Flight Centre (UK) Limited

Annual report and financial statements for the year ended 30 June 2020

Registered number: 02937210

Annual report and financial statements for the year ended 30 June 2020
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Directors

G Turner (resigned 1 July 2020)
C Galanty (resigned 1 July 2020)
A Murray (appointed 1 July 2020)
S Norris (appointed 1 July 2020)

Company Secretary
A Murray

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Independent Auditor
Ernst & Young LLP
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Registered Number
02937210

The board has pleasure in presenting the strategic report of Flight Centre (UK) Limited for the year ended 30 June 2020.

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.

The final quarter of the 2020 financial year will be defined by COVID-19 and the impact on the travel and tourism industry and on society as a whole. Prior to the coronavirus crisis the UK market was already experiencing considerable challenges and uncertainty such as Brexit, with the failure of Thomas Cook in September 2019 being a notable event in the UK travel market.

The COVID-19 global pandemic since March 2020 has had a significant impact on the travel and tourism industry. This has seen the closure of international borders, local lockdowns, and intense restrictions on travel has made long-term survival a priority for all travel businesses and unfortunately we have seen many travel companies fail since March 2020.

Since March 2020, the pandemic has had the impact of reducing trading income levels for the Company to 10% of pre COVID levels. This has meant that the key strategic objective for the remainder of 2020 was the long-term survival of Flight Centre (UK) Limited.

The key mid-term strategic priorities for the directors have been:

1) Ensuring the safety and well-being of both our travelling customers and our employees.
2) Securing liquidity to sustain an extended period where almost no income is coming into the business.
3) Reducing operating costs to protect cashflow.
4) Restructuring the business and protecting key areas to ensure that the business is best placed to bounce back when travel restrictions are eventually lifted.
5) Prioritising areas for investment to enable future growth.
6) Management of customer refunds resulting from cancellations due to restrictions on travel, both internationally and domestically.

In the opinion of the directors the Company performed well against these key strategic priorities during the final quarter of 2020 and continue to do so.

The directors instigated a cost reduction programme in March 2020. This has seen a significant reshaping of the business, across all brands and functions and the attainment of a reduced ongoing cost base of 30% of pre COVID levels. With immediate effect all discretionary spend was halted. The Company has been able to utilise the government furlough scheme since March 2020 to reduce the pressure on employment costs, but in May 2020 it was necessary to initiate a company-wide restructuring programme which has subsequently reduced employee numbers by over 50%. It is deeply saddening to lose so many talented and loyal employees, but this has been necessary in an environment of such suppressed trading activity, to safeguard the long term viability of Flight Centre (UK) Limited.

In June 2020 the Company had achieved its cost base reduction target of 30% of pre COVID levels. It is believed this cost base can be maintained until trading levels reach 40% of pre COVID levels.

In July 2020 the Company secured a £65 million loan via the Bank of England Corporate Covid Financing Facility (CCFF) programme.

The Company's parent Flight Centre Travel Group, (FLT), entered into the coronavirus crisis with healthy cash reserves and minimal debt and moved quickly to protect itself against a steep and prolonged downturn. Key initiatives included securing AUD1.1 billion in additional cash and liquidity.

The key principle to the Company's restructuring programme has been the protection of the key areas of the business which will be central to the recovery of the Company. This has included continued investment in customer facing technology for both our Business and Leisure customers, retaining both sales and account management teams in Business travel, and retaining a reshaped and resized Leisure high street presence.

Principal activities and business review (continued)

The implementation of global travel restrictions since March 2020 have seen an unprecedented volume of customer cancellations and the need to provide refunds for our customers. These high volumes of cancellations and refunds have placed a considerable burden on our operational teams and resulted in a considerable backlog of refunds awaiting processing. This burden has been exacerbated by the challenges many of our suppliers have experienced in being able to provide the Company with refunds in a timely manner. In response to these challenges we created centralised teams; purely focused on processing customer refunds and rebooking.

These have been challenging times of uncertainty for our customers. The Company's priority has been to be able to provide our customers with timely and accurate travel information, based on the latest FCDO (previously FCO) and wider government advice.

For the safeguarding of our employees the Company has had to close its offices and retail locations, following government advice. This has meant that throughout the crisis the majority of our employees have been working from home. Where government guidance has allowed we have been able to allow our head office employees to return to our offices after first ensuring that we have been able to provide COVID secure working environments. The Company recognises that sustained periods of home working present challenges from a health and mental well-being perspective and where possible has tried to provide the opportunity for its employees to safely return to the office. Unfortunately tighter lockdown restrictions at times have meant this has not always been possible. Throughout the crisis considerable effort has been made to ensure that regular communication and engagement with all our employees has been maintained across various communication channels.

In the opinion of the directors the Company was performing well prior to the coronavirus crisis; delivering strong results in both total transactional value (TTV) and profit before tax. For the year to date up to February 2020 the Company delivered £790 million of TTV, (2% lower than FY 2019). This has been achieved in a year where the UK market was experiencing several challenges even before the coronavirus crisis. Whilst there existed continued uncertainty around the finalisation of a Brexit deal and potential impacts for our corporate customers and broader consumer confidence, this had not obviously impacted our ability to grow in some brands. The continued IATA driven initiative to establish New Distribution Capability (NDC) across the industry has presented many challenges for the industry, specifically in relation to availability of airline content for agents and ability to provide seamless and efficient experiences for customers. The Company has invested considerable time and resources to work with our partners in the end to end booking process to ensure continuity of service to its customers. Throughout this period our Corporate Division continued to grow. This reflects the continued focus and investment in our Corporate technology products and B2B marketing. Both national SME and large market global customers remain a key focus of the Company. The Company's Leisure focus has been the continued repositioning of the red and white Flight Centre Brand ('FCB'), increasing its specialisation in long-haul tailormade holidays. As a consequence, there has been a decline in flight only TTV.

Productivity improvement across all divisions was a priority pre the coronavirus crisis and will continue to be so. The Company continues to invest in automation across all divisions. The current period of restricted trading volumes has provided the opportunity to focus on process improvements and automation which will result in significant productivity gains when trading levels significantly improve.

Principal risks and uncertainties

The board and senior executives consider the principal risks and uncertainties affecting the Company to fall under the following categories. The risk factors 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 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. In addition, as an agent for the majority of products rather than a principal, the Company is able to avoid risks and liabilities in relation to destination and product type commitments, unlike a traditional tour operator.

Principal risks and uncertainties (continued)

The coronavirus crisis has impacted trading levels across all divisions. With global travel restrictions across both Leisure and Business travel, the diversity of the Company's brands has had limited impact on mitigating this risk to trading. However, as detailed above, the Company has been able to act swiftly to take action to mitigate the impact on cash flows and secure the long term sustainability of the business.

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. The corporate travel market is witnessing more and more technology based disruptors entering the market place. In response the Company and its parent company continue to increase their investment in technology to compliment the people to people offering.at the core of its success.

Due to the Company's commitment to an offline retail offering, the increasing desire for customers to book travel online is often seen to pose a risk to the Company's market share and margins. The Company continually reviews its online strategy to ensure that it reflects the changing needs of its customers and how they choose to purchase travel. The Company's offline offering provides our customers with a high touch, enriched booking experience specifically suited to complex travel arrangements. 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. Whilst the Company in direct response to the coronavirus crisis has had to significantly rationalise its physical Leisure footprint, it recognises the importance to our customers and the role physical locations play in providing a multi channel offering.

The entire industry has been impacted by the coronavirus crisis. However by resizing the business, securing liquidity and prioritising areas for investment, the Company is well placed to address adverse impact from competition when travel restrictions are eventually lifted.

Section 172 statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1a) – (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

The directors of the Company have always taken decisions for the long-term and collectively and individually our aim is always to uphold the highest standards of conduct, as documented in our internal policies, code of conduct and Company philosophies. We expect all of our colleagues, at all levels of the business, to do the same. Equally we know that our Company can only grow and succeed over the long term if we understand and respect the views and needs of our customers, our people, our suppliers and the local communities we operate in, as well as our shareholders to whom we are accountable.

We understand that our strategic direction can only be achieved with the support and collaboration across our key stakeholder groups. We have a responsibility to our stakeholders to consider their views and to engage in matters that are important to them.

Set out below are the key stakeholder groups the directors have identified, the engagement that allows the directors to capture the views and needs of its key stakeholders and the key issues and decisions made that have materially impacted stakeholders.

Our customers

Importance:
We recognise that our customers always have a choice and we care about delivering amazing travel experiences.

