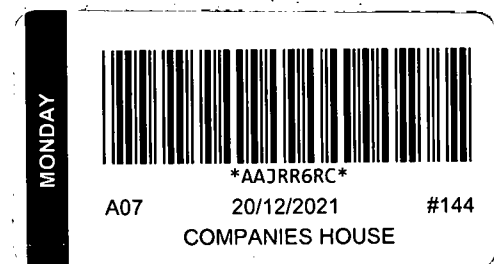


Flight Centre (UK) Limited

02937210

Accounts filing

30 June 2021



Company No: 02937210

Flight Centre (UK) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2021

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

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Company information

Directors

A Murray
S Norris

Company Secretary

A Murray

Registered Office

Level 6, CI Tower
St George's Square
High Street
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Surrey
KT3 4TE

Independent Auditor

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

Registered Number

02937210

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Strategic report

The board has pleasure in presenting the strategic report of Flight Centre (UK) Limited for the year ended 30 June 2021.

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 2021 financial year was defined by the continuation of the COVID-19 pandemic and the impact on the travel and tourism industry and on society as a whole.

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 and has made long-term survival a priority for all travel businesses and unfortunately many travel companies have failed since March 2020.

The pandemic reduced trading income levels for the Company to approximately 10% of pre COVID levels for most of the year, with trading levels increasing to 20% in June 2021. As a consequence, this meant the key strategic objective for the year was to ensure the long-term survival of the Company and position it to take advantage of the return to travel.

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 limited income is coming into the business.
- 3) Reducing operating costs to protect cash flow and maintaining these reduced levels of spend throughout the year.
- 4) Restructuring the business and protecting key areas to ensure that the business is best placed to take advantage of the return to travel when travel restrictions are eventually lifted.
- 5) Prioritising areas for investment to enable future growth.
- 6) Positioning the Company to be operationally ready for the return of travel.

In the opinion of the directors the Company performed well against these key strategic priorities for the financial year and continue to do so. The directors instigated a cost reduction programme in March 2020. This saw a significant reshaping of the business. In June 2020 the Company achieved its cost base reduction target of 30% of pre COVID levels. This reduced cost base has been maintained throughout the year and it is intended this will continue until trading levels reach approximately 40% of pre COVID levels.

Flight Centre (UK) Limited has utilised the government furlough scheme throughout the year, with on average 250 employees on the scheme. The intention is to bring all of these staff members back to the business when trading levels recover.

In July 2020 the Company secured a £65 million loan via the Bank of England Corporate Covid Financing Facility (CCFF) programme. This loan was renewed in March 2021 and a further £50 million was also secured to provide further liquidity to counter the uncertainty of the expected recovery from the pandemic. This loan is repayable in March 2022.

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 additional equity and liquidity facilities of over AUD\$ 2 billion since the start of the pandemic.

FLIGHT CENTRE (UK) LIMITED
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The key principle to the Company's restructuring programme and operational focus this year 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.

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 for long periods of the year, following government advice. This has meant that throughout the year 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. This year has seen an ongoing focus and continued investment in our Corporate technology products and B2B marketing. Both national SME and large market global customers remain a key focus of the Company.

Productivity improvements have remained a focus this year. The reduced trading volumes this year 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.

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.

FLIGHT CENTRE (UK) LIMITED
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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 marketplace. 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.

Engagement:

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

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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 decisions:

Whilst trading levels have been on average 10% of pre covid levels throughout the year, the decision was made to retain significant consultant numbers, (utilising the government furlough scheme), in readiness for the eventual return of travel. As travel restrictions started to ease in the final quarter of the year, consultants were brought back into the business to service customers and their queries.

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 and flat organisational structure, whereby 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:

This year the Company has continued to make use of the government furlough scheme and the various scheme extensions to protect employees' income whilst no meaningful work has been available during a sustained period of suppressed travel activity due to COVID-19.

FLIGHT CENTRE (UK) LIMITED

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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.

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 the Business Travel Association, 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:

The Company continues to believe in the importance of having a high street presence and as such the decision was made to retain 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.

FLIGHT CENTRE (UK) LIMITED
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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:

In July 2020 the Company secured a £65 million loan via the Bank of England Corporate Covid Financing Facility (CCFF) programme. This loan was renewed in March 2021 and an additional £50 million loan secured. The total loan amount is due for repayment in March 2022. Unutilised drawn down funds have been loaned to the Group throughout the year.

