

Flight Centre (UK) Limited

Annual report and financial statements for the year ended 30 June 2017

Registered number: 02937210

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Annual report and financial statements for the year ended 30 June 2017

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Flight Centre (UK) Limited
Company Information

Directors

G Turner
C Galanty

Company Secretary

A Murray

Registered Office

Level 6 CI Tower
St Georges Square
High Street
New Malden
Surrey
KT3 4TE

Independent Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Number

02937210

Flight Centre (UK) Limited
Strategic report
for the year ended 30 June 2017

The board has pleasure in presenting the strategic report of Flight Centre (UK) Limited for the year ended 30 June 2017.

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, delivering record results in both total transactional value (TTV) and profit before tax. This has been achieved in a year where we have seen challenges to our customers propensity to travel as a result of both continued global terrorist activity and the specific uncertainties created by the Brexit referendum outcome. Despite these macro factors, growth in both the Corporate and Retail divisions has been strong, resulting in increased profitability across the two divisions. Investment in our Leisure online offerings has seen the successful launch of the Student Universe and BYOJET brands in the UK, both delivering significant online volume. This coupled with several key productivity initiatives has allowed us to continue to grow our Retail division whilst removing significant costs from our Retail cost base. Whilst continuing to grow all our Corporate brands, we have invested significantly in our customer technology offerings, specifically in online booking capability and mobile offerings in our FCM brand. The acquisition by Flight Centre Travel Group, the Company's parent, of the corporate division of Travelink mid way through the year has strengthened our FCM equity footprint in several key European countries; specifically Sweden, Denmark, Finland, Norway and Germany. This greatly strengthens our global TMC offering. Flight Centre (UK) Limited has always seen itself as a company with a strong learning culture. This year saw the Company launch an apprenticeship scheme in its Retail division for all qualifying new consultants. This builds on the Company's continual investment in its people's development and the directors are excited about the benefits of aligning its training and development programmes with the formal structure provided by the recognised apprenticeship scheme standards.

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. The Company maintains an active risk register which is maintained and regularly reviewed by senior local management and is additionally reported to the Flight Centre Travel Group Limited board.

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 it cannot mitigate specifically against these acts. However, the Company's continuing broad product offering, through its portfolio of trading brands, in terms of customer experience and destination, can help to 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, product, and service offerings 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

Due to the Company's offline retail offering the increasing desire for customers to booking travel online is seen to pose a risk to the Company's market share and margins. However the Company is increasingly moving to a more online/offline blended customer offering, allowing customers to book their travel through their preferred channel. The Company's offline offering provides our customers with a high touch, enriched booking experience specifically suited to complex travel arrangements. The launch this year of the Student Universe and BYOJET brands provides an online channel for these customer demographics. The Company will continue to invest in a multi-channel offering for its customers to meet the booking channel preferences of all customers. The Company continues to ensure that its 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. 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's 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

2017	£1,092,882
2016	£1,011,618
% Variance	8.0% increase

Total transactional value represents the price at which travel products and services have been sold and is stated net of VAT. This represents top line growth and is deemed a key indicator of business performance.

The significant year on year growth delivered this year has been underpinned by a very strong performance across the Corporate division. There is now an equal split of turnover between our Retail and Corporate divisions and growth across both these divisions remains central to the Company's growth plans.

Total revenue £'000

2017	£260,772
2016	£244,605
% Variance	6.6% increase

Revenue growth is a direct result of increases in TTV but growth rate is impacted by change in mix between Corporate and Leisure.

Gross profit £'000

2017	£164,961
2016	£161,204
% Variance	2.3% increase

Gross profit has not increased in line with revenue due to increased proportion of principal sales.

Profit before income tax (£'000)

2017	£21,846
2016	£18,724
% Variance	16.7% increase

The rate of increase in profit ahead of turnover growth reflects the ability of the business to control overhead costs. This year has seen significant successes in delivering consultant productivity which has allowed growth whilst rationalising consultant numbers. There has also been a significant reduction in the royalty payment to our Parent Company.

Average consultant numbers

2017	1,323
2016	1,386
% Variance	4.5% decrease

Average consultant numbers represent the number of full time equivalent sales consultants in the financial year.

Consultant numbers remain a key metric for the business however the current focus across all divisions to increase consultant productivity has meant we have been successful in growing TTV whilst being able to rationalise consultant numbers and deliver structural cost savings.

