year	**788**	1,195
Provision for impairment recognised / (released) during the year	**55**	(393)
Receivables written off during the year as uncollectible	**(149)**	(14)
	694	788

The other classes within trade and other receivables do not contain impaired assets and are not past due Based on the credit history of these other classes, it is expected that these amounts will be received when due

(b) Bad and doubtful trade receivables

The company has recognised a loss of £149,000 (2012 £14,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2013 The loss has been included in operating expense in the statement of comprehensive income

14 Trade and other receivables (continued)

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the company Interest may be charged at commercial rates where the terms of repayment exceed six months Collateral is not normally obtained

15 Cash and cash equivalents

	30-Jun 2013 £'000	30-Jun 2012 £'000
Cash at bank and in hand	**24,035**	20,147
Client bank balances	**41,052**	38,335
	65,087	58,482

Client cash represents amounts from customers held before release to service and product suppliers

16 Trade and other payables

	30-Jun 2013 £'000	30-Jun 2012 £'000
Current		(restated)
Trade creditors	**29,146**	26,940
Amounts owed to group undertakings	**38,425**	40,623
Value added tax payable	**4,056**	3,023
Other taxation and social security	**1,566**	1,539
Other payables	**1,751**	1,340
Deferred income	**30,797**	21,526
	105,741	94,991
Non-current		
Lease incentives	**1,561**	1,434
Total trade and other payables	**107,302**	96,425

As at 30 June 2013 and 30 June 2012 all current trade and other payables are unsecured, interest free and expected to be settled within 12 months

Amounts owed to group undertakings are unsecured, non interest bearing and are repayable on demand

16 Trade and other payables (continued)

The company operates an employee incentive scheme under which store managers are able to share in up to 10 0% of the profit of their store in return for an investment of funds the value of which is calculated based on the store's historic profit performance As part of this scheme, the company has set up notional loans to some of the store managers, which attract interest charges of 6 0% The balance of these employee incentives is £3,335,000 (2012 £3,167,000) and they are recognised within other payables They are unsecured and repayable on demand It has been concluded that there is a right to offset the related employee loans of £2,513,000 (2012 £2,474,000) against these employee incentives Comparative balances of trade and other receivables (see note 14) and trade and other payables have been restated to better reflect the substance of the transaction The balance of the investments, net of the notional loans is £822,000 (2012 £693,000)

17 Provisions for other liabilities and charges

	30-Jun 2013 £'000	30-Jun 2012 £'000
Decommissioning provision	**495**	502
Long term incentive plan	**1,235**	-
	1,730	502

This is the make good provision at the start of the lease for costs associated with bringing all shops and buildings that the company leases back to their original state when the site is vacated A provision is calculated for each property based on the type of shop and building

The long term incentive plan is payable to the directors in future years if longevity targets are reached

Movements in provisions

Movements in the provision during the financial year are set out below

	Decommissioning provision £'000	Long term incentive plan £'000	Total £'000
Non-current			
Carrying amount at start of year	502	-	502
Additional provisions recognised	47	1,235	1,282
Decrease in provision due to amounts used during the year	(30)	-	(30)
Decrease in discounted amount arising from passage of time and discount rate adjustments	(24)	-	(24)
Carrying amount at end of year	**495**	**1,235**	**1,730**

The decommissioning provision is expected to be utilised by 2028

18 Pensions

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost represents contributions payable by the company to the fund and amounted to £1,006,000 (2012 £989,000) No amounts were either prepaid or owed at the financial year end

19 Share capital

	30-Jun 2013 £'000	30-Jun 2012 £'000
(a) Share capital		
4,603,982 (2012 4,603,982) ordinary shares of £1 each	**4,604**	4,604

(b) Ordinary shares

As at 30 June 2013 there were 4,603,982 shares issued and fully paid (2012 4,603,982) All ordinary shares rank equally with one vote attached to each fully paid ordinary share No restrictions to distributions to company shareholders

20 Commitments and contingencies

(a) Commitments

The company leases various offices and vehicles under non cancellable operating leases The leases have varying terms, escalation clauses and renewal rights On renewal, the terms of the leases are renegotiated

Commitments for minimum lease payments in relation to non-cancellable operating leases include the following commitments