Financial review and key performance indicators

The Company's objectives are set annually and progress is 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

2021	£124,206
2020	£751,152
% Variance	83.5% 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.

Throughout the year trading levels across both Leisure and Corporate divisions were on average at 10% of pre COVID levels. Only in the final quarter of the year did trading levels increase, reaching 20% of pre COVID levels in June as some easing of travel restrictions were experienced. It is evident that both Leisure and Business travellers have an ongoing appetite for travel when travel restrictions are lifted.

Total revenue £'000

2021	£33,699
2020	£183,750
% Variance	81.6% 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

2021	£30,637
2020	£118,294
% Variance	74.1% 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.

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Loss before income tax £'000

2021	£26,825
2020	£31,618
% Variance	15.2% decrease

The loss before income tax was a result of the impact of the coronavirus crisis, with TTV on average at 10% of pre COVID levels for the majority of the year. Reduced cost levels were maintained throughout the year to limit the losses throughout the year due to low trading levels. In addition Flight Centre (UK) Limited utilised the government furlough scheme throughout the year, protecting the jobs and income of travel consultants who had no meaningful work to undertake.

Average consultant numbers

2021	569
2020	1,115
% Variance	49.0% decrease

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

As part of a restructuring programme that commenced in May 2020, consultant numbers were significantly reduced. Whilst reductions were made across all brands, the largest reductions were in Leisure in line with the rationalisation of the high street store portfolio. Throughout the year almost half of the total number of consultants were placed on the government furlough scheme as there was no meaningful work for them to perform.

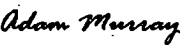
Future developments

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

The first half of the 2022 financial year has seen trading levels return to almost 50% of pre COVID levels, resulting in small profits being delivered in October and November 2021.

The directors recognise that it is impossible to accurately predict the course of the recovery. However, the directors are confident that the restructuring of the Company's cost base, securing liquidity, support from its parent and a highly prioritised investment strategy, focused on sales and marketing, customer retention, customer technology and productivity gains, position the Company well to recover as travel returns.

By order of the board

DocuSigned by:

 6E38BD941808412...
 A Murray
 Company secretary
 16 December 2021

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Directors' report

The board has pleasure in presenting the directors' report and audited financial statements of Flight Centre (UK) Limited for the year ended 30 June 2021.

Results and dividends

The trading results for the financial year and the Company's financial position at the end of the financial year are shown in the strategic report and the financial statements. No dividends were declared or paid during the year ended 30 June 2021 (2020: £25,000,000).

Going concern

The COVID-19 pandemic has had a significant impact on the travel and tourism industry and continues to impact the Company, giving rise to the loss for the year ended 30 June 2021 as presented in these financial statements. Whilst there is still uncertainty in the timing of the travel recovery and the Company's revenues, there have been positive advances with the successful vaccination programme and government relaxation on travel restrictions. Given the cost reduction initiatives executed to date, together with the cash position (including cash invested with Group companies), the Directors are satisfied the Company has the ability to meet its debts as and when due for the next 12 months and for the financial statements to be prepared on a going concern basis.

However, there is still a level of uncertainty created by COVID-19 and the long term effects the pandemic has had. The Company has modelled a severe but plausible downside scenario and in the event that it were to occur, the Company will need to secure sufficient additional funding. Sources of additional funding are not guaranteed but the Company is confident of the 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.

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.

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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 23.

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 1.3% of Total Scope 1 and 2 Energy Consumption (kWh) and 1.3% of Total Scope 1 and 2 Emissions (tCO₂e).

FLIGHT CENTRE (UK) LIMITED
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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 emissions:		2021 consumption (kWh)	2021 emissions (tCO ₂ e)
Scope 1 emissions ^a	Natural gas	96,916	17.8
	Direct transport	929	0.2
Scope 2 emissions ^b	Organisation controlled electricity	1,076,573	189.1
	Total	1,174,418	207.1

Carbon Intensity:

Scope 1 & 2 emissions divided by total transaction value (TTV) tCO₂e / £m TTV ^c **2.2**

- 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 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 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 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.

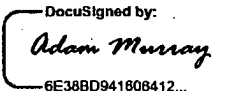
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
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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

DocuSigned by:

6E38BD941608412...
A Murray
Company secretary
16 December 2021

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

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

Opinion

We have audited the financial statements of Flight Centre (UK) Limited for the year ended 30 June 2021 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 2 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 2, 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. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, 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.