Financial review and key performance indicators (continued)

Average shop and branch numbers

2017	282
2016	286
% Variance	1.4% decrease

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.

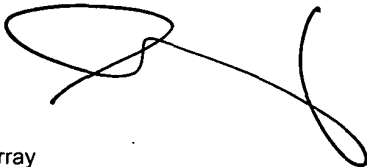
Average shop and branch numbers represents the average of the number of teams at the end of each month in the financial year.

Team numbers have slightly reduced year on year as a result of the consolidation of some teams. This has been possible through the increased productivity of our consultants. The number of physical locations has increased over the last year. The intention is to continue to tactically open new locations in the future.

Future developments

The current five year business plan sets out a goal of achieving £2 billion TTV by 2022. This will be achieved through the growth of both the Retail and Corporate divisions. There will be a continued focus on driving consultant productivity, with investment in internal systems and technology. The Retail division will continue to enhance and grow its tailor made holiday product range and invest in its multi-channel distribution network. The current refurbishment cycle of its high street shops will be close to completion in the next 12 months. The Corporate division will continue to invest in its customer technology offerings across all its Corporate brands.

By order of the board



A Murray
Company secretary

15/12/2017

The board has pleasure in presenting the directors' report and audited financial statements of Flight Centre (UK) Limited for the year ended 30 June 2017.

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 the strategic report and the financial statements. No dividend was paid for the year ended 30th June 2017 (2016: £15,000,000).

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.

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.

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 21.

Political donations

No political donations were made in either the current or prior periods.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 (IFRS), 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 IFRS 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 auditor

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 auditor is 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 auditor is aware of that information.

Directors' indemnities

Flight Centre Travel Group Limited, 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



15/12/2017

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

Opinion

We have audited the financial statements of Flight Centre (UK) Limited for the year ended 30 June 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes 1 to 24. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the strategic report and the directors' report set out on pages 2 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with the applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the strategic report and take advantage of the small companies' exemption in preparing the directors' report.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP

JI Gordon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London

15 DECEMBER 2017

Flight Centre (UK) Limited
Statement of comprehensive income
for the year ended 30 June 2017

		30-Jun	30-Jun
		2017	2016
	Notes	£'000	£'000
Revenue			
Revenue from the sale of travel services	5	153,362	145,869
Revenue from the sale of travel as principal	5	107,410	98,736
Total revenue		260,772	244,605
Cost of sales	6	(95,811)	(83,401)
Gross profit		164,961	161,204
Operating expenses	6	(144,454)	(143,813)
Operating profit		20,507	17,391
Finance income	8	1,488	1,367
Finance costs	8	(149)	(34)
Profit before income tax		21,846	18,724
Income tax expense	9	(4,141)	(4,130)
Profit and total comprehensive income for the year		17,705	14,594

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 2017

		30-Jun 2017 £'000	30-Jun 2016 £'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	10	12,265	13,054
Intangible assets	11	5,154	4,086
Trade and other receivables	14	38,024	28,742
Deferred income tax assets	13	1,650	1,121
Investment in subsidiaries	12	291	291
Total non-current assets		57,384	47,294
Current assets			
Trade and other receivables	14	106,946	100,202
Cash and cash equivalents	15	77,974	66,978
Total current assets		184,920	167,180
Total assets		242,304	214,474
LIABILITIES			
Non-current liabilities			
Trade and other payables	16	9,983	10,934
Provisions for other liabilities and charges	17	504	513
Total non-current liabilities		10,487	11,447
Current liabilities			
Trade and other payables	16	145,309	134,212
Current income tax liabilities		1,266	1,607
Total current liabilities		146,575	135,819
Total liabilities		157,062	147,266
Net assets		85,242	67,208
EQUITY			
Share capital	19	4,604	4,604
Share premium account		4,674	4,674
Capital reserve		(578)	(907)
Retained earnings		76,542	58,837
Total equity		85,242	67,208

The notes on pages 13 to 37 form part of these financial statements.