	30-Jun 2013 £'000	30-Jun 2012 £'000
Within one year	**5,925**	5,801
Later than one year but not later than five years	**20,010**	18,211
Later than five years	**13,300**	10,912
	39,235	34,924

As at 30 June 2013 the company had no capital commitments (2012 £nil)

(b) Guarantees

The company has provided the following guarantees at 30 June 2013

A guarantee for the obligations and liabilities of, Flight Centre Moneywise Limited, a wholly owned subsidiary, to a maximum amount of £250,000 (2012 £250,000)

A guarantee of the operating lease liability of Back Roads Travel Limited, a wholly owned subsidiary of Flight Centre Limited (ultimate parent) in Australia The remaining liability at 30 June 2013 is £68,000 (2012 £112,000)

(c) Contingent liabilities

As at 30 June 2013 the company had no contingent liabilities or assets (2012 £nil)

21 Financial risk management

Flight Centre (UK) Limited is exposed to financial risks, including liquidity risk, credit risk, market risk, transactional risk, supplier insolvency risk and capital risk The company has limited exposure to price risk given that, regardless of whether it transacts as a principal or agent, it is seen by the consumer as an on seller of its suppliers' land or air products and as such, as with the rest of the industry, is able to pass on to its customers any price fluctuations The company has in place a risk management team, which reports to the chief financial officer, which seeks to limit the adverse effects of these financial risks on the financial performance of the company The company's approach to these risks is discussed below

The company holds the following financial instruments

	30-Jun 2013 £'000	30-Jun 2012 £'000
Financial assets		
Trade and other receivables	**52,842**	48,204
Cash and cash equivalents	**65,087**	58,482
	117,929	106,686
Financial liabilities		
Trade and other payables	**76,504**	77,374

(a) Market risk

(i) Foreign exchange risk

The company faces limited exposure to foreign exchange fluctuations The only potential area to have a material impact on the company's results relates to the settlement of some transactions with FCL The majority of transactions are recorded in UK sterling Where there is a foreign exchange fluctuation this is absorbed in the business' operating results

The company's exposure to foreign currency risk at the reporting date was as follows

	30-Jun 2013		30-Jun 2012	
	USD £'000	Other £'000	USD £'000	Other £'000
Financial assets				
Trade and other receivables	-	**26**	-	110
Cash and cash equivalents	-	**731**	-	651
	-	**757**	-	761
Financial liabilities				
Trade and other payables	**11**	**8,040**	993	1,401

21 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The company has limited exposure to interest rate risk as the company's only borrowings relate to inter-company operational transactions and royalties paid to its parent, FCL This is offset by cash repatriated to FCL on which interest is earned The fluctuations on these two interest rates is directly linked

(b) Credit risk

To mitigate customer credit risk, the company employs policies that require credit checks on potential customers before sales are made On an ongoing basis debtors are rigorously monitored for adherence to terms To mitigate credit risk in relation to cash and deposits with financial institutions, the company only places deposits with major UK high street banks

The company's trade receivables at reporting date are disclosed in note 14

(c) Liquidity risk

Liquidity risk is the risk that the company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities This risk is managed through effective credit control procedures (including managing credit risk) and detailed financial reviews regarding the acceptance of any proposed significant financial obligations to ensure that the company can continue to meet its liabilities as they fall due

The company's financial liabilities at the reporting date are disclosed in note 16

(d) Transactional risk

Due to the nature of a retail business the company is exposed to a risk of fraud on customer transactions To mitigate this risk the company has in place credit card and banking policies which form part of the company's minimum standards Ensuring adherence to these standards forms part of the monthly internal audit process

(e) Supplier insolvency risk

If a supplier were to be declared bankrupt or insolvent, the company would have financial exposure Any risk is mitigated by diversification of suppliers, use of national scheduled carriers and, where possible, transacting with those of the company's preferred suppliers who are ABTA (Association of British Travel Agents)/ ATOL (Air Travel Organisers' Licensing)/ IATA (International Air Transport Association) bonded

(f) Capital risk

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio This ratio is calculated as net debt divided by total capital Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the Statement of financial position) less cash and cash equivalents Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt

