

Flight Centre (UK) Limited

Annual report and financial statements for the year ended 30 June 2015

Registered number: 02937210



Annual report and financial statements for the year ended 30 June 2015

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Directors

G Turner
C Galanty

Company Secretary

A Murray

Registered Office

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Surrey
KT3 4TE

Independent Auditors

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 2015

The board has pleasure in presenting the strategic report of Flight Centre (UK) Limited for the year ended 30 June 2015.

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 gross profit. This year's success has been underpinned by strong growth across both Retail and Corporate divisions. Growth of both the Retail and Corporate divisions remains a primary strategic objective. With the inclusion of Flight Centre Travel Group (Ireland) Limited the UK and Ireland group achieved its target of exceeding TTV of £1 billion.

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 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

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 Travel Group Limited 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'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

2015	: £983,272
2014	: £863,698
% Variance	: 13.8% 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 a very strong performance across the Corporate division. There is an equal split of turnover between our Retail and Corporate divisions. Growth across both these divisions remains central to the Company's growth plans.

Gross Profit £'000

2015	: £147,660
2014	: £131,897
% Variance	: 12.0% increase

Gross profit growth has declined slightly relative to turnover due to a change in the mix of Corporate clients.

Profit before income tax (£'000)

2015	: £14,811
2014	: £12,900
% Variance	: 14.8% increase

The rate of increase in Profit ahead of Turnover growth reflects the ability of the business to control overhead, support and infrastructure costs.

Average consultant numbers

2015	: 1,315
2014	: 1,212
% Variance	: 8.5% 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.

Physical growth in consultant numbers remains a priority.

Financial review and key performance indicators (continued)

Average shop and branch numbers

2015	: 278
2014	: 255
% Variance	: 9.0% 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.

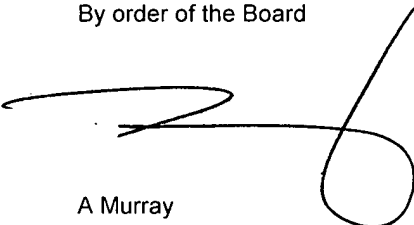
Shop and teams numbers increased in line with consultant numbers and reflects the Company's continued belief in small business teams.

Future developments

Shop and consultant number growth is planned to continue with the goal of achieving £1.7 billion annual total transactional value by June 2020 as set out in a new five year plan. The Company will be reinforcing its commitment to continued roll out of its new "shop of the future" design to ensure that the retail experience offered to our customers is exciting and relevant.

The next five years will see the refurbishment of the current portfolio of locations in addition to new locations. 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 see increased focus on delivering more unique travel product for our leisure customers and increased sophistication in the management of corporate travel accounts.

By order of the Board


A Murray
Company secretary

11/12/2015

The board has pleasure in presenting the directors' report and audited financial statements of Flight Centre (UK) Limited for the year ended 30 June 2015.

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. The directors have not recommended the payment of a dividend (2014: £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.

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 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.

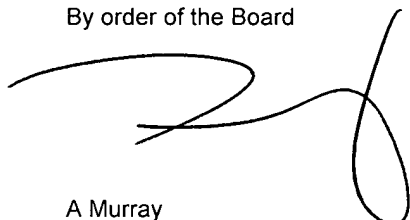
Statement on disclosure of information to auditors

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 Travel Group Limited ("FCTGL" 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

11/12 | 2015

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 2015 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 23. 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 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. 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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.



J I Gordon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

London

11 December 2015

Flight Centre (UK) Limited
Statement of comprehensive income
for the year ended 30 June 2015

		30-Jun 2015 £'000	30-Jun 2014 £'000
	Notes		
Revenue			
Revenue from the sale of travel services	5	134,757	117,441
Revenue from the sale of travel as principal	5	92,246	106,082
Total revenue		227,003	223,523
Cost of sales	6	(79,343)	(91,626)
Gross profit		147,660	131,897
Other income		219	-
 Operating expenses	 6	 (134,096)	 (119,840)
Operating profit		13,783	12,057
 Finance income	 8	 1,028	 843
Profit before income tax		14,811	12,900
 Income tax expense	 9	 (3,371)	 (3,104)
Profit and total comprehensive income for the year		11,440	9,796