The financial statements which were approved by the board of directors on 15/12/2017
and were signed on its behalf by:


C. Galanty
Director

Registered number 02937210

Flight Centre (UK) Limited
Statement of changes in equity
for the year ended 30 June 2017

Notes	Called up share capital £'000	Share premium account £'000	Capital reserve	Retained earnings £'000	Total equity £'000
Balance as at 30 June 2015	4,604	4,674	(907)	59,243	67,614
Profit for the year	-	-	-	14,594	14,594
Total comprehensive income	-	-	-	14,594	14,594
 Dividends paid (£3.26 per share)	 -	 -	 -	 (15,000)	 (15,000)
 Balance as at 30 June 2016	 4,604	 4,674	 (907)	 58,837	 67,208
Profit for the year	-	-	-	17,705	17,705
Acquisition reserve	24	-	329	-	329
Total comprehensive income	-	-	-	17,705	18,034
 Balance as at 30 June 2017	 4,604	 4,674	 (578)	 76,542	 85,242

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

The capital reserve represents the excess of the costs of investment over the identified assets and liabilities transferred by subsidiary companies as part of group restructurings.

Flight Centre (UK) Limited
Statement of cash flows
for the year ended 30 June 2017

		30-Jun 2017 £'000	30-Jun 2016 £'000
	Notes		
Cash flows from operating activities			
Cash generated from operations	7	20,095	15,096
Interest received		334	314
Income tax paid		(4,681)	(4,274)
Net cash generated from operating activities		<u>15,748</u>	<u>11,136</u>
Cash flows from investing activities			
Purchase of intangible fixed assets	11	(1,756)	(1,790)
Purchase of property, plant and equipment	10	(2,996)	(7,517)
Dividend paid		-	(15,000)
Net cash flow used in investing activities		<u>(4,752)</u>	<u>(24,307)</u>
Net increase/ (decrease) in cash and cash equivalents		10,996	(13,171)
Cash and cash equivalents brought forward		66,978	80,149
Cash and cash equivalents carried forward	15	<u>77,974</u>	<u>66,978</u>

The notes on pages 13 to 37 form part of these financial statements.

1 General information

The financial statements of Flight Centre (UK) Limited ('the Company' hereon) for the year ended 30 June 2017 were authorised for issue by the board of directors on 15 December 2017 and signed on its behalf by C Galanty.

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 (IFRS 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.

(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 Travel Group Limited, a company incorporated in Australia, details of which are in note 23, and is included in the consolidated financial statements of that company.

(b) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Sterling, 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

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 value added 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 or invoiced 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 or principal 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.

(iii) Revenue from events management services

For event management services, where events have a life cycle from acceptance (budget approval) to event of four months or more and the likely revenues can be reliably estimated, the Company recognises revenue based on the stage of completion of the event.

(d) Income tax

The income tax expense for the period is the total of the current period's taxable income based on the income tax rate, 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 it 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 the 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 reporting date.

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

Assets in this category are those designated at fair value through the 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 the 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 customer 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 uncollectable 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 the statement of comprehensive income within operating expenses.

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	2 - 7 years
- other property, plant and equipment	3 - 20 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 3 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 are forecast to 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 dilapidation costs associated with the fitout of new locations are capitalised in line with IAS 16 Property, Plant and Equipment and amortised over the life of the lease.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the 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 accounting standards and interpretations

There are no IFRS standards or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 July 2016 that have had a material impact on the Company.

2 Summary of significant accounting policies (continued)

(ii) Interpretations and revised standards that are not yet effective and have not been early adopted by the Company

The following standards and interpretations to existing standards have been published that are mandatory for the Company's future accounting but which the Company has not adopted early. Management has not yet fully assessed the impact of these new standards on the financial statements.

- IFRS 9 Financial Instruments – 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers – 1 January 2018; and
- IFRS 16 Leases – 1 January 2019

3 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. 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. 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 2017, the Company recognised a balance of goodwill of £1,646,000 (2016: £1,646,000).

3 Critical accounting estimates and judgements (continued)

(iii) 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 the timing and renegotiations of supplier contract periods.

At 30 June 2017, the carrying value of override receivables was £9,444,000 (2016: £8,634,000), which is included within trade receivables in note 14.

4 Divisional information

Description of segments

Business segments

Flight Centre (UK) Limited operates 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 2017 £'000	30-Jun 2016 £'000
Total transaction value (TTV) *	1,092,882	1,011,618
Revenue from the sale of travel services		
Revenue from the provision of travel	151,722	142,905
Other revenue from travel services	1,640	2,964
	153,362	145,869
Revenue from the sale of travel as principal	107,410	98,736
Total revenue	260,772	244,605

* Total Transaction Value (TTV) does not represent revenue in accordance with IFRS. TTV represents the price (net of VAT) 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.