FLIGHT CENTRE (UK) LIMITED
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Opinions on other matters 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 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 the 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 by the parent company, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006) and the relevant UK tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation, those laws and regulations relating to health and safety and employee matters and specific regulations as set out by the Civil Aviation Authority.
- We understood how the Company is complying with those frameworks by making enquiries of management, including those responsible for legal and compliance procedures. We corroborated our enquiries through review of board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included enquiries of management and legal counsel; and journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business.

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

J I Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 December 2021

FLIGHT CENTRE (UK) LIMITED
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for the year ended 30 June 2021

Statement of comprehensive income
for the year ended 30 June 2021

		30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
	Notes		
Revenue			
Total revenue	5	33,699	183,750
Cost of sales	6	(3,062)	(65,456)
Gross profit		30,637	118,294
Expenses			
Operating expenses	6	(58,020)	(150,388)
Operating loss		(27,383)	(32,094)
Finance income	8	1,351	1,326
Finance costs	8	(793)	(850)
Loss before income tax		(26,825)	(31,618)
Income tax credit	9	5,542	6,091
Loss and total comprehensive loss for the year		(21,283)	(25,527)

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
Annual report and financial statements
for the year ended 30 June 2021

**Statement of financial position
as at 30 June 2021**

		30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,020	3,870
Intangible assets	11	1,061	2,083
Right of use assets	12	7,604	16,428
Investment in subsidiaries	13	2	291
Deferred income tax assets	14	7,956	3,378
Trade and other receivables	15	70,071	69,050
Total non-current assets		88,714	95,100
Current assets			
Trade and other receivables	15	114,692	32,906
Current income tax receivables		525	5,346
Cash and cash equivalents	16	17,870	53,257
Total current assets		133,087	91,509
Total assets		221,801	186,609
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	2,130	2,941
Lease liabilities	12	8,125	21,217
Provisions for other liabilities and charges	19	756	1,051
Total non-current liabilities		11,011	25,209
Current liabilities			
Trade and other payables	17	36,969	70,888
Lease liabilities	12	4,334	8,416
Borrowings	18	114,462	-
Provisions for other liabilities and charges	19	-	5,788
Total current liabilities		155,765	85,092
Total liabilities		166,776	110,301
Net assets		55,025	76,308


FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
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Statement of financial position
as at 30 June 2021 (continued)

		30-Jun	Restated
		2021	30-Jun
	Notes	£'000	2020
			£'000
EQUITY			
Called up share capital	21	4,604	4,604
Share premium account		4,674	4,674
Capital reserve		(578)	(578)
Retained earnings		46,325	67,608
Total equity		55,025	76,308

The notes on pages 21 to 58 form part of these financial statements.

The financial statements which were approved by the board of directors on 16 December 2021 and were signed on its behalf by:

DocuSigned by:

 6E38BD941808412...
 A Murray
 Director

Registered number 02937210

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

**Statement of changes in equity
for the year ended 30 June 2021**

	Notes	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 June 2019 - as previously reported		4,604	4,674	(578)	118,523	127,223
Adjustment to SaaS arrangements	2 (r)	-	-	-	(388)	(388)
Balance as at 30 June 2019 - restated		4,604	4,674	(578)	118,135	126,835
Loss for the year		-	-	-	(25,527)	(25,527)
Total comprehensive loss		-	-	-	(25,527)	(25,527)
Dividends paid					(25,000)	(25,000)
Balance as at 30 June 2020 - restated		4,604	4,674	(578)	67,608	76,308
Loss for the year		-	-	-	(21,283)	(21,283)
Total comprehensive loss		-	-	-	(21,283)	(21,283)
Balance as at 30 June 2021		4,604	4,674	(578)	46,325	55,025

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

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

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

**Statement of cash flows
for the year ended 30 June 2021**

		30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
	Notes		
Cash flows from operating activities			
Cash utilised in operations	7	(50,790)	(1,996)
Interest received		79	384
Interest paid		(201)	(124)
Income tax received / (paid)		5,795	(2,711)
Net cash used in operating activities		(45,117)	(4,447)
Cash flows from investing activities			
Purchase of intangible fixed assets	11	(153)	(719)
Purchase of property, plant and equipment	10	(46)	(1,503)
Loan to parent entity		(100,000)	-
Dividends paid		-	(25,000)
Net cash flow used in investing activities		(100,199)	(27,222)
Cash flows from financing activities			
Repayment of principal on lease liabilities	12	(4,316)	(3,986)
Proceeds from borrowings received		114,245	-
Net cash generated from / (used in) financing activities		109,929	(3,986)
Net decrease in cash and cash equivalents		(35,387)	(35,655)
Cash and cash equivalents brought forward		53,257	88,912
Cash and cash equivalents carried forward	16	17,870	53,257