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 2015

		30-Jun 2015 £'000	30-Jun 2014 £'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	10	9,140	8,108
Intangible assets	11	2,854	2,362
Trade and other receivables	14	18,896	5,858
Deferred income tax assets	13	931	590
Investment in subsidiaries	12	291	536
Total non-current assets		32,112	17,454
Current assets			
Trade and other receivables	14	99,208	93,041
Cash and cash equivalents	15	80,149	68,646
Total current assets		179,357	161,687
Total assets		211,469	179,141
LIABILITIES			
Non-current liabilities			
Trade and other payables	16	14,753	7,760
Provisions for other liabilities and charges	17	2,273	1,934
Total non-current liabilities		17,026	9,694
Current liabilities			
Trade and other payables	16	125,267	112,055
Current income tax liabilities		1,562	1,218
Total current liabilities		126,829	113,273
Total liabilities		143,855	122,967
Net assets		67,614	56,174
EQUITY			
Share capital	19	4,604	4,604
Share premium account		4,674	4,674
Capital reserve		(907)	(907)
Retained earnings		59,243	47,803
Total equity		67,614	56,174

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 23 were approved by the board of directors on

and were signed on its behalf by:


C. Galanty
Director

11/12/15

Registered number 02937210

Flight Centre (UK) Limited
Statement of changes in equity
for the year ended 30 June 2015

Notes	Called up share capital £'000	Share premium account £'000	Capital reserve	Retained earnings £'000	Total equity £'000
Balance as at 1 July 2013	4,604	4,674	(907)	38,007	46,378
Profit for the year	-	-	-	9,796	9,796
Total comprehensive income	-	-	-	9,796	9,796
Balance as at 30 June 2014	4,604	4,674	(907)	47,803	56,174
Profit for the year	-	-	-	11,440	11,440
Total comprehensive income	-	-	-	11,440	11,440
Balance as at 30 June 2015	4,604	4,674	(907)	59,243	67,614

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, which was completed in May 2013.

Flight Centre (UK) Limited
Statement of cash flows
for the year ended 30 June 2015

		30-Jun 2015 £'000	30-Jun 2014 £'000
	Notes		
Cash flows from operating activities			
Cash generated from operations	7	18,974	11,624
Other income		131	-
Interest received		206	198
Income tax paid		(3,350)	(3,186)
Net cash generated from operating activities		<u>15,961</u>	<u>8,636</u>
 Cash flows from investing activities			
Purchase of intangible fixed assets	11	(813)	(537)
Purchase of property, plant and equipment	10	(3,733)	(4,540)
Disposal of subsidiaries		88	-
Net cash flow used in investing activities		<u>(4,458)</u>	<u>(5,077)</u>
 Net increase in cash and cash equivalents		11,503	3,559
Cash and cash equivalents brought forward		68,646	65,087
 Cash and cash equivalents carried forward	15	<u>80,149</u>	<u>68,646</u>

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

1 General information

Flight Centre (UK) Limited ('the Company' hereon) is a provider 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.

(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.

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

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.

(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 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 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 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	5 - 12.5 years
- other property, plant and equipment	4 - 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 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

The following new and amended IFRS and IFRIC interpretations were effective as of 1 July 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interest in other entities
- IAS 27 (amended) Consolidated and separate financial statements
- IAS 28 (amended) Investments in associates and joint ventures
- IAS 32 (amendment) Offsetting financial assets and liabilities

There was no material impact to the Company's results or disclosures in adopting these standards.

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 but does not believe they will have any material impact on the financial statements.

- IFRIC 21 Levies – 17 June 2014
- IFRS 9 Financial Instruments – Classification and Measurement – 1 January 2015 (not yet EU endorsed)
- IFRS 14 Regulatory Deferral Accounts – 1 January 2016
- IFRS 15 Revenue from Contracts with Customers – 1 January 2018

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 2015, the Company recognised a balance of goodwill of £1,646,000 (2014: £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 timing, renegotiations and timing of supplier contract periods.

At 30 June 2015, the carrying value of override receivables was £8,294,000 (2014: £7,866,000).

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.

Flight Centre (UK) Limited
Notes to the financial statements
for the year ended 30 June 2015
(Continued)

5 Revenue

	30-Jun 2015 £'000	30-Jun 2014 £'000
Total transaction value (TTV) *	983,272	863,698
Revenue from the sale of travel services		
Revenue from the provision of travel	131,633	113,437
Other revenue from travel services	<u>3,124</u>	<u>4,004</u>
	134,757	117,441
Revenue from the sale of travel as principal	<u>92,246</u>	<u>106,082</u>
Total revenue	227,003	223,523

* 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.