Section 172 statement (continued)

Engagement:
The service we provide our customers is delivered through small dedicated teams and individual travel consultants.

In our Business travel brands, we invest heavily in our Account Management teams and recognise the importance of establishing multi-level relationships with our customers, through to the senior leadership team. An important element of this is regular customer account reviews.

Our Business travel brands run a structured programme of Client Advisory Groups and in addition hold regular events with our customers both to thank our customers for their support but also to build further engagement.

Across all our brands we run a programme of customer surveys and feedback, and utilise external metrics such as Trust Pilot scores to help measure the quality of service we provide our customers.

Our Marketing departments regularly run market research and customer focus groups to ensure that we are able to fully understand the changing needs of our customers and the broader market.

Despite the impact of COVID-19 and the travel restrictions it has caused, continued efforts have been made to stay engaged with our customers, (including the retention of Account Management teams), to understand their changing travel policy needs and for us to provide up to date information regarding safe allowable travel.

Throughout the pandemic extensive research has been carried out to constantly monitor the appetite of our Business travel customers for travelling again and their key concerns for when they do travel.

Key descisions:
The travel restrictions imposed as a result of COVID-19 have generated unprecedented volumes of refunds and cancellations. To address these increased volumes, centralised teams were created to assist with the processing of customer refunds.

Our people

Importance:
Our Company is our people. We care for our colleagues health and well-being, their personal and professional development and their financial security. We believe work should be challenging and fun for everyone and through work we contribute to our community.

Engagement:
The Company has always believed in the importance of maintaining a lean flat organisational structure, where by our senior leaders are always accessible to our people. Aligned to this is our small team structure, which we believe is critical to being able to provide support and development for individuals.

Monthly one on one's, weekly team meetings, off site planning days and staff conference ensure that there is always open and honest dialogue between all our people. In addition the Company has recently introduced an internal social media platform to foster stronger two way dialogue across the Company and heighten employee engagement.

Annual staff surveys are critical to capturing the views of our people and identifying areas where we can improve from a people support perspective.

Whilst the majority of employees through the coronavirus crisis have been at home, concerted efforts have been made to ensure regular communication with all employees, regardless of whether working or not.

Key decisions:
The Company has made use of the government furlough scheme to protect employees' income whilst no meaningful work has been available during a sustained period of suppressed travel activity due to COVID-19.

As part of the company-wide restructuring programme a collective consultation process was instigated in an attempt to minimise job losses. This included the appointment of representatives from all business areas.

Investment has been made to create COVID secure head office working environments to allow the safe return to work whilst adhering to social distancing guidelines.

Section 172 statement (continued)

Our suppliers

Importance:
Our suppliers are critical to ensuring we can deliver consistent services levels and products for customers and for us to achieve our commercial goals.

Engagement:
It is important to foster strong multi-level relationships with our suppliers and senior management take an active role in achieving this. Additionally, our dedicated supplier management teams are responsible for ensuring that there are regular service and commercial reviews with all our key suppliers with key matters being reported to directors.

Our supplier management teams have worked closely with suppliers to understand their challenges brought about through COVID-19, especially with regard to their ability to provide customer refunds in a timely manner.

Regulators and industry bodies

Importance:
It is important to fully understand and comply with regulator and industry body requirements to ensure the Company is lawfully trading.

Engagement:
The Company actively engages with key industry bodies, including ABTA and BTA, to be informed of current issues faced by the industry. The Company also invests time and resource in fostering open relationships and dialogue with both the CAA and IATA.

The coronavirus crisis has created a number of regulatory changes and challenges, especially in relation to the treatment of refunds and financial criteria set by industry regulators. Continual open dialogue has helped considerably through these unprecedented times for the industry.

Local communities

Importance:
The Company believes it can have a positive impact on the local communities in which it operates, servicing local businesses and customers, providing employment and recognising the need to be respectful of the local environment.

Engagement:
The Company continues to operate on the High Street, placing our business directly within communities.

Key decisions:
With the need to dramatically reduce the Company's operating expenditure as a result of almost no income for the business through the coronavirus crisis, the Company has had to rationalise its property portfolio. However, the Company is retaining a number of retail sites in key high street locations.

Parent company

Importance:
We recognise our responsibilities as a subsidiary of our Australian parent listed on the ASX.

Engagement:
The Company has representation on the Global Management Team. Across all key functions of the business the Company operates global structures which the Company is represented on.

The Company has had to increase the cadence of financial and operational reporting to its parent, often providing daily updates on key trading metrics to ensure the parent company has a full and timely understanding of the Company's trading position.

Key decisions:
The ability of the Company's parent to raise additional cash funding through an equity raise and restructured financing has only been possible through a group wide commitment to significantly reducing expenditure.

In July 2020 the Company secured a £65 million loan via the Bank of England Corporate Covid Financing Facility (CCFF) programme.

Financial review and key performance indicators

The Company's objectives are set annually and its progress monitored by the board of directors and senior executives. A number of key performance indicators are used as part of this process to track performance on a monthly basis. Listed below are the key performance indicators used to track performance year on year.

Total transactional value £'000	
2020	£751,152
2019	£1,214,207
% Variance	38.1% decrease

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

For the period up to February 2020, this year's performance represented another strong year, despite rising levels of uncertainty and wavering consumer confidence due to Brexit. Year to date TTV at February was only marginally below the previous year and TTV from Business travel was up 3% on the previous year.

The last four months of the year were significantly impacted by the coronavirus crisis. Trading levels across both Leisure and Corporate divisions were on average at 10% of pre COVID levels. The negative TTV for the last four months of the year reflected the high volumes of refunds to customers as a result of cancellations because of the global travel restrictions imposed by governments and customer concerns over safety.

Total revenue £'000	
2020	£183,750
2019	£263,682
% Variance	30.3% decrease

The reduction in revenue followed a similar pattern to TTV. However, the largest impact on trading has been seen in international air travel, where margins are lower than other travel products. Prior to COVID, there already existed pressure to deliver more cost effective travel across all trading brands.

Gross profit £'000	
2020	£118,294
2019	£177,346
% Variance	33.3% decrease

The gross profit decrease was comparable with the income decline as is expected, with no significant changes in gross margin across any of the trading brands.

(Loss)/profit before income tax £'000	
2020	-£30,843
2019	£28,420
% Variance	208.5% decrease

The loss before income tax was a result of the impact of the coronavirus crisis, with TTV falling to less than 10% of pre COVID levels over the last four months of the year. Whilst immediate action was taken to significantly reduce the Company's cost base to sustainable levels, this resulted in a number of one off restructuring and impairment costs. These one off costs totalled £20 million.

Financial review and key performance indicators (continued)

Average consultant numbers

2020	1,115
2019	1,167
% Variance	4.5% decrease

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

Prior to COVID-19, consultant numbers year on year were lower reflecting productivity gains across the Business Travel brands. As part of a restructuring programme that commenced in May, consultant numbers were significantly reduced. At the end of August 2020, the total number of employed consultants was 492. Whilst reductions were made across all brands, the largest reductions were in Leisure in line with the rationalisation of the high street store portfolio.

Average shop and branch numbers

As a consequence of the impact of the coronavirus crisis on the Company since March 2020, the reporting of shop and branch numbers is no longer a relevant metric. Since April the entire consultant workforce has been working from home and, except for Head Office, all retail and office sites have been closed. The Company has undertaken a significant restructuring of both its workforce and property portfolio. The eventual structure in terms of size and numbers of the operational teams will only be meaningfully determined once employees can return to stores and office locations and a meaningful level of trading activity returns.

Future developments

It is the opinion of the directors that whilst the Company is currently in a phase of 'hibernation'; the Company is well positioned to seize the opportunities that will come with the return of both Leisure and Business travel.

The directors recognise that it is impossible to accurately predict when this recovery will start. However, the directors are confident that the restructuring of the Company cost base, securing liquidity, and a highly prioritised investment strategy, focused on sales and marketing, customer retention, customer technology and productivity gains position the Company well to recover quickly as travel resumes.

By order of the board

A Murray
Company secretary
22 December 2020

The board has pleasure in presenting the directors' report and audited financial statements of Flight Centre (UK) Limited for the year ended 30 June 2020.

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. Dividends of £25,000,000 were declared and paid during the year ended 30 June 2020 (2019: nil). The directors have determined it is prudent to not declare a final dividend due to the ongoing COVID-19 uncertainty.