The notes on pages 21 to 58 form part of these financial statements.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements

1. General information

The financial statements of Flight Centre (UK) Limited ('the Company' hereon) for the year ended 30 June 2021 were authorised for issue by the board of directors on 16 December 2021 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements 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 change in accounting policy in respect of the IFRIC Agenda Decision - Configuration or customisation costs in a cloud computing arrangement as described in note 2(r).

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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements (continued)

Going concern

The COVID-19 pandemic has had a significant impact on the travel and tourism industry and continues to impact the Company, giving rise to the loss for the year ended 30 June 2021 as presented in these financial statements. Whilst there is still uncertainty in the timing of the travel recovery and the Company's revenues, there have been positive advances with the successful vaccination programme and government relaxation on travel restrictions. Given the cost reduction initiatives executed to date, together with the cash position (including cash invested with Group companies), the Directors are satisfied the Company has the ability to meet its debts as and when due for the next 12 months and for the financial statements to be prepared on a going concern basis.

The Directors in their assessment of going concern have modelled a cash flow projection for the period to 31 December 2022. This projection represents their view of the expected recovery for the UK travel industry and the Company.

The key assumptions and inputs to this scenario are:

- The projected turnover recovery reflects the levels of trade experienced over the four months from July 2021. Throughout 2022 onwards it is expected that turnover will increase with the return of trade and building consumer confidence.
- The model assumes that the Company's reduced cost base is controlled in line with turnover recovery.
- The model anticipates the repayment of the CCFF loan in March 2022 as per the terms of the contract.

Having reviewed the forecasts, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue as a going concern for a period of at least 12 months and hence continue to adopt the going concern basis in preparing the financial statements.

However, there is still a level of uncertainty created by COVID-19 and the long term effects the pandemic has had. The Company has modelled a severe but plausible downside scenario and in the event that it were to occur, the Company will need to secure sufficient additional funding. Sources of additional funding are not guaranteed but the Company is confident of the 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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements (*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 businesses for which the Company is principal.

Where the Company acts as a principal, revenue represents the total transactional value, which excludes any value added tax. Total transactional value represents the price at which travel products and services have been sold, plus revenue from other sources. Revenue from these sales is recorded over time, as the performance obligation is 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. However, with the development of the COVID-19 global pandemic in the prior 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 a 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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements (*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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements (*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.

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.

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.

FLIGHT CENTRE (UK) LIMITED
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Notes to the financial statements (continued)

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 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.

(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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements (*continued*)

(i) Financial assets

The Company applies the requirements of IFRS 9 Financial Instruments (IFRS 9) to its financial assets.

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.

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).

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
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Notes to the financial statements (continued)

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.

FLIGHT CENTRE (UK) LIMITED
Annual report and financial statements
for the year ended 30 June 2021

Notes to the financial statements (*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) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the liability's settlement for at least 12 months after the reporting period's end.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

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Notes to the financial statements (*continued*)

(o) 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.

(p) 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 20 for costs associated with this scheme.

(q) 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.

(r) Changes in accounting policy and disclosures

(i) New and amended accounting standards and interpretations

New standards and interpretations impacting the Company that have been adopted in the annual financial statements for the year ended 30 June 2021 and which have given rise to changes in the Company's accounting policies are:

- IFRIC Agenda Decision – Configuration or customisation costs in a cloud computing arrangement (Software-as-a-Service (SaaS) arrangements)

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software-as-a-Service (SaaS) arrangement. The Company has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

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Notes to the financial statements (*continued*)

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Company does not control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now expensed when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now expensed over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

A fulfilment asset is recognised for costs which are eligible for capitalisation under IFRS 15 Revenue from Contracts with Customers.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the amounts provided.