Flight Centre (UK) Limited
Notes to the financial statements
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(Continued)

6 Operating profit

(a) Expenses by nature

		30-Jun	30-Jun
		2015	2014
	Notes	£'000	£'000
Profit before income tax includes the following specific expenses:			
Cost of sales from the sale of travel as principal		86,421	100,964
Management fee income received from Flight Centre (UK) Wholesale Limited		(7,078)	(9,338)
Cost of sales		<u>79,343</u>	<u>91,626</u>
Wages and salaries		66,713	61,516
Pension costs	18	2,084	1,561
Social security costs		<u>7,122</u>	<u>6,254</u>
Total staff costs		<u>75,919</u>	<u>69,331</u>
Total depreciation and amortisation	10, 11	2,862	2,676
Operating lease payments		7,730	7,756
Royalties	22	12,384	10,382
Foreign exchange (gain) / loss		(8)	(22)
Other expenses		<u>35,128</u>	<u>29,636</u>
		<u>58,096</u>	<u>50,428</u>
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	73
Fees payable to the Company's auditors for other services			
- tax services		2	2
- other services		<u>6</u>	<u>6</u>
		<u>81</u>	<u>81</u>
Operating expenses		<u>134,096</u>	<u>119,840</u>
Total cost of sales and operating expense		<u>213,439</u>	<u>211,466</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 £81,303,000 (2014: £87,532,000), in which £7,078,000 (2014: £9,338,000) relates to principal purchases and as such is disclosed net of principal cost of sales above whereas £74,225,000 (2014: £78,194,000) 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 2015 £'000	30-Jun 2014 £'000
Selling and distribution expenses	12,004	10,499
Administrative expenses	122,092	109,341
	<u>134,096</u>	<u>119,840</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:

	2015 Number	2014 Number
Consultants	1,315	1,212
Administration	462	415
	<u>1,777</u>	<u>1,627</u>

(c) Key management and personnel compensation

Directors' remuneration

	2015 £'000	2014 £'000
Aggregate emoluments	1,018	870
Pension contributions	23	16
	<u>1,041</u>	<u>886</u>

Aggregate emoluments include:

Short term benefit	678	625
Long term incentive plan	340	245
	<u>1,018</u>	<u>870</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 2015
(Continued)

6 Operating profit (continued)

	2015 Number	2014 Number
Number of directors to whom retirement benefits are accruing under a defined contribution scheme	<u>1</u>	<u>1</u>

Highest paid director

	2015 £'000	2014 £'000
Amounts included above:		
Aggregate emoluments	1,018	870
Pension contributions	<u>23</u>	<u>16</u>
	<u>1,041</u>	<u>886</u>

G Turner received no remuneration (2014: £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 Travel Group 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

	2015 £'000	2014 £'000
Aggregate emoluments	1,805	1,556
Pension contributions	<u>60</u>	<u>46</u>
	<u>1,865</u>	<u>1,602</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 2015
(Continued)

7 Cash flow from operating activities

		30-Jun 2015 £'000	30-Jun 2014 £'000
	Notes		
Cash generated from operations			
Profit before income tax		14,811	12,900
Adjustments for:			
- Depreciation of property, plant and equipment	10	2,545	2,348
- Amortisation of intangible assets	11	317	328
- Loss on disposal of fixed assets	10	156	85
- Loss on disposal of intangible assets	11	4	11
- Finance income	8	(1,028)	(843)
Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries):			
- Increase in trade and other receivables		(18,379)	(15,922)
- Increase in trade and other payables and provisions for other liabilities and charges		20,548	12,717
Cash generated from operations		<u>18,974</u>	<u>11,624</u>

8 Finance income

	40,359.00 2,015.00 £'000	30-Jun 2014 £'000
Bank interest receivable	15	11
Interest receivable on amounts owed by group undertakings	822	645
Interest receivable on employee incentive scheme	191	187
	<u>1,028</u>	<u>843</u>

9 Income tax expense

	30-Jun 2015 £'000	30-Jun 2014 £'000
(a) Income tax expense		
Current tax:		
Tax on profit for the year	3,312	3,150
Adjustment in respect of previous years	400	(44)
	<u>3,712</u>	<u>3,106</u>
Deferred tax:		
Origination and reversal of timing differences	(75)	(100)
Adjustment in respect of previous years	(385)	29
Change in tax rate	119	69
	<u>(341)</u>	<u>(2)</u>
Total tax charge	<u>3,371</u>	<u>3,104</u>

(b) Reconciliation of income tax expense

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.75% (2014: 22.50%).