The company currently has no external borrowings

21 Financial risk management (continued)

(g) Financial instruments by category

Assets as per the statement of financial position	Loans, receivables, cash and cash equivalents £'000
At 30 June 2013	
Loans and receivables	**52,842**
Cash and cash equivalents	**65,087**
	117,929
At 30 June 2012 (restated)	
Loans and receivables	48,204
Cash and cash equivalents	58,482
	106,686

See note 14 for analysis of our impaired receivables

The fair value of loans and receivables represents the net amount expected to be received after provisions for impairments have been made

Liabilities as per the statement of financial position	Other financial liabilities £'000
At 30 June 2013	
Trade and other payables	**76,505**
At 30 June 2012	
Trade and other payables	77,374

The carrying value approximates to the fair value of the financial instruments

The fair value of trade and other payables represents expected cash outflows to third party suppliers

22 Related party transactions

Flight Centre (UK) Limited is a wholly owned subsidiary of Flight Centre Limited (ultimate parent) in Australia All members of the FCL Group are considered to be related parties of Flight Centre (UK) Limited

Related party	Nature of transactions	Notes	30-Jun 2013 £'000	30-Jun 2012 £'000
Flight Centre Limited (Australia)	Opening balance		(3,652)	27,559
Ultimate parent in Australia	Management fees		(240)	(928)
	Cash repatriated for treasury		-	(26,000)
	Other operational transactions		4,863	4,492
	Royalty charge	6	(4,313)	(8,775)
	Royalty paid		4,354	-
	Outstanding balance		1,012	(3,652)
The Gap Year Company Limited	Opening balance		814	316
Subsidiary	Operational transactions		290	498
	Intercompany waiver		(1,104)	-
	Outstanding balance		-	814
Flight Centre (UK) Wholesale Limited	Opening balance		(36,614)	(33,718)
Subsidiary	Operational transactions		(2,822)	(2,896)
	Outstanding balance		(39,436)	(36,614)
Flight Centre Moneywise Limited	Opening balance		(357)	-
Subsidiary	Operational transactions		356	(357)
	Outstanding balance		(1)	(357)
Total owed to other entities	**Outstanding balance**		**(38,425)**	**(39,809)**

Inter-company loan

Flight Centre (UK) Limited has an inter-company loan from FCL The balance outstanding at 30 June 2013 is £1,012,000 (2012 £3,652,000 liability) The loan is interest bearing with interest payable at 2 61% (2012 3 13%) per annum The loan has no fixed terms of repayment

Directors' emoluments

Please refer to note 6 for the details of directors' emoluments

23 Acquisitions

On 31 May 2013, Flight Centre (UK) Limited acquired the trading assets of The Gapyear Company Limited, a subsidiary company incorporated in Great Britain, for nil consideration in a common controlled transaction The assets and liabilities acquired by Flight Centre (UK) Limited are as follows

	Notes	£'000
Goodwill	11	1,237
Property, plant and equipment	10, 11	167
Trade and other receivables		34
Cash and cash equivalents		55
Other current assets		35
Total assets		1,528
Trade and other payables		(69)
Total liabilities		(69)
Net assets acquired		1,459
Investment in subsidiary		(2,366)
Amounts transferred to capital reserve		(907)

As this was a common controlled transaction between related parties, the assets and liabilities have been transferred at their carrying value and £907,000 has been transferred to a capital reserve

24 Events occurring after the balance sheet

Following the acquisition of Intrepid My Adventure UK Limited on 30 June 2013, as mentioned in this directors' report and detailed in notes 12 and 24, on 30 September 2013, Flight Centre (UK) Limited sold the trading assets and associated liabilities of My Adventure Store (UK) Limited (formerly Intrepid My Adventure UK Limited) for a total consideration of £1 This represented the conclusion of a process to end the joint venture relationship between Intrepid Travel Pty Limited and Flight Centre Limited and the division of the assets between the two parties

25 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Flight Centre Limited, a company incorporated in Brisbane, Australia Flight Centre Limited has included the company in its consolidated financial statements Copies of Flight Centre Limited consolidated financial statements can be obtained from the Australian Stock Exchange website at http //www asx com au or company secretary at Level 13, 316 Adelaide Street, Brisbane, Queensland, Australia, 4000

Flight Centre Limited is the parent company of the smallest and largest undertaking to consolidate these financial statements