Going concern

The COVID-19 global pandemic has had a significant impact on the travel and tourism industry. Since March 2020 this has had the impact of reducing trading income levels for Flight Centre (UK) Limited to 10% of pre COVID levels. This has meant that the key strategic objective for the remainder of 2020 was the long term survival of Flight Centre (UK) Limited.

The Company's forecasts and projections, taking into account management's view of the most probable timings for recovery for the UK travel industry and the Company, show that the Company should be able to operate without changes to its current financing structure. 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.

However, due to the uncertainty created by COVID-19 and potential for future waves of the pandemic and the impact on travel restrictions and/or demand, the Company's ability to obtain additional funding if there is a more severe downside scenario than the directors have considered represents a material uncertainty in relation to going concern. Refer to note 2(a) for further details.

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.

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.

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 or disability. 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. 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. 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.

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 22.

Political donations

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

Environmental impact

Flight Centre (UK) Limited recognises the growing importance of sustainability and the environmental impact of our operating activities. We are continually working with our stakeholders to action initiatives to reduce our emissions. These initiatives include a carbon offsetting policy for all our shops and offices, as well as our internal travel. Significant investment has been made in our property portfolio to ensure that we minimise our environmental impact, these include installing smart meters, energy efficient sensor lighting and the regular servicing of our air-conditioning units.

Flight Centre (UK) Limited is required to report under the Streamlined Energy and Carbon Reporting (SECR) framework, under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

We appointed BIU energy consultants to audit our environmental impact in compliance with the SECR framework. This has been calculated in accordance with Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. In preparing the report we have estimated or extrapolated 6.1% of the energy data and 6.8% of the emissions data due to delays in supplier billing due to the pandemic and we have applied DEFRA 19/20 emissions factors.

GHG Emissions and Energy Performance

The SECR guidance requires reporting on either location or market based figures, but at least one of these must be disclosed. The detail below has been prepared using location based figures, reflecting the average grid emissions that our property sites emit.

Sources of greenhouse gas emmissions		2020 consumption (kWh)	2020 emissions (tCO_2e)
Scope 1 emmissions [a]	Natural gas	111,100	20.4
	Direct transport	218,306	53.4
Scope 2 emmissions [b]	Organisation controlled electricity	1,994,497	415.4
Scope 3 emmissions [c]	Electricity transmission and distribution	-	45.9
	Total	**2,323,903**	**535.1**

Carbon intensity: Scope 1 & 2 emissions divided by total transaction value (TTV) tcO_2e / £m TTV [d]	0.7

a)This primarily comprises the emissions associated with the combustion of fuels, as well as additional emissions sources such as refrigerant leakages.

b)This primarily comprises the emissions associated with the electricity consumption, as well as emissions associated with any generated electricity.

c)This primarily comprises the emissions associated with indirect emissions occurring as a consequence of the activities from sources not owned or controlled by the Company

d)This is comprised of all scope 1 and 2 emissions associated with the operating activities, divided by £m of TTV.

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 they are 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.

By order of the board

A Murray
Company secretary
22 December 2020

Opinion

We have audited the financial statements of Flight Centre (UK) Limited for the year ended 30 June 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which describes the uncertainty around the travel sector and the ability for the entity to obtain additional funding if required. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the strategic report and the directors' report set out on pages 2 to 11, 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.

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 have 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 11, 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.

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.

Use of our report

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.

Ernst & Young LLP

JI Gordon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 December 2020

Flight Centre (UK) Limited
Statement of comprehensive income
for the year ended 30 June 2020

	Notes	30-Jun 2020 £'000	30-Jun 2019 £'000
Revenue			
Total revenue	5	**183,750**	263,682
Cost of sales	6	**(65,456)**	(86,336)
Gross profit		**118,294**	177,346
Operating expenses	6	**(149,613)**	(151,272)
Operating (loss)/profit		**(31,319)**	26,074
Finance income	8	**1,326**	2,484
Finance costs	8	**(850)**	(138)
(Loss)/profit before income tax		**(30,843)**	28,420
Income tax credit/(expense)	9	**6,091**	(5,059)
(Loss)/profit and total comprehensive income for the year		**(24,752)**	23,361

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.

Flight Centre (UK) Limited
Statement of financial position
as at 30 June 2020

	Notes	30-Jun 2020 £'000	30-Jun 2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**3,870**	10,556
Intangible assets	11	**4,171**	5,372
Right of use assets	12	**16,428**	-
Investment in subsidiaries	13	**291**	291
Deferred income tax assets	14	**3,378**	2,854
Trade and other receivables	15	**68,279**	58,041
Total non-current assets		**96,417**	77,114
Current assets			
Trade and other receivables	15	**32,752**	118,136
Current income tax receivables		**5,346**	-
Cash and cash equivalents	16	**53,257**	88,912
Total current assets		**91,355**	207,048
Total assets		**187,772**	284,162
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	**2,941**	4,595
Lease liabilities	12	**21,217**	-
Provisions for other liabilities and charges	18	**1,051**	479
Total non-current liabilities		**25,209**	5,074
Current liabilities			
Trade and other payables	17	**70,888**	148,933
Lease liabilities	12	**8,416**	-
Provisions for other liabilities and charges	18	**5,788**	-
Current income tax liabilities		**-**	2,932
Total current liabilities		**85,092**	151,865
Total liabilities		**110,301**	156,939
Net assets		**77,471**	127,223
EQUITY			
Called up share capital	20	**4,604**	4,604
Share premium account		**4,674**	4,674
Capital reserve		**(578)**	(578)
Retained earnings		**68,771**	118,523
Total equity		**77,471**	127,223

The notes on pages 18 to 51 form part of these financial statements.

The financial statements which were approved by the board of directors on 22 December 2020 and were signed on its behalf by:

A Murray
Director

Registered number 02937210

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 June 2018	4,604	4,674	(578)	95,162	103,862
Profit for the year	-	-	-	23,361	23,361
Total comprehensive income	-	-	-	23,361	23,361
Balance as at 30 June 2019	**4,604**	**4,674**	(578)	**118,523**	**127,223**
Loss for the year	-	-	-	(24,752)	(24,752)
Total comprehensive income	-	-	-	(24,752)	(24,752)
Dividends paid				(25,000)	(25,000)
Balance as at 30 June 2020	**4,604**	**4,674**	**(578)**	**68,771**	**77,471**

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.

	Notes	**30-Jun 2020 £'000**	30-Jun 2019 £'000
Cash flows from operating activities			
Cash generated from operations	7	**(1,209)**	20,149
Interest received		**384**	368
Interest paid		**(124)**	-
Income tax paid		**(2,711)**	(5,377)
Net cash (used in) / generated from operating activities		**(3,660)**	15,140
Cash flows from investing activities			
Purchase of intangible fixed assets	11	**(1,506)**	(530)
Purchase of property, plant and equipment	10	**(1,503)**	(3,063)
Dividends paid		**(25,000)**	-
Net cash flow used in investing activities		**(28,009)**	(3,593)
Cash flows from financing activities			
Repayment of principal on lease liabilities	12	**(3,986)**	-
Net cash used in financing activities		**(3,986)**	-
Net (decrease) / increase in cash and cash equivalents		**(35,655)**	11,547
Cash and cash equivalents brought forward		**88,912**	77,365
Cash and cash equivalents carried forward	16	**53,257**	88,912

The notes on pages 18 to 51 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 2020 were authorised for issue by the board of directors on 22 December 2020 and signed on its behalf by A Murray.

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 and include the adoption of IFRS 16 Leases as described in note 2(q).

All amounts within these financial statements have been presented to the nearest thousand unless otherwise indicated.

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 25, and is included in the consolidated financial statements of that company.

Going concern

The COVID-19 global pandemic since March 2020 has had a significant impact on the travel and tourism industry. This has seen the closure of international borders, local lockdowns, and intense restrictions on travel. As a consequence, long-term survival has become a priority for all travel businesses and unfortunately we have seen many travel companies fail since March 2020.

Since March 2020 this has had the impact of reducing trading income levels for Flight Centre (UK) Limited to 10% of pre COVID levels. This has meant that the key strategic objective for the remainder of 2020 was the long-term survival of Flight Centre (UK) Limited.

As at 30 June 2020, the Company had cash equivalents of £53,257,000. In addition, to provide further liquidity, the Company secured and drew down £65,000,000 via the government CCFF programme, which is repayable in March 2021.

The Company, in its assessment of going concern, has modelled a base case cash flow projection for the period to June 2022. This base case represents management's view of the most probable timings for recovery for the UK travel industry and the Company.

Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

The key assumptions and inputs to this base case scenario are:

- The projected turnover recovery reflects the levels of trade experienced over the five months from May 2020, and expects these low levels of trading to remain until January 2021. This also factors in the potential impact of Brexit.
- It is forecast that trading levels will slowly start to rise from January 2021, with consumer confidence and the ability to travel increasing with the end of the UK lockdown in December 2020. The recovery rates have been modelled at an individual brand level.
- The Company expects to utilise the government furlough scheme out to March 2021, at which point a significant number of staff will return to the business, assuming the recovery has started as forecast.
- The model assumes that the Company's reduced cost base is maintained at its current reduced levels, until turnover recovery exceeds at least 40% of pre COVID levels.
- All cash flow projections assume no utilisation of the CCFF loan secured in July 2020.

Several downside cash flow projections have been modelled to stress test the base case. These scenarios push out the timing of a potential recovery start date. These scenarios include the following:

- Scenario 1: Trading levels remain at 10% pre COVID levels until April 2021
- Scenario 2: Trading levels remain at 10% pre COVID levels until July 2021
- Scenario 3: Trading levels remain at 10% pre COVID levels until October 2021

Having reviewed the base case and the downside scenarios, the directors have a reasonable expectation that the Company has sufficient liquidity to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis in preparing the financial statements.

However, due to the uncertainty created by COVID-19 and the potential for future waves of the pandemic and the impact on travel restrictions and/or demand, the Company is not able to provide certainty that there could not be more severe downside scenarios than those it has considered. In the event that such a scenario were to occur, the Company will need to secure sufficient additional funding. Sources of additional funding are expected to include the extension of the effective maturity date of the CCFF loan and/or support from its parent, Flight Centre Travel Group. The directors obtained a letter of support from the parent company, but this financial support to the Company is subject to the approval of the Group's external banking group lenders. The Company's ability to obtain additional funding represents a material uncertainty and this could cast significant doubt upon the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

(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

Principal revenue from the provision of travel

Revenue is generated when the Company, acting as principal, develops and offers products in its Retail and Corporate business for which the Company is principal.

Where the Company acts as a principal, revenue represents the full total transactional value of holidays and flights, net of any related tax. 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 over time, when the performance obligation has been satisfied, on a percentage of completion method based on the total number of travel days. Revenue and related costs are held as deferred income and prepayments respectively in the statement of financial position until the travel days are complete, being the return date.

Agency revenue from the provision of travel

Revenue is generated when the Company, acting as an agent, arranges and books travel and travel related products to be provided by suppliers to Retail and Corporate consumers. The supplier of the travel products is the principal in the travel sales transaction. From the Company's perspective, the supplier of the travel products is the customer in the agency relationship.

Where the Company acts as an agent, revenue represents commission earned on flights, hotel bookings, 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, as this is when the performance obligation is satisfied. Revenue not generated directly from the issuing of travel documents is recognised in accordance with contractual agreements.

Revenue has not historically been subject to material constraints. With the development of the COVID-19 global pandemic in the current financial year, there has been an exception for COVID-19 cancellations:
The Company's revenue, in an ordinary operating environment, is recognised at the time of ticketing when the performance obligation is satisfied and is not subject to material constraints. In the current COVID-19 environment, there is now a material constraint attached to this revenue, namely that the booking may be cancelled prior to travel (either by the supplier, end-consumer or due to government restrictions) requiring a refund of the revenue earned by the Company. While the Company has terms and conditions in place to allow the retention of cancellation fees on cancellation of certain bookings, a decision has been made that these will not be applied in all circumstances.

Therefore, the Company has recognised a contract liability for the provision of refunds due which recognises the uncertainty that the travel may be cancelled prior to departure. This is calculated using booking volumes and margins, known or anticipated travel restrictions and cancellation probability rates based on COVID-19 trading patterns.

This constraint of revenue will unwind when the uncertainty is removed. Either the end consumer will travel, in which case the Company will recognise the revenue in the statement of comprehensive income, or, if the travel does not proceed, this contract liability will be settled via payment to the end consumer.

2 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

(ii) Supplier incentives and lump-sum revenue

From time-to-time, incentives or lump sum amounts are received from suppliers. The supplier of the travel products is the customer in the agency relationship under IFRS 15. The recognition pattern is dependent on the specific terms of each contract. The revenue is only recognised upfront where there has been a distinct service transferred upfront, otherwise it is recognised over the term of the contract in line with the delivery of the performance obligation. The revenue can be either fixed or variable and is constrained where contract terms require the supplier to be refunded in part or full upon termination of the contract.

Associated contract costs may be eligible for capitalisation as fulfilment assets and amortised over the same period.

Lump sum deferred revenue is recognised over the contract terms which typically range between 1 to 3 years.

As with agency revenue above, volume incentive revenue has historically not been subject to material constraints. In the current COVID-19 environment, there are the following exceptions:

- Year-end differences: judgements and estimation techniques are required to determine revenue from consumers anticipated to travel over the remaining contract year and the associated incentive rate applicable to those forecast levels. A combination of historical data and actual ticketed data from external sources is used to predict the anticipated travel revenue and associated incentive rate.
- Utilisation rates: the likelihood of the consumer cancelling the travel prior to departure.
- Constraints: volume incentives have been constrained due to future cancellations and the uncertainty of predicting future bookings. Volume incentive revenue has been booked to the extent of flown / availed revenue at guaranteed rates.

(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, being the period over which the performance obligation is satisfied.

(iv) Other revenue

Other revenue consists of non-travel related supplies and management fees received from group entities for administrative services provided. Other revenue is recognised over time as the services are provided, being the period over which the performance obligation is satisfied. Where rebates are received from non-travel category supplies, revenue is recognised as per the contract year and matched to the period of performance. Where volume targets and associated rebate tiers exist, estimates of the full contract value are made and apportioned to the periods based on performance.

Management fee income is recognised in the period of services provided. Main management fees are agreed between the parties at the beginning of the period and charged accordingly.

(d) Government subsidies and grant income

Government subsidies and grant income is recognised when there is reasonable assurance that the conditions attached to the income will be met and that the income will be received. The income is recognised in profit or loss over the periods in which the Company incurs expenses for which the subsidies or grants are intended to compensate.

2 Summary of significant accounting policies (continued)

(e) 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.

(f) Leases

The Company applies the requirements of IFRS 16 Leases since its adoption on 1 July 2019 (refer note 2(q)).

The Company's lease portfolio largely consists of land and buildings for its offices and retail stores. Lease contracts contain a wide variety of terms and conditions, are negotiated individually and typically have a non-cancellable period of 1 - 10 years which may include options to extend. On renewal, the terms of the leases are renegotiated.

Contracts may contain both lease and non-lease components. For leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. The Company did not have any finance leases in the prior period. Operating lease expense was recognised on a straight-line basis over the term of the lease. From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

2 Summary of significant accounting policies (continued)

(f) Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- where variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid by the Company under residual guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments specific to the lease, such as lease term and security.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with the short term leases of property, plant and equipment and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. The Company has no low value assets.

The Company has also adopted the amendment to IFRS 16 - COVID-19-related rent concessions. The amendment allowed for the lessee to remeasure its lease liabilities from renegotiated leases as a direct consequence of COVID-19, with the corresponding adjustment to the right of use asset.

2 Summary of significant accounting policies (continued)

(g) 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.

(h) Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

(i) Financial assets

The Company applies the requirements of IFRS 9 Financial Instruments (IFRS 9) to its financial assets since its adoption of IFRS 9 on 1 July 2018.

Classification

Financial assets are classified in the following categories: financial assets at amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the assets were acquired.

Amortised cost - Applies to instruments which are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

FVTPL - Applies to instruments which are within a business model where the objective is neither to hold to collect contractual cash flows nor hold to sell.

FVOCI - Applies to instruments which satisfy the requirements of the business model test and contractual cashflow test.

Management classifies its financial assets at initial recognition and re-evaluates this classification at each reporting date.

(i) Financial assets at amortised cost

Financial assets at amortised cost 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. Financial assets at amortised cost are carried at amortised cost using the effective interest method and are included in receivables in the statement of financial position.

(ii) Impairment - expected credit losses

The Company applies both the general and simplified approach to the measurement of expected credit losses (ECLs). Under the general approach the Company applies a three stage model for measuring ECLs based on changes in credit quality since initial recognition including:

- Stage 1: 12 month ECL - Recognised on "good" exposures where there has not been a significant increase in credit risk since initial recognition, the loss represents the probability of default from events that are possible over the next 12 months and not the cash flows the Company expects to lose over that period.