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

	30-Jun 2015 £'000	30-Jun 2014 £'000
Profit before income tax	14,811	12,900
Tax at UK tax rate of 20.75% (2014: 22.50%)	3,073	2,903
Tax effect of amounts:		
Expenses not allowable for tax purposes	164	160
Adjustments in respect of previous years - deferred tax	(385)	29
Adjustments in respect of previous years - current tax	400	(44)
Change in tax rate	119	69
Group losses utilised	-	(13)
Income tax expense	<u>3,371</u>	<u>3,104</u>

(c) Factors affecting future tax charges

The Chancellor announced in the 2015 Summer Budget the main rate of corporation tax rate will be reduced to 19% with effect from 1 April 2017 with a further reduction to 18% from the 1 April 2018. The effect on the deferred tax balance has not been included as the change in tax rates had not been substantively enacted at the balance sheet date.

10 Property, plant and equipment

		Fixtures and fittings	Other property, plant and equipment	Total
	Notes	£'000	£'000	£'000
At 30 June 2013				
Cost		12,982	6,579	19,561
Accumulated depreciation		(8,571)	(4,989)	(13,560)
Net book amount		<u>4,411</u>	<u>1,590</u>	<u>6,001</u>
Year ended 30 June 2014				
Opening net book amount		4,411	1,590	6,001
Additions		3,593	947	4,540
Disposals		(72)	(13)	(85)
Depreciation charge	6	(1,521)	(827)	(2,348)
Closing net book amount		<u>6,411</u>	<u>1,697</u>	<u>8,108</u>
At 30 June 2014				
Cost		14,527	4,534	19,061
Accumulated depreciation		(8,116)	(2,837)	(10,953)
Net book amount		<u>6,411</u>	<u>1,697</u>	<u>8,108</u>
Year ended 30 June 2015				
Opening net book amount		6,411	1,697	8,108
Additions		2,757	976	3,733
Disposals		(121)	(35)	(156)
Depreciation charge	6	(1,694)	(851)	(2,545)
Closing net book amount		<u>7,353</u>	<u>1,787</u>	<u>9,140</u>
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>

11 Intangible assets

	Notes	Goodwill £'000	Computer software £'000	Other intangible assets £'000	Total £'000
At 30 June 2013					
Cost		1,646	3,009	364	5,019
Accumulated amortisation and impairment		-	(2,656)	(199)	(2,855)
Net book amount		<u>1,646</u>	<u>353</u>	<u>165</u>	<u>2,164</u>
Year ended 30 June 2014					
Opening net book amount		1,646	353	165	2,164
Additions		-	478	59	537
Disposals		-	-	(11)	(11)
Amortisation charge	6	-	(294)	(34)	(328)
Closing net book amount		<u>1,646</u>	<u>537</u>	<u>179</u>	<u>2,362</u>
At 30 June 2014					
Cost		1,646	3,368	389	5,403
Accumulated amortisation and impairment		-	(2,831)	(210)	(3,041)
Net book amount		<u>1,646</u>	<u>537</u>	<u>179</u>	<u>2,362</u>
Year ended 30 June 2015					
Opening net book amount		1,646	537	179	2,362
Additions		-	813	-	813
Disposals		-	-	(4)	(4)
Amortisation charge	6	-	(307)	(10)	(317)
Closing net book amount		<u>1,646</u>	<u>1,043</u>	<u>165</u>	<u>2,854</u>
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>

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 2015 and 2014 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 of 0% (2014: 0% to 3%) are applied and the discount rate of 15.5% (2014: 15.4%) 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	My Adventure Store (UK) Limited	Total
Cost and net book value (£'000)						
At 30 June 2014	-	2	2	287	245	536
At 30 June 2015	-	2	2	287	-	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
Britannic Travel Limited	United Kingdom	100%	100%	Dormant company
Flight Centre Moneywise Limited	United Kingdom	100%	100%	Trading company
My Adventure Store (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 2015 £'000	30-Jun 2014 £'000
Decelerated capital allowances	<u>931</u>	<u>590</u>
Expected settlement		
In excess of 12 months	<u>931</u>	<u>590</u>
	<u>931</u>	<u>590</u>

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 2013		588	588
Credited to the statement of comprehensive income	9 (a)	2	2
At 30 June 2014		590	590
Credited to the statement of comprehensive income	9 (a)	341	341
At 30 June 2015		931	931

There are no amounts of unprovided deferred tax (2014: £nil).