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

6 Operating profit

(a) Expenses by nature

		30-Jun 2017 £'000	30-Jun 2016 £'000
	Notes		
Profit before income tax includes the following specific expenses:			
Cost of sales from the sale of travel as principal		103,229	91,616
Management fee income received from Flight Centre (UK) Wholesale Limited		(7,418)	(8,215)
Cost of sales		<u>95,811</u>	<u>83,401</u>
Wages and salaries		74,958	74,653
Pension costs	18	2,302	2,229
Social security costs		8,138	7,820
Total staff costs		<u>85,398</u>	<u>84,702</u>
Total depreciation	10	3,777	3,330
Total amortisation	11	687	541
Operating lease payments		8,860	8,235
Royalties	22	4,636	6,972
Foreign exchange loss		79	5
Other expenses		<u>40,921</u>	<u>39,938</u>
		<u>58,960</u>	<u>59,021</u>
During the financial year the Company obtained the following services from the Company's auditor:			
Fees payable to the Company's auditor for audit of the Company financial statements		76	76
Fees payable to the Company's auditor for other services			
- tax services		8	2
- other services		<u>12</u>	<u>12</u>
		<u>96</u>	<u>90</u>
Operating expenses		<u>144,454</u>	<u>143,813</u>

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 £88,997,000 (2016: £86,356,000), in which £7,418,000 (2016: £8,215,000) relates to principal purchases and as such is disclosed net of principal cost of sales above whereas £81,578,000 (2016: £78,141,000) 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 2017 £'000	30-Jun 2016 £'000
Selling and distribution expenses	11,596	14,658
Administrative expenses	132,858	129,155
	<u>144,454</u>	<u>143,813</u>

(b) Employee information

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

	2017 Number	2016 Number
Consultants	1,323	1,386
Administration	522	549
	<u>1,845</u>	<u>1,935</u>

(c) Key management and personnel compensation

Directors' remuneration

	2017 £'000	2016 £'000
Aggregate emoluments	1,425	1,199
Pension contributions	-	-
	<u>1,425</u>	<u>1,199</u>

Aggregate emoluments include:

Short term benefit	726	719
Long term incentive plan	699	480
	<u>1,425</u>	<u>1,199</u>

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

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

6 Operating profit (continued)

	2017	2016
	Number	Number
Number of directors to whom retirement benefits are accruing under a defined contribution scheme	1	1
The number of directors who exercised share options	-	-
The number of directors who received share options under long term incentive schemes	1	1

Highest paid director

	2017	2016
	£'000	£'000
Amounts included above:		
Aggregate emoluments	1,425	1,199
Pension contributions	-	-
	<u>1,425</u>	<u>1,199</u>

G Turner received no remuneration (2016: £nil) from the Company in respect of his service as director of Flight Centre (UK) Limited. Emoluments of this director are paid by the ultimate parent company, Flight Centre Travel Group Limited which makes no recharge to the Company. The director to whom pension contributions are accruing has frozen contributions in the current year.

Key management and personnel compensation

	2017	2016
	£'000	£'000
Aggregate emoluments	2,406	2,290
Pension contributions	48	47
	<u>2,454</u>	<u>2,337</u>

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

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

7 Cash flow from operating activities

		30-Jun 2017 £'000	30-Jun 2016 £'000
	Notes		
Cash generated from operations			
Profit before income tax		21,846	18,724
Adjustments for:			
- Depreciation of property, plant and equipment	10	3,777	3,330
- Amortisation of intangible assets	11	687	541
- Loss on disposal of fixed assets	10	8	273
- Loss on disposal of intangible assets	11	1	17
- Finance income	8	(1,488)	(1,367)
- Finance expense	8	149	34
Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries):			
- Increase in trade and other receivables		(15,022)	(9,822)
- Increase in trade and other payables and provisions for other liabilities and charges		10,137	3,366
Cash generated from operations		<u>20,095</u>	<u>15,096</u>