- Stage 2: Lifetime ECL - Where there has been a significant increase in credit risk since initial recognition however default has not yet occurred, the loss represents the credit losses expected over the remaining life of the asset.

- Stage 3: Lifetime ECL (credit impaired) - Financial asset becomes credit impaired as a result of an event which has had a detrimental impact on future cash flows.

2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) Impairment - expected credit losses (continued)

The Company assesses the credit risk and probability of default of financial assets by reference to external rating agencies where available on an asset by asset basis. The Company has determined a financial asset has low credit risk when it is equivalent to an investment grade quality. Where forward looking information is not available, the Company applies the rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due (entry into stage 2: Lifetime ECL) and, when contractual payments are greater than 90 days past due, the asset is credit impaired (entry into stage 3: Lifetime ECL).

For trade receivables, contract assets and lease receivables which do not contain a significant financing component, IFRS 9 offers a policy choice between the application of the general model, as detailed above, or a simplified approach. Under the simplified approach, the tracking of changes in credit risk is not required, but instead requires the recognition of lifetime ECLs at all times and allows the use of a provision matrix, incorporating the probability of default, as a practical expedient. The Company has elected the simplified approach for trade and override receivables.

(j) 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.

(k) 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.

(l) 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.

In accordance with IAS 16, an item of property, plant and equipment is derecognised when that item is disposed of or when there are no future economic benefits expected from its use or disposal. 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.

2 Summary of significant accounting policies (continued)

(m) 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.

(n) 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.

Restructuring provisions are recognised in accordance with the provisions of IAS 37 Provisions, Contingent Liabilities and Contingent Assets when there is a detailed plan for the restructuring and where the Company has raised a valid expectation in those affected that the plan will be carried out.

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.

(o) 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 19 for costs associated with this scheme.

(p) 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.

2 Summary of significant accounting policies (continued)

(q) Changes in accounting policy and disclosures

(i) New and amended accounting standards and interpretations
New standards impacting the Company that have been adopted in the annual financial statements for the year ended 30 June 2020, and which have given rise to changes in the Company's accounting policies are:

- IFRS 16 Leases (IFRS 16), including Amendment to IFRS 16 – COVID-19-related rent concessions (early adopted); and
- IFRIC 23 Uncertainty over income tax treatments (IFRIC 13).

IFRS 16 Leases

The Company has adopted IFRS 16, which replaces IAS 17 Leases, from 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company has adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The date of initial application was 1 July 2019.

Under IFRS 16, a contract is a lease or contains a lease if the Company conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, a lease was either a finance lease (on balance sheet) or an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a "right of use asset" if the recognition requirements of a lease are met. The statement of comprehensive income no longer includes operating lease expenditure but is impacted by the recognition of interest on the lease liability and depreciation expense on the right of use assets.

For previously classified operating leases, the lease liabilities are measured at the present value of the remaining lease payments, discounted at the relevant incremental borrowing rates as at 1 July 2019. Right of use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the relevant incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all leases.

The Company has elected to use the following practical expedients:

- Grandfathering of leases: IFRS 16 was applied to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into to or changed on or after 1 July 2019.
- Lease term end date within 12 months of transition date: right of use assets and lease liabilities have not been recognised for leases with less than 12 months lease term from 1 July 2019.
- Initial direct costs: initial direct costs are excluded from the measurement of right of use assets.
- Use of hindsight: the Company elected to use hindsight for the purpose of measuring the right of use asset. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms and options) based on circumstances on or after the lease commencement date. The Company has elected not to recognise right of use assets and lease liabilities for low value assets, including IT equipment. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.
- Onerous lease determination: the Company relied on previous assessments on whether its leases were onerous under IAS 37 Provisions, contingent liabilities and contingent assets immediately before the date of initial application as an alternative to performing an impairment review under IAS 36.

2 Summary of significant accounting policies (continued)

(q) Changes in accounting policy and disclosures (continued)

New and amended accounting standards and interpretations (continued)

IFRS 16 Leases (continued)

With the advent of COVID-19, an amendment to IFRS 16 was issued - COVID-19-related rent concessions. The amendment provides a practical expedient for the lessee to elect not to assess a rent concession from a lessor as a lease modification. In order to qualify to apply the practical expedient, the rent concession has to be a direct consequence of COVID-19, consideration for the lease is substantially the same or less, reduction in the lease payments must be due on or before 30 June 2021 and there is no substantive changes to the other terms of the original contract.

The Company has elected to use the practical expedient. In applying the practical expedient, lease liabilities have been remeasured for qualifying leases, with the corresponding adjustment to right of use assets. In this approach, the discount rate is not updated to remeasure the lease liability and there would be no impact to the statement of comprehensive income.

The following table shows the adjustments recognised on the adoption of IFRS 16 on 1 July 2019:

Statement of financial position:	1 July 2019
ASSETS	£'000
Right of use assets	32,267
Trade and other receivables (prepayments)	(1,863)
Total assets	30,404
LIABILITIES	
Lease liabilities	32,295
Trade and other payables (accruals)	(1,891)
Total liabilities	30,404
EQUITY	-

The following table shows the reconciliation of the operating lease commitments at 30 June 2019 to the lease liabilities recognised in the balance sheet as at 1 July 2019:

	£'000
Operating lease commitments disclosed as at 30 June 2019	**37,056**
Weighted average incremental borrowing rate as at 1 July 2019	**1.87%**
Discounted using incremental borrowing rate	34,388
Less:	
Short term and low value leases recognised on a straight-line basis	(230)
Amounts prepaid at 30 June 2019	(1,863)
Lease liabilities recognised as at 1 July 2019	32,295

2 Summary of significant accounting policies (continued)

(q) Changes in accounting policy and disclosures (continued)
(i) New and amended accounting standards and interpretations (continued)

IFRIC 23 Uncertainty over income tax treatments (IFRIC 13)

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, in considering uncertain tax positions, the Company determined that it is probable that tax treatments applied will be accepted by the taxation authorities. The Interpretation did not have a material impact on the financial

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

There are no standards and interpretations to existing standards that have been published that are mandatory for the Company's future accounting, but which the Company has not adopted early, that are expected to have a material financial impact on the entity.

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) Revenue recognition

The Company applies judgement in determining whether it is acting as principal or agent in the provision of travel services based on whether it controls the goods and services before they are transferred to the customer.

As raised in note 2(c), as a result of COVID-19, a material constraint on revenue exists in the current year, caused by the uncertainty that the travel may be cancelled prior to departure. The level of constraint and the related liability raised in note 17 is calculated using booking volumes and margins, known or anticipated travel restrictions and cancellation probability rates based on COVID-19 trading patterns.

(ii) Override revenue

In addition to commission payments, the Company 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.

Override income contains a judgemental accrual based on an analysis of current and future expected trading taking into account historical and newly negotiated contracts. Where signed contracts are not secured in a timely manner, a naturally more conservative approach is taken in any judgement. In the current COVID-19 environment, all volume incentives have been constrained due to future cancellations and the uncertainty of predicting future bookings. Accruals recognised have taken this uncertainty into account and volume revenue has only been booked to the extent of flown revenue at guaranteed rates.
At 30 June 2020, the carrying value of override receivables was £3,216,000 (2019: £13,432,000), which is included within trade receivables in note 15.

(iii) Income taxes

The Company is subject to income taxes in the UK. The Company makes estimates and judgements in determining the 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.

(iv) Leases

The Company applies judgement in determining the lease term of contracts with renewal options. The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or if any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The majority of the Company's leases are renegotiated, therefore the renewal options are not exercised.

4 Divisional information

Description of segments

Business segments

The Company operates in one business segment, the sale of travel and travel-related services and products.

Geographical segments

The Company operates in one geographic segment, being the United Kingdom.

5 Revenue

	30-Jun 2020 £'000	30-Jun 2019 £'000
Total transaction value (TTV) *	**751,152**	1,214,207
Revenue from the provision of travel as agent	**53,114**	83,167
Revenue from the provision of travel as principal	**76,074**	92,381
Revenue from the provision of travel services	**129,188**	175,548
Management fee income received from Flight Centre (UK) Wholesale Limited	**48,197**	77,489
Other revenue	**6,365**	10,645
Total revenue	**183,750**	263,682

* 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. The Company's revenue is derived from TTV.

Management fee income received 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 was £48,197,000 (2019: £77,489,000).