14 Trade and other receivables

	30-Jun 2015 £'000	30-Jun 2014 £'000
Net trade receivables		
Trade receivables	70,014	61,331
Less: Provision for impairment of receivables	(882)	(873)
Trade receivables - net	69,132	60,458
Other receivables		
Amounts owed by group undertakings	-	401
Deposits refundable	203	143
Value added tax receivable	1,737	-
Available-for-sale assets	19	19
Prepayments	28,117	32,020
	30,076	32,583
	99,208	93,041
Non-current		
Amounts owed by group undertakings	18,896	5,858
Total trade and other receivables	118,104	98,899

Amounts owed by group undertakings are unsecured and bear interest at between 2.02% and 2.27%.

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 2015 impaired current trade receivables were £882,000 (2014: £873,000).

As of 30 June 2015, trade receivables of £11,228,000 (2014: £7,736,000) 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 2015 £'000	30-Jun 2014 £'000
1 to 3 months	11,228	7,736
3 to 6 months	-	-
Over six months	-	-
	<u>11,228</u>	<u>7,736</u>

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

	30-Jun 2015 £'000	30-Jun 2014 £'000
Carrying amount at start of year	873	694
Provision for impairment recognised / (released) during the year	46	306
Receivables written off during the year as uncollectible	(37)	(127)
	<u>882</u>	<u>873</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
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(Continued)

15 Cash and cash equivalents

	30-Jun 2015 £'000	30-Jun 2014 £'000
Cash at bank and in hand	27,372	27,430
Client bank balances	52,777	41,216
	<u>80,149</u>	<u>68,646</u>

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

16 Trade and other payables

	30-Jun 2015 £'000	30-Jun 2014 £'000
Current		
Trade creditors	36,350	26,471
Amounts owed to group undertakings	55,141	44,382
Value added tax payable	-	3,166
Other taxation and social security	1,920	1,735
Lease incentives	434	457
Other payables	2,329	2,250
Deferred income	29,093	33,594
	<u>125,267</u>	<u>112,055</u>
Non-current		
Amounts owed to group undertakings	12,915	5,913
Lease incentives	1,838	1,847
	<u>14,753</u>	<u>7,760</u>
Total trade and other payables	<u>140,020</u>	<u>119,815</u>

As at 30 June 2015 and 30 June 2014 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 and bear interest at rates between 2.22% and 2.65% (2014: between 2.22% and 2.65%). 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 £4,490,000 (2014: £4,170,000). 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 £3,470,000 (2014: £3,166,000) against these employee incentives. The balance of the investments, net of the notional loans is £1,020,000 (2014: £1,004,000) and is recognised within other payables

17 Provisions for other liabilities and charges

	30-Jun 2015 £'000	30-Jun 2014 £'000
Decommissioning provision	453	454
Long term incentive plan	1,820	1,480
	<u>2,273</u>	<u>1,934</u>

The decommissioning provision 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	454	1,480	1,934
Additional provisions recognised	30	340	370
Decrease in provision due to amounts used during the year	(24)	-	(24)
Decrease in discounted amount arising from passage of time and discount rate adjustments	(7)	-	(7)
Carrying amount at end of year	<u>453</u>	<u>1,820</u>	<u>2,273</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 £2,084,000 (2014: £1,561,000). No amounts were either prepaid or owed at the financial year end.

19 Share capital

	30-Jun 2015 £'000	30-Jun 2014 £'000
(a) Share capital		
4,603,982 (2013: 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 2015 £'000	30-Jun 2014 £'000
Within one year	6,919	6,591
Later than one year but not later than five years	20,836	21,081
Later than five years	13,004	15,229
	<u>40,759</u>	<u>42,901</u>

As at 30 June 2015 the Company had no capital commitments (2014: £nil).

(b) Guarantees

The Company has provided the following guarantees at 30 June 2015:

A guarantee for the obligations and liabilities of Flight Centre Moneywise Limited, a wholly owned subsidiary, to a maximum amount of £250,000 (2014: £250,000).

A guarantee of the operating lease liability of Back Roads Travel Limited, a wholly owned subsidiary of Flight Centre Travel Group Limited (ultimate parent) in Australia. The remaining liability at 30 June 2015 is £23,000 (2014: £23,000).