8 Finance income and costs

	30-Jun 2017 £'000	30-Jun 2016 £'000
Finance income		
Bank interest receivable	54	50
Interest receivable on amounts owed by group undertakings	1,154	1,053
Interest receivable on employee incentive scheme	280	264
	<u>1,488</u>	<u>1,367</u>
Finance costs		
Interest payable on amounts owed to group undertakings	148	34
Interest payable to external parties	1	-
	<u>149</u>	<u>34</u>
Total Finance Income	<u>1,339</u>	<u>1,333</u>

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

9 Income tax expense

	30-Jun	30-Jun
	2017	2016
	£'000	£'000
(a) Income tax expense		
Current tax:		
Tax on profit for the year	4,899	4,227
Adjustment in respect of previous years	(227)	93
	<u>4,672</u>	<u>4,320</u>
Deferred tax:		
Origination and reversal of timing differences	(431)	(284)
Adjustment in respect of previous years	(180)	(83)
Change in tax rate	81	177
	<u>(530)</u>	<u>(190)</u>
Total tax charge	<u>4,142</u>	<u>4,130</u>

(b) Reconciliation of income tax expense

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%).

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

	30-Jun	30-Jun
	2017	2016
	£'000	£'000
Profit before income tax	21,846	18,724
Tax at UK tax rate of 19.75% (2016: 20.00%)	4,315	3,745
Tax effect of amounts:		
Expenses not allowable for tax purposes	170	205
Adjustments in respect of previous years - deferred tax	(180)	(83)
Adjustments in respect of previous years - current tax	(227)	93
Change in tax rate	81	177
Group losses utilised	(17)	(7)
Income tax expense	<u>4,142</u>	<u>4,130</u>

(c) Factors affecting future tax charges

Following the enactment of the Finance Bill (No. 2) 2015 the main rate of corporation tax reduced to 19% effective from 1 April 2017. The Chancellor announced in the Budget on 16 March 2016 that the main rate of UK corporation tax will reduce to 17% from 1 April 2020 and this was enacted on 15 September 2016.

A reduction to 17% would have an insignificant impact on the Company's deferred tax assets.

10 Property, plant and equipment

	Fixtures and fittings	Other property, plant and equipment	Total
Notes	£'000	£'000	£'000
At 30 June 2015			
Cost	17,162	5,475	22,637
Accumulated depreciation	(9,809)	(3,688)	(13,497)
Net book amount	<u>7,353</u>	<u>1,787</u>	<u>9,140</u>
Year ended 30 June 2016			
Opening net book amount	7,353	1,787	9,140
Additions	6,225	1,292	7,517
Disposals	(193)	(80)	(273)
Depreciation charge	6 (a) (1,886)	(1,444)	(3,330)
Closing net book amount	<u>11,499</u>	<u>1,555</u>	<u>13,054</u>
At 30 June 2016			
Cost	23,000	6,628	29,628
Accumulated depreciation	(11,501)	(5,073)	(16,574)
Net book amount	<u>11,499</u>	<u>1,555</u>	<u>13,054</u>
Year ended 30 June 2017			
Opening net book amount	11,499	1,555	13,054
Additions	1,069	1,927	2,996
Disposals	(173)	(119)	(292)
Depreciation write back on disposals	168	116	284
Depreciation charge	6 (a) (2,913)	(864)	(3,777)
Closing net book amount	<u>9,650</u>	<u>2,615</u>	<u>12,265</u>
At 30 June 2017			
Cost	23,896	8,436	32,332
Accumulated depreciation	(14,246)	(5,821)	(20,067)
Net book amount	<u>9,650</u>	<u>2,615</u>	<u>12,265</u>