6 Operating profit

(a) Expenses by nature

	Notes	30-Jun 2020 £'000	30-Jun 2019 £'000
Profit before income tax includes the following specific expenses:			
Cost of sales from the sale of travel as principal		**65,456**	86,336
Cost of sales		**65,456**	86,336
Wages and salaries		**68,485**	75,502
Restructuring provision for future redundancies	18	**5,500**	-
Pension costs	19	**2,350**	2,563
Social security costs		**6,285**	8,270
Total staff costs		**82,620**	86,335
Government subsidies received		**(7,656)**	-
Depreciation on property, plant and equipment	10	**4,072**	4,308
Amortisation on intangible assets	11	**1,469**	896
Depreciation on right of use assets	12	**6,637**	-
Loss on disposal of property, plant and equipment	10	**4,117**	59
Loss on disposal of intangible assets	11	**1**	5
Impairment on intangible assets	11	**1,237**	-
Impairment on right of use assets	12	**9,893**	-
Operating lease payments		**1,149**	8,661
Royalties	23	**-**	3,421
Foreign exchange loss		**93**	20
Other expenses		**45,835**	47,381
		74,503	64,751

During the financial year the Company obtained the following services from the Company's auditor:

		2020	2019
Fees payable to the Company's auditor for audit of the Company financial statements		**95**	93
Fees payable to the Company's auditor for other services			
- tax services		**28**	27
- other services		**23**	66
		146	186
Operating expenses		**149,613**	151,272

Royalties, payable only if the Company is in a profitable position, 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.

Government subsidies include wage subsidies received under the Coronavirus Job Retention Scheme (JRS). The JRS subsidy was available to the Company for the last quarter of the financial year and compensated the wage costs of employees that were on furlough at that time. The subsidy was calculated in line with the HMRC guidance and was capped at £2,500 per qualifying furloughed employee.

6 Operating profit (continued)

(a) Expenses by nature (continued)

Operating expenses are classified as follows:

	30-Jun 2020 £'000	30-Jun 2019 £'000
Selling and distribution expenses	**7,912**	10,953
Administrative expenses	**141,701**	140,319
	149,613	151,272

(b) Employee information

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

	2020 Number	2019 Number
Consultants	**1,115**	1,167
Administration	**518**	531
	1,633	1,698

(c) Key management personnel compensation

Directors' remuneration

	2020 £'000	2019 £'000
Aggregate emoluments	**677**	1,851
Pension contributions	**-**	-
	677	1,851
Aggregate emoluments include:		
Short term benefits	**677**	868
Long term incentive plan	**-**	983
	677	1,851

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

6 Operating profit (continued)

(c) Key management personnel compensation (continued)

Directors' remuneration (continued)

	2020	2019
	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

	2020	2019
	£'000	£'000
Amounts included above:		
Aggregate emoluments	**677**	1,851
Pension contributions	**-**	-
	677	1,851

G Turner received no remuneration (2019: £nil) from the Company in respect of his services as a director of Flight Centre (UK) Limited. His emoluments 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 and prior year.

Key management personnel compensation

	2020	2019
	£'000	£'000
Aggregate emoluments	**1,224**	2,795
Pension contributions	**18**	41
	1,242	2,836

The key management personnel are considered by the directors to be the directors of the Company and the two (2019: five) executives with the greatest authority for the strategic direction and management of the Company.

7 Cash flow from operating activities

	Notes	30-Jun 2020 £'000	30-Jun 2019 £'000
Cash generated from operations			
(Loss)/profit before income tax		**(30,843)**	28,420
Adjustments for:			
- Depreciation of property, plant and equipment	10	**4,072**	4,308
- Amortisation of intangible assets	11	**1,469**	896
- Depreciation of right of use assets	12	**6,637**	-
- Loss on disposal of property, plant and equipment	10	**4,117**	59
- Loss on disposal of intangible assets	11	**1**	5
- Loss on disposal of right of use assets	12	**6**	-
- Impairment on intangible assets	11	**1,237**	-
- Impairment on right of use assets	12	**9,893**	-
- Finance income	8	**(1,326)**	(2,484)
- Finance expense	8	**850**	138
Changes in working capital:			
- Decrease / (increase) in trade and other receivables		**76,017**	(15,059)
- (Decrease) / increase trade and other payables and provisions for other liabilities and charges		**(73,339)**	3,866
Cash (utilised in)/generated from operations		**(1,209)**	20,149

8 Finance income and costs

		30-Jun 2020 £'000	30-Jun 2019 £'000
Finance income			
Bank interest receivable		**177**	123
Interest receivable on amounts owed by group undertakings		**963**	2,079
Interest receivable on employee incentive scheme		**186**	282
		1,326	2,484
Finance costs			
Interest payable on amounts owed to group undertakings		**100**	137
Interest payable to external parties		**124**	1
Interest on lease liabilities	12	**626**	-
		850	138
Net finance income		**476**	2,346

9 Income tax expense

	30-Jun 2020 £'000	30-Jun 2019 £'000
(a) Income tax credit/(expense)		
Current tax:		
Tax on (loss)/profit for the year	**(5,008)**	5,670
Adjustment in respect of previous years	**(559)**	(67)
	(5,567)	5,603
Deferred tax:		
Origination and reversal of timing differences	**(440)**	(407)
Adjustment in respect of previous years	**(84)**	(137)
	(524)	(544)
Total tax (credit)/charge	**(6,091)**	5,059

(b) Reconciliation of income tax expense
The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%).

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

	30-Jun 2020 £'000	30-Jun 2019 £'000
(Loss)/profit before income tax	**(30,843)**	28,420
Tax at UK tax rate of 19.0% (2019: 19.0%)	**(5,860)**	5,400
Tax effect of amounts:		
Expenses not allowable for tax purposes	**412**	165
Adjustments in respect of previous years - deferred tax	**(84)**	(137)
Adjustments in respect of previous years - current tax	**(559)**	(357)
Group losses utilised	**-**	(12)
Income tax (credit)/expense	**(6,091)**	5,059

(c) Factors affecting future tax charges
The Chancellor announced in the Budget on 11 March 2020 that the main rate of UK corporation tax for years starting 1 April 2020 and 1 April 2021 will remain at 19.0%.

10 Property, plant and equipment

	Notes	Fixtures and fittings	Other property, plant and equipment	Total
		£'000	£'000	£'000
At 30 June 2018				
Cost		26,027	6,842	32,869
Accumulated depreciation		(16,668)	(4,341)	(21,009)
Net book amount		9,359	2,501	11,860
Year ended 30 June 2019				
Opening net book amount		9,359	2,501	11,860
Additions		1,965	1,098	3,063
Disposals		(1,373)	(215)	(1,588)
Depreciation write back on disposals		1,325	204	1,529
Depreciation charge	6 (a)	(2,882)	(1,426)	(4,308)
Closing net book amount		8,394	2,162	10,556
At 30 June 2019				
Cost		26,619	7,725	34,344
Accumulated depreciation		(18,225)	(5,563)	(23,788)
Net book amount		8,394	2,162	10,556
Year ended 30 June 2020				
Opening net book amount		8,394	2,162	10,556
Additions		814	689	1,503
Disposals		(15,838)	(2,071)	(17,909)
Depreciation write back on disposals		12,080	1,712	13,792
Depreciation charge	6 (a)	(2,918)	(1,154)	(4,072)
Closing net book amount		2,532	1,338	3,870
At 30 June 2020				
Cost		11,595	6,343	17,938
Accumulated depreciation		(9,063)	(5,005)	(14,068)
Net book amount		2,532	1,338	3,870

In response to COVID-19, there has been an increased level of disposals of property, plant and equipment arising from planned store closures. At 30 June 2020, the directors considered the fixed assets held at 63 leased premises to have no future economic benefit as a consequence of the strategic action to close these stores. As such, these assets were derecognised at that date.