(c) Contingent liabilities

As at 30 June 2015 the Company had no contingent liabilities or assets (2014: £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 2015 £'000	30-Jun 2014 £'000
Financial assets		
Trade and other receivables	71,091	61,021
Amounts owed by group undertakings	18,896	6,259
Cash and cash equivalents	80,149	68,646
	<u>170,136</u>	<u>135,926</u>
Financial liabilities		
Trade and other payables	44,433	37,144
Amounts owed to group undertakings	68,056	50,295
Provisions for other liabilities and charges	2,273	1,934
	<u>114,762</u>	<u>89,373</u>

(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 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 2015		30-Jun 2014	
	AUD £'000	Other £'000	AUD £'000	Other £'000
Financial assets				
Cash and cash equivalents	-497	497	-	131
Financial liabilities				
Trade and other payables	12,737	33	9,697	73

As at 30 June 2015 and 30 June 2014 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

(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 financial liabilities at the reporting date are disclosed in note 16.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings. Groupings are based on the remaining period to the contractual maturity date at the reporting period's end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 30 June 2015	On demand	Less than 12 months	Over 12 months	Total contractual cash flows	Carrying amount
	£'000	£'000	£'000	£'000	£'000
Trade creditors	-	36,350	-	36,350	36,350
Amounts owed to group undertakings	55,141	-	12,915	68,056	68,056
Other payables	-	6,245	1,838	8,083	8,083
Provisions for other liabilities and charges	-	-	2,273	2,273	2,273
Total non-derivatives	55,141	42,595	17,026	114,762	114,762

Year ended 30 June 2014	On demand	Less than 12 months	Over 12 months	Total contractual cash flows	Carrying amount
	£'000	£'000	£'000	£'000	£'000
Trade creditors	-	26,471	-	26,471	26,471
Amounts owed to group undertakings	44,382	-	5,913	50,295	50,295
Other payables	-	8,826	1,847	10,674	10,674
Provisions for other liabilities and charges	-	-	1,934	1,934	1,934
Total non-derivatives	44,382	35,297	9,694	89,373	89,373

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) 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 2015	
Trade and other receivables	71,091
Amounts owed by group undertakings	18,896
Cash and cash equivalents	80,149
	<u>170,136</u>
At 30 June 2014	
Trade and other receivables	61,021
Amounts owed by group undertakings	6,259
Cash and cash equivalents	68,646
	<u>135,926</u>

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 2015	
Trade and other payables	44,433
Amounts owed to group undertakings	68,056
Provisions for other liabilities and charges	2,273
	<u>114,762</u>
At 30 June 2014	
Trade and other payables	37,144
Amounts owed to group undertakings	50,295
Provisions for other liabilities and charges	1,934
	<u>89,373</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.

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 2015 £'000	30-Jun 2014 £'000
Assets as per the statement of financial position				
Flight Centre Travel Group Limited (Australia) Ultimate parent in Australia	Opening balance		5,858	1,012
	Management fees		-	468
	Other operational transactions		13,038	4,378
	Outstanding balance		18,896	5,858
Flight Centre Travel Group (Ireland) Limited Subsidiary of Ultimate parent	Opening balance		400	-
	Operational transactions		(400)	400
	Outstanding balance		-	400
Flight Centre Moneywise Limited Subsidiary	Opening balance		1	(1)
	Operational transactions		(1)	2
	Outstanding balance		-	1
Total owed by other entities	Outstanding balance		18,896	6,259
Liabilities as per the statement of financial position				
Flight Centre Travel Group Limited (Australia) Ultimate parent in Australia	Opening balance		(5,913)	-
	Management fees		-	-
	Cash repatriated for treasury		-	-
	Other operational transactions		686	(32)
	Royalty charge	6	(12,384)	(10,382)
	Royalty paid		4,696	4,501
	Outstanding balance		(12,915)	(5,913)
Flight Centre Moneywise Limited Subsidiary	Opening balance		-	-
	Operational transactions		(2)	-
	Outstanding balance		(2)	-
Flight Centre (UK) Wholesale Limited Subsidiary	Opening balance		(44,382)	(39,436)
	Operational transactions		(10,757)	(4,946)
	Outstanding balance		(55,139)	(44,382)
Total owed to other entities	Outstanding balance		(68,056)	(50,295)

Inter-company loan

Flight Centre (UK) Limited has inter-company loans from Flight Centre Travel Group Limited. The balances outstanding at 30 June 2015 are £18,896,000 asset (2014: £5,858,000) and £12,915,000 (2014: £5,913,000). The loan is interest bearing with interest receivable at 2.03% and payable at 2.23% (2012: 3.13%) 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.

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 Level 2, 545 Queen Street, Brisbane, Queensland, Australia 4000.

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