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

11 Intangible assets

	Notes	Goodwill £'000	Computer software £'000	Other intangible assets £'000	Total £'000
At 30 June 2015					
Cost		1,646	4,182	385	6,213
Accumulated amortisation and impairment		-	(3,139)	(220)	(3,359)
Net book amount		<u>1,646</u>	<u>1,043</u>	<u>165</u>	<u>2,854</u>
Year ended 30 June 2016					
Opening net book amount		1,646	1,043	165	2,854
Additions		-	1,737	53	1,790
Disposals		-	(17)	-	(17)
Amortisation charge	6 (a)	-	(518)	(23)	(541)
Closing net book amount		<u>1,646</u>	<u>2,245</u>	<u>195</u>	<u>4,086</u>
At 30 June 2016					
Cost		1,646	5,320	438	7,404
Accumulated amortisation and impairment		-	(3,075)	(243)	(3,318)
Net book amount		<u>1,646</u>	<u>2,245</u>	<u>195</u>	<u>4,086</u>
Year ended 30 June 2017					
Opening net book amount		1,646	2,245	195	4,086
Additions		-	1,751	5	1,756
Disposals		-	(47)	(19)	(66)
Amortisation writeback on disposals		-	46	19	65
Amortisation charge	6 (a)	-	(653)	(34)	(687)
Closing net book amount		<u>1,646</u>	<u>3,342</u>	<u>166</u>	<u>5,154</u>
At 30 June 2017					
Cost		1,646	7,024	424	9,094
Accumulated amortisation and impairment		-	(3,682)	(258)	(3,940)
Net book amount		<u>1,646</u>	<u>3,342</u>	<u>166</u>	<u>5,154</u>

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 the value-in-use.

The value-in-use calculations use cash flow projections based on management-approved financial budgets covering a five year period. Terminal growth rates of 0% (2016: 0%) are applied and the discount rate of 12.5% (2016: 12.5%) is calculated each year based on market data.

12 Investment in subsidiaries

Company	Total
Cost and net book value (£'000)	
At 30 June 2016	291
At 30 June 2017	291

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
Flight Centre Moneywise Limited	United Kingdom	100%	100%	Trading company
Travel Money Currency Exchange (UK) Limited	United Kingdom	100%	100%	Dormant company

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

13 Deferred income tax assets

The balance comprises temporary differences attributable to:

	30-Jun 2017 £'000	30-Jun 2016 £'000
Decelerated capital allowances	<u>1,651</u>	<u>1,121</u>
Expected settlement		
In excess of 12 months	<u>1,651</u>	<u>1,121</u>
	1,651	1,121

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.

13 Deferred income tax assets (continued)

Movements

	Notes	Capital allowances £'000	Total £'000
At 30 June 2015		931	590
Credited to the statement of comprehensive income	9 (a)	190	341
At 30 June 2016		1,121	931
Credited to the statement of comprehensive income	9 (a)	530	530
At 30 June 2017		1,651	1,461

There are no amounts of unprovided deferred tax (2016: £nil).

14 Trade and other receivables

	30-Jun 2017 £'000	30-Jun 2016 £'000
Trade receivables		
Trade receivables	76,607	68,108
Less: Provision for impairment of receivables	(575)	(574)
Trade receivables - net	76,032	67,534
Other receivables		
Deposits refundable	199	192
Available-for-sale assets	4	4
Prepayments	30,711	32,472
	30,914	32,668
Total current	106,946	100,202
Non-current		
Amounts owed by group undertakings	38,024	28,742
Total trade and other receivables	144,970	128,944

Amounts owed by group undertakings are unsecured and bear interest at 2.04%.

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

14 Trade and other receivables (continued)

(a) Impaired receivables

As at 30 June 2017 impaired current trade receivables were £575,000 (2016: £574,000).

As of 30 June 2017, trade receivables of £7,178,000 (2016: £8,708,000) 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 2017 £'000	30-Jun 2016 £'000
1 to 3 months	6,393	8,027
3 to 6 months	662	519
Over six months	123	162
	<u>7,178</u>	<u>8,708</u>

Movements in the provision for impairment of receivables are as follows:

	30-Jun 2017 £'000	30-Jun 2016 £'000
Carrying amount at start of year	575	574
Provision utilised during the year	-	1
Amounts reversed in the year	-	-
	<u>575</u>	<u>575</u>

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) 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.

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

15 Cash and cash equivalents

	30-Jun 2017 £'000	30-Jun 2016 £'000
Cash at bank and in hand	20,075	15,473
Client bank balances	57,899	51,505
	<u>77,974</u>	<u>66,978</u>

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

16 Trade and other payables

	30-Jun 2017 £'000	30-Jun 2016 £'000
Current		
Trade creditors	46,621	35,992
Amounts owed to group undertakings	59,335	54,379
Value added tax payable	161	952
Other taxation and social security	2,126	1,464
Lease incentives	396	356
Other payables	5,204	4,648
Deferred income	31,465	36,422
	<u>145,309</u>	<u>134,212</u>
Non-current		
Amounts owed to group undertakings	4,624	9,015
Lease incentives	2,314	1,919
Deferred income	3,045	-
	<u>9,983</u>	<u>10,934</u>
Total trade and other payables	<u>155,292</u>	<u>145,146</u>

As at 30 June 2017 all current trade and other payables are unsecured, interest free and expected to be settled within 12 months.