11 Intangible assets

	Notes	Goodwill £'000	Computer software £'000	Other intangible assets £'000	Total £'000
At 30 June 2018					
Cost		1,646	7,055	404	9,105
Accumulated amortisation and impairment		-	(3,091)	(271)	(3,362)
Net book amount		1,646	3,964	133	5,743
Year ended 30 June 2019					
Opening net book amount		1,646	3,964	133	5,743
Additions		-	528	2	530
Disposals		-	(265)	(15)	(280)
Amortisation writeback on disposals		-	265	10	275
Amortisation charge	6 (a)	-	(869)	(27)	(896)
Closing net book amount		1,646	3,623	103	5,372
At 30 June 2019					
Cost		1,646	7,318	391	9,355
Accumulated amortisation and impairment		-	(3,695)	(288)	(3,983)
Net book amount		1,646	3,623	103	5,372
Year ended 30 June 2020					
Opening net book amount		1,646	3,623	103	5,372
Additions		-	1,070	436	1,506
Disposals		-	(215)	-	(215)
Amortisation writeback on disposals		-	214	-	214
Amortisation charge	6 (a)	-	(1,103)	(366)	(1,469)
Impairment charge	6 (a)	(1,237)	-	-	(1,237)
Closing net book amount		409	3,589	173	4,171
At 30 June 2020					
Cost		1,646	8,173	827	10,646
Accumulated amortisation and impairment		(1,237)	(4,584)	(654)	(6,475)
Net book amount		409	3,589	173	4,171

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

Goodwill

The Company tests goodwill annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired, in accordance with the accounting policies. Due to COVID-19, the goodwill od £1,237,000 relating to the acquisition of Gap Year was considered to be fully impaired.
Taking into account a reasonable range of assumptions, the Company has not identified any indicators which would lead to further impairment for other intangible assets.

12 Leases

	Notes	Right of use assets £'000	Lease liabilities £'000
Property			
At 1 July 2019 (transition)		32,267	32,296
Additions		1,019	1,019
Disposals		(613)	(607)
Depreciation expense	6 (a)	(6,637)	-
Impairment expense	6 (a)	(9,893)	-
Lease modifications		285	285
Interest expense	8	-	626
Lease liability repayment		-	(3,986)
At 30 June 2020		16,428	29,633
At 30 June 2020			
Cost		32,845	
Accumulated depreciation		(6,524)	
Accumulated impairment		(9,893)	
Net book amount		16,428	
Current			8,416
Non current			21,217
Total lease liabilities			29,633

The Company has adopted the modified retrospective approach in applying IFRS 16 and has not restated comparatives. The net impact of the adoption has been calculated as outlined above and shown as a net underlying adjustment.

The adoption of IFRS 16 has resulted in a decrease in profit before tax of £360,000 (related tax impact of £68,000).

This decrease represents the impact of now recognising depreciation and interest expense under IFRS 16 as compared with recognising rental expense on a straight-line basis under IAS 17. Rental expense is still recognised for short term and low value leases. Had IAS 17 still been applicable for the year ended 30 June 2020, rent expense would have been £6,903,000 (June 2019: £7,846,000).

In response to COVID-19, the Company has had to make strategic decisions which included revising the leased property portfolio. As at 30 June 2020, 63 lesisure stores had been identified for closure, resulting in the impairment expense recognised on the related right of use assets. Where a negotiated surrender agreement was in place by year end, the right of use asset and corresponding lease liability was impaired to reflect the outgoing surrender premium. Where no surrender agreement was yet in place, or for stores with a low value or short term remaining lease period, full impairment on the right of use asset was provided due to the certainty of exiting the lease.

13 Investment in subsidiaries

Company	Total
Cost and net book value	£'000
At 30 June 2019	291
At 30 June 2020	**291**

Name of undertaking	Country of incorporation	Effective holding	Proportion of voting rights	Nature of business
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 Gapyear Company Limited	United Kingdom	100%	100%	Dormant company

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

14 Deferred income tax assets

The balance comprises temporary differences attributable to:

	30-Jun 2020 £'000	30-Jun 2019 £'000
Decelerated capital allowances	**3,378**	2,854
Expected settlement		
In excess of 12 months	**3,378**	2,854
	3,378	2,854

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.

Movements

	Notes	**Capital allowances £'000**	**Total £'000**
At 30 June 2018		2,310	2,310
Credited to the statement of comprehensive income	9 (a)	544	544
At 30 June 2019		2,854	2,854
Credited to the statement of comprehensive income	9 (a)	524	524
At 30 June 2020		**3,378**	**3,378**

There are no amounts of unprovided deferred tax (2019: £nil).

15 Trade and other receivables

	30-Jun 2020 £'000	30-Jun 2019 £'000
Current		
Trade receivables	**31,688**	85,508
Less: Provision for impairment of receivables	**(2,487)**	(1,178)
Trade receivables - net	**29,201**	84,330
Other receivables		
Short term loans to related parties	**-**	100
Deposits refundable	**56**	106
Value added tax receivable	**-**	385
Available-for-sale assets	**4**	4
Prepayments and accrued income	**3,491**	33,211
	3,551	33,806
Total current	**32,752**	118,136
Non-current		
Amounts owed by group undertakings	**68,246**	57,812
Long term loans to related parties	**-**	100
Prepayments and accrued income	**33**	129
Total non-current	**68,279**	58,041
Total trade and other receivables	**101,031**	176,177

Amounts owed by group undertakings are unsecured and bear interest at rates ranging from 1.89% to 2.35% throughout the year (2019: 2.17% to 2.35%). In response to the COVID-19 pandemic, intercompany interest was waived for the last quarter of the current financial year.

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

A significant portion of prepayments is dependent on timing and volume of principal revenue tickets at each reporting period. In response to COVID-19 and the related revenue constraint (refer note 17), there was no adjustment for prepayments in the current year. Cost of sales released from opening prepayments to the statement of comprehensive income during the year was £26,743,000 (2019: £22,469,000).

15 Trade and other receivables (continued)

(a) Impaired receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and supplier incentives receivables are grouped based on similar credit risk.

The expected loss rates are based on the Company's historical credit losses experienced, adjusted for current and forward looking information affecting the Company's customers.

In addition to the standard credit risk assessment, the Company has performed additional analysis and increased provision based on assumptions around the deterioration in ageing, own or expected financial difficulty of customers, individual customer credit risk assessment with reference to external rating agencies and industry. The judgements and assumptions used to estimate the allowance for expected credit losses on receivables may change in future periods as the pandemic continues to unfold and impact the business prospects and financial condition of customers and the Company's ability to collect the receivables.

As at 30 June 2020 the lifetime expected loss provision for trade receivables is as follows:

Brand	Average expected loss rate	Gross carrying amount	Loss provision
		£'000	£'000
Corporate	11.8%	6,547	774
Retail	13.5%	2,275	306
Supplier incentives	11.4%	9,919	1,133
Other	2.1%	12,947	274
		31,688	2,487

15 Trade and other receivables (continued)

(a) Impaired receivables (continued)

As at 30 June 2019 the lifetime expected loss provision for trade receivables is as follows:

Brand	Average expected loss rate	Gross carrying amount	Loss provision
		£'000	£'000
Corporate	1.3%	48,601	634
Retail	1.7%	15,928	278
Supplier incentives	1.2%	13,430	167
Other	1.3%	7,549	99
		85,508	1,178

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

	30-Jun 2020 £'000	30-Jun 2019 £'000
Carrying amount at start of year	**1,178**	1,178
Provided during the year	**1,654**	226
Amounts reversed in the year	**(345)**	(226)
	2,487	1,178

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.

16 Cash and cash equivalents

	30-Jun 2020 £'000	30-Jun 2019 £'000
Cash at bank and in hand	**33,278**	48,796
Client bank balances	**19,979**	40,116
	53,257	88,912

17 Trade and other payables

	30-Jun 2020 £'000	30-Jun 2019 £'000
Current		
Trade creditors	**22,259**	72,353
Amounts owed to group undertakings	**21,903**	33,878
Value added tax payable	**817**	-
Other taxation and social security	**1,117**	-
Lease incentives	-	447
Deferred income	**304**	35,049
Other payables	**24,488**	7,206
Total current	**70,888**	148,933
Non-current		
Lease incentives	-	1,562
Deferred income	**2,333**	2,283
Other payables	**608**	750
Total non-current	**2,941**	4,595
Total trade and other payables	**73,829**	153,528

As at 30 June 2020 all current trade and other payables are unsecured, interest free and are expected to be settled within 12 months.

In the current year, in response to COVID-19, the Company has recognised a revenue constraint liability included within other payables, which recognises the uncertainty that the travel may be cancelled prior to departure. The amount represents refunds payable to customers which is offset by cost recovery from the suppliers where the Company acts as an agent. Refer to note 2(c) for further details.

Further due to COVID-19, there has been a significant decrease in the deferred income recognised at year end. A significant portion of deferred income is dependent on timing and volume of principal revenue tickets and the travel dates thereof at each reporting period. As a result of the revenue constraint, there was no adjustment for deferred income in the current year. Revenue released from opening deferred income to the statement of comprehensive income during the year was £31,016,000 (2019: £26,450,000).