Non current amounts owed to group undertakings are unsecured and bear interest at a rate of 2.04% (2016: 2.28%). The Company has the right to defer settlement for 12 months from the date of this report.

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. The balance of these employee incentives is £4,694,000 (2016: £4,580,000). 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%. They are unsecured and repayable on demand. It has been concluded that there is a right to offset the related employee loans of £3,934,000 (2016: £3,830,000) against these employee incentives. The balance of the investments, net of the notional loans is £760,000 (2016: £750,000) and is recognised within other payables.

17 Provisions for other liabilities and charges

The decommissioning provision is the make good provision made 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.

Movements in provisions

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

	Decommissioning provision	Total
	£'000	£'000
Non-current		
Carrying amount at start of year	513	513
Additional provisions recognised	5	5
Amounts used during the year	(24)	(24)
Discount rate adjustments	10	10
Carrying amount at end of year	<u>504</u>	<u>504</u>

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 £2,302,000 (2016: £2,229,000). No amounts were either prepaid or owed at the financial year end.

19 Share capital

	30-Jun 2017 £'000	30-Jun 2016 £'000
(a) Share capital		
4,603,982 (2016: 4,603,982) ordinary shares of £1 each	4,604	4,604

(b) Ordinary shares

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 properties 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 2017 £'000	30-Jun 2016 £'000
Within one year	7,702	7,265
Later than one year but not later than five years	25,810	24,544
Later than five years	12,321	15,387
	<u>45,833</u>	<u>47,196</u>

As at 30 June 2017 the Company had no capital commitments (2016: £nil).

(b) Guarantees

The Company has provided the following guarantees at 30 June 2017:

A guarantee for the obligations and liabilities of Flight Centre Moneywise Limited, a wholly owned subsidiary, to a maximum amount of £250,000 (2016: £250,000).

A guarantee for the use of Airplus purchasing card for Flight Centre Travel Group (Europe) AB, a wholly owned subsidiary of Flight Centre Travel Group Limited (ultimate parent) in Australia, EUR 400,000 (2016: EUR nil).

A guarantee for the use of Airplus purchasing card for Flight Centre Travel Group (Germany) GmbH, a wholly owned subsidiary of Flight Centre Travel Group Limited (ultimate parent) in Australia, EUR 400,000 (2016: EUR nil).

A guarantee for the use of Nordea Bank purchasing card for Flight Centre Travel Group (Europe) AB, a wholly owned subsidiary of Flight Centre Travel Group Limited (ultimate parent) in Australia, SEK 1,000,000 (2016: SEK nil).

A guarantee to enable sales of Rail in Sweden for Flight Centre Travel Group (Europe) AB, a wholly owned subsidiary of Flight Centre Travel Group Limited (ultimate parent) in Australia, SEK 2,900,000 (2016: SEK nil).

(c) Contingent liabilities

As at 30 June 2017 the Company had no contingent liabilities or assets (2016: £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 2017 £'000	30-Jun 2016 £'000
Financial assets		
Trade and other receivables	76,032	67,534
Amounts owed by group undertakings	38,024	28,742
Cash and cash equivalents	77,974	66,978
	<u>192,030</u>	<u>163,254</u>

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

Financial liabilities		
Trade and other payables	56,822	45,330
Amounts owed to group undertakings	63,959	63,394
Provisions for other liabilities and charges	505	513
	<u>121,286</u>	<u>110,844</u>

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.

(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 Flight Centre Travel Group Limited. The majority of transactions are recorded in 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 2017	30-Jun 2016
	AUD £'000	AUD £'000
Financial assets		
Cash and cash equivalents	-	11
Financial liabilities		
Trade and other payables	4,624	2

As at 30 June 2017 all financial liabilities are expected to be settled within 12 months.

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, Flight Centre Travel Group Limited. This is offset by cash repatriated to Flight Centre Travel Group Limited 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 the 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 trade and other payables at the reporting date are disclosed in note 16.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities by their contractual maturity date at the reporting period's end. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 12	Over 12	Total	Carrying
Year ended 30 June 2017	On demand	months	months	contractual cash flows	amount
	£'000	£'000	£'000	£'000	£'000
Trade creditors	-	46,621	-	46,621	46,621
Amounts owed to group undertakings	59,335	-	4,718	64,053	63,947
Other payables	-	7,028	2,314	9,341	9,341
Provisions for other liabilities and charges	-	-	505	505	505
Total non-derivatives	59,335	53,648	7,537	120,521	120,415

		Less than 12	Over 12	Total	Carrying
Year ended 30 June 2016	On demand	months	months	contractual cash flows	amount
	£'000	£'000	£'000	£'000	£'000
Trade creditors	-	35,992	-	35,992	35,992
Amounts owed to group undertakings	54,379	-	9,221	63,600	63,394
Other payables	-	7,564	1,919	9,483	9,483
Provisions for other liabilities and charges	-	-	513	513	513
Total non-derivatives	54,379	43,555	11,653	109,587	109,382

21 Financial risk management (continued)

(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) members.

(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.

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2017
(Continued)

22 Related party transactions

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

Related party	Nature of transactions	Notes	30-Jun 2017 £'000	30-Jun 2016 £'000
Assets as per the statement of financial position				
Flight Centre Travel Group Limited (Australia)	Opening balance		28,742	18,896
Ultimate parent in Australia	Other operational transactions		9,282	9,846
	Outstanding balance		38,024	28,742
Flight Centre Moneywise Limited	Opening balance		-	-
Subsidiary	Operational transactions		2	-
	Outstanding balance		2	-
Total owed by other entities	Outstanding balance		38,026	28,742
Liabilities as per the statement of financial position				
Flight Centre Travel Group Limited (Australia)	Opening balance		(9,015)	(12,915)
Ultimate parent in Australia	Other operational transactions		5,033	2,314
	Royalty charge	6	(4,636)	(6,972)
	Royalty paid		3,994	8,558
	Outstanding balance		(4,624)	(9,015)
Flight Centre Moneywise Limited	Opening balance		(20)	(2)
Subsidiary	Operational transactions		20	(18)
	Outstanding balance		-	(20)
Flight Centre (UK) Wholesale Limited	Opening balance		(54,359)	(55,139)
Subsidiary	Operational transactions		(4,974)	780
	Outstanding balance		(59,333)	(54,359)
Total owed to other entities	Outstanding balance		(63,957)	(63,394)

Inter-company loan

Flight Centre (UK) Limited has inter-company loans from Flight Centre Travel Group Limited. The balances outstanding at 30 June 2017 are £38,024,000 asset (2016: £28,742,000) and £4,624,000 (2016: £9,015,000) liability. The loan is interest bearing with interest receivable at 1.84% and payable at 2.04% per annum. The loan has no fixed terms of repayment.

Key management and personnel compensation.

Please refer to note 6 for the details of key management and personnel compensation.

22 Related party transactions (continued)

Transactions with associates

Flight Centre (UK) Limited earned commission income from Top Deck Tours Limited of £24,000 (2016: £79,000).

Flight Centre (UK) Limited earned commission income from Back Roads Touring Co. Limited of £nil (2016: £17,000)

23 Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is Flight Centre Travel Group Limited, a company incorporated in Brisbane, Australia. Flight Centre Travel Group Limited has included the Company in its consolidated financial statements. Copies of Flight Centre Travel Group Limited consolidated financial statements can be obtained from the Australian Stock Exchange website at <http://www.asx.com.au> or company secretary at Southpoint, 275 Grey Street, South Brisbane, Queensland, Australia, 4101.

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

24 Acquisitions

On 29 July 2016, Flight Centre (UK) Limited acquired the trading assets of Student Universe Limited, a subsidiary company incorporated in the United Kingdom, for consideration of £350,000 in a common controlled transaction. The assets and liabilities acquired by Flight Centre (UK) Limited were as follows

	£'000
Property, plant and equipment	5
Trade and other receivables	148
Cash and cash equivalents	970
Total assets	1,123
Trade and other payables	444
Total liabilities	444
Net assets acquired	679
Consideration paid	(350)
Amounts transferred to capital reserve	329

As this was a common controlled transaction between related parties, the assets and liabilities have been transferred at their carrying value and £329,000 has been transferred to the capital reserve.