Non current amounts owed to group undertakings are unsecured and bear interest at rates ranging from 0.03% to 1.89% throughout the year (2019: 0.03% to 2.55%). In response to the COVID-19 pandemic, intercompany interest was waived for the last quarter of the current financial year. The Company has the right to defer settlement for 12 months from the date of this report.

17 Trade and other payables (continued)

The Company operates an employee incentive scheme under which store managers are able to share in up to 10% 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 £4,193,000 (2019: £4,975,000). 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% to 9.0%. They are unsecured and repayable on demand. It has been concluded that there is a right to offset the related employee loans of £3,908,000 (2019: £3,664,000) against these employee incentives. The balance of the investments, net of the notional loans is £285,000 (2019: £1,311,000) and is recognised within other payables.

18 Provisions for other liabilities and charges

The decommissioning provision was 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.

The restructuring provision was recognised at 30 June 2020 in accordance with IAS 37, following the strategic decision for the Company to undergo a restructure which will reduce both its property portfolio as well as the size of the workforce. The restructure was necessary for the Company's survival following the impact of COVID-19 on operating activities and financial results.

Movements in provisions

The movements in the provisions during the financial year are set out below:

	Restructuring provision	
	30-Jun	30-Jun
	2020	2019
	£'000	£'000
Current		
Carrying amount at start of year	-	-
Additional provisions recognised - employee costs	5,500	-
Additional provisions recognised - occupancy costs	288	-
Carrying amount at end of year	**5,788**	-

	Decommissioning provision	
	30-Jun	30-Jun
	2020	2019
	£'000	£'000
Non-current		
Carrying amount at start of year	479	486
Additional provisions recognised	520	-
Amounts used during the year	(105)	(17)
Discount unwinding	157	10
Carrying amount at end of year	**1,051**	479

The decommissioning provision is expected to be utilised by 2029.

The increase in the provision during the current year is a result of the proposed changes to the Company's property portfolio caused by COVID-19.

19 Pension costs

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 £2,350,000 (2019: £2,563,000). No amounts were either prepaid or owed at the financial year end.

20 Share capital

	30-Jun 2020 £'000	30-Jun 2019 £'000
(a) Share capital		
4,603,982 (2019: 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.

21 Commitments and contingencies

(a) Commitments

As at 30 June 2020 the Company had no capital commitments (2019: £nil).

(b) Guarantees

The Company has provided the following guarantees at 30 June 2020:

A guarantee for the obligations and liabilities of Flight Centre Moneywise Limited, a wholly owned subsidiary, to a maximum amount of £250,000 (2019: £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 (2019: EUR 400,000).

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 (2019: EUR 400,000).

A guarantee to enable sales of rail tickets 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 (2019: SEK 2,900,000).

(c) Contingent liabilities

As at 30 June 2020 the Company had no contingent liabilities or assets (2019: £nil).

22 Financial risk management

The Company's activities expose it to a variety of financial risks: the ongoing unprecedented COVID-19 impact on the travel industry, 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, together with the support of the Group and central treasury department, continues to ensure it retains a robust balance sheet and liquidity position to manage through the current COVID-19 crisis. 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 2020 £'000	30-Jun 2019 £'000
Financial assets		
At amortised cost		
Trade and other receivables	**29,429**	84,968
Amounts owed by group undertakings	**68,246**	57,812
Cash and cash equivalents	**53,257**	88,912
	150,932	231,692

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

	30-Jun 2020 £'000	30-Jun 2019 £'000
Financial liabilities		
At amortised cost		
Trade and other payables	**47,355**	82,318
Amounts owed to group undertakings	**21,903**	33,878
Lease liabilities	**29,633**	-
Provisions for other liabilities and charges	**6,839**	479
	105,730	116,675

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 2020		30-Jun 2019	
	AUD £'000	**EUR £'000**	AUD £'000	EUR £'000
Financial assets				
Cash and cash equivalents	-	**885**	-	750

22 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 15.

(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 Group applies a conservative approach towards liquidity and closely manages and monitors liquidity through rolling 18-month operating cashflow forecasts and comparing actual cashflows to forecast. Detailed weekly cashflow forecasts are prepared and reviewed by Group treasury.

The Company's trade and other payables at the reporting date are disclosed in note 17.

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.

Year ended 30 June 2020	On demand	Within one year	1 to 2 years	2 to 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade creditors	-	22,259	-	-	-	22,259	22,259
Amounts owed to group undertakings	21,903	-	-	-	-	21,903	21,903
Lease liabilities	-	7,367	6,491	13,478	3,961	31,297	29,633
Other payables	-	24,488	608	-	-	25,096	25,096
Provisions for other liabilities and charges	-	5,946	74	549	328	6,897	6,839
Total non-derivatives	**21,903**	**60,060**	**7,173**	**14,027**	**4,289**	**107,452**	**105,730**

22 Financial risk management (continued)

Year ended 30 June 2019	On demand	Within one year	1 to 2 years	2 to 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade creditors	-	72,353	-	-	-	72,353	72,353
Amounts owed to group undertakings	33,878	-	-	-	-	33,878	33,878
Other payables	-	7,653	2,312	-	-	9,965	9,965
Provisions for other liabilities and charges	-	49	74	216	150	489	479
Total non-derivatives	33,878	80,055	2,386	216	150	116,685	116,675

(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.

23 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.

			30-Jun	30-Jun
Related party	**Nature of transactions**		**2020**	2019
Assets as per the statement of financial position		Notes	**£'000**	£'000
Flight Centre Travel Group Limited (Australia)	Opening balance		**57,806**	42,817
Ultimate parent in Australia	Other operational transactions		**9,102**	14,989
	Outstanding balance		**66,908**	57,806
Flight Centre Travel Group (Ireland) Limited	Opening balance		**-**	-
Subsidiary of ultimate parent	Other operational transactions		**1,314**	-
	Outstanding balance		**1,314**	-
Flight Centre Travel Group (Europe) AB	Opening balance		**-**	268
Subsidiary of ultimate parent	Short term loan		**-**	(268)
	Outstanding balance		**-**	-
Flight Centre Moneywise Limited	Opening balance		**6**	-
Subsidiary	Operational transactions		**18**	6
	Outstanding balance		**24**	6
Flight Centre Travel Group (European Holdings)	Opening balance		**-**	409
Subsidiary of ultimate parent	Short term loan		**-**	(409)
	Outstanding balance		**-**	-
Advances and credits granted by the Company to a director			**-**	200

An amount of £200,000 was repaid during the current year (prior year £60,000). No amounts were written off or waived. The loan has an effective interest rate of 1.2%.

Total owed by other entities	**Outstanding balance**		**68,246**	58,012
Liabilities as per the statement of financial position				
Flight Centre Travel Group Limited (Australia)	Opening balance		**-**	(65)
Ultimate parent in Australia	Other operational transactions		**-**	3,486
	Royalty charge	6	**-**	(3,421)
	Royalty paid		**-**	-
	Outstanding balance		**-**	-
Flight Centre Moneywise Limited	Opening balance		**-**	(20)
Subsidiary	Operational transactions		**-**	20
	Outstanding balance		**-**	-
Flight Centre (UK) Wholesale Limited	Opening balance		**(33,878)**	(34,762)
Subsidiary	Operational transactions		**11,977**	884
	Outstanding balance		**(21,901)**	(33,878)
The Gapyear Company Limited	Opening balance		**-**	-
Subsidiary	Operational transactions		**(2)**	-
	Outstanding balance		**(2)**	-
Total owed to other entities	**Outstanding balance**		**(21,903)**	(33,878)

23 Related party transactions (continued)

Inter-company loan

Flight Centre (UK) Limited has inter-company loans from Flight Centre Travel Group Limited. The balances outstanding at 30 June 2020 are £66,908,000 asset (2019: £57,806,000) and £nil (2019: £nil) liability. The loan is interest bearing with interest receivable at rates ranging from 1.89% to 2.35% throughout the year (2019: 2.17% to 2.35%) and payable at 0.03% to 1.89% (2019: 0.03% to 2.55%) 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.

Transactions with associates

Flight Centre (UK) Limited earned commission income from Top Deck Tours Limited of £67,500 (2019: £48,000).

Flight Centre (UK) Limited earned commission income from Back Roads Touring Co. Limited of £21,510 (2019: £20,000).

24 Subsequent events

On 30 June 2020, the Company secured £65,000,000 under the Bank of England COVID-19 Corporate Financing Facility. The initial notes were issued under the facility on 3 July 2020 and will mature in March 2021, with the potential to be extended for a further 12 months through the issue of further notes under the facility.

25 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 smallest and largest undertaking to consolidate these financial statements.