<i>Statement of financial position:</i>	30-Jun-20	Impact of change in accounting policy	30-Jun-20
	as previously reported		Restated
	£'000	£'000	£'000
ASSETS			
Intangible assets	4,171	(2,088)	2,083
Trade and other receivables – non-current	68,279	771	69,050
Trade and other receivables - current	32,752	154	32,906
Total assets	187,772	(1,163)	186,609
EQUITY			
Retained earnings	68,771	(1,163)	67,608
Total equity	77,471	(1,163)	76,308
<i>Statement of comprehensive income:</i>			
Operating expenses	(149,613)	(775)	(150,388)
Loss before income tax expense	(30,843)	(775)	(31,618)

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Notes to the financial statements (continued)

<i>Statement of cash flows:</i>	30-Jun-20	Impact of change in accounting policy	30-Jun-20
	as previously reported		Restated
	£'000	£'000	£'000
Cash utilised in operations	(1,209)	(787)	(1,996)
Net cash used in operating activities	(3,660)	(787)	(4,447)
Purchase of intangible fixed assets	(1,506)	787	(719)
Net cash flow used in investing activities	(28,009)	787	(27,222)

No other new standards or amendments became effective in the current reporting period that have a material impact on the Company.

(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 set out in note 2(c), as a result of COVID-19, a constraint on revenue has been made in the last two financial years, due to 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.

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Notes to the financial statements (*continued*)

Override income contains an 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 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 recognised to the extent of flown revenue at guaranteed rates.

At 30 June 2021, the carrying value of override receivables was £159,000 (2020: £3,216,000), 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.

(v) Software-as-a-Service (SaaS) arrangements

The Company applies judgement in determining whether a cloud computing arrangement contains a software licence intangible asset and whether configuration and customisation costs provide a distinct service to access to the SaaS.

The Company evaluates a cloud computing arrangement to determine if it provides a resource that the Company can control. The Company determines that a software licence intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:

- The Company has the contractual right to take possession of the software during the hosting period without significant penalty.
- It is feasible for the Company to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

The Company applies judgement in determining whether costs incurred provide a distinct service, aside from access to the SaaS. Where it is determined that no distinct service is identifiable, the related costs are expensed over the duration of the service contract.

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Notes to the financial statements (continued)

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 2021 £'000	30-Jun 2020 £'000
Total transaction value (TTV) *	124,206	751,152
Revenue from the provision of travel as agent	23,761	53,114
Revenue from the provision of travel as principal	2,109	76,074
Revenue from the provision of travel services	25,870	129,188
Management fee income received from Flight Centre (UK) Wholesale Limited	7,090	48,197
Other revenue	739	6,365
Total revenue	33,699	183,750

* Total Transaction Value (TTV) does not represent revenue in accordance with IFRS 15. 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 £7,090,000 (2020: £48,197,000).

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Notes to the financial statements (continued)

6. Operating profit

(a) Expenses by nature

		30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
	Notes		
Profit before income tax includes the following specific expenses:			
Cost of sales from the sale of travel as principal		3,062	65,456
Cost of sales		3,062	65,456
Wages and salaries		37,898	68,485
Restructuring provision for future redundancies	19	-	5,500
Pension costs	20	1,269	2,350
Social security costs		3,209	6,285
Total staff costs		42,376	82,620
Government subsidies received		(10,868)	(7,656)
Depreciation of property, plant and equipment	10	1,687	4,072
Amortisation of intangible assets	11	868	1,303
Depreciation of right of use assets	12	2,617	6,637
Loss on disposal of property, plant and equipment	10	209	4,117
Loss on disposal of intangible assets	11	307	1
Impairment of intangible assets	11	-	1,237
Impairment of right of use assets	12	216	9,893
Impairment of investments in subsidiaries	13	289	-
Operating lease payments		-	1,149
Royalties		-	-
Foreign exchange loss		52	93
Other expenses		20,102	46,784
		26,347	75,286

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

Fees payable to the Company's auditor for audit of the Company financial statements	121	95
Fees payable to the Company's auditor for other services		
- tax services	20	20
- other services	24	23
	165	138
Operating expenses	58,020	150,388

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Notes to the financial statements (continued)

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 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 between £1,875 and £2,500 per qualifying furloughed employee.

Operating expenses are classified as follows:

	30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
Selling and distribution expenses	1,458	7,912
Administrative expenses	56,562	142,476
	<u>58,020</u>	<u>150,388</u>

(b) Employee information

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

	30-Jun 2021 Number	30-Jun 2020 Number
Consultants	569	1,115
Administration	314	518
	<u>883</u>	<u>1,633</u>

(c) Key management personnel compensation

Directors' remuneration

	30-Jun 2021 £'000	30-Jun 2020 £'000
Aggregate emoluments	609	677
Pension contributions	16	-
	<u>625</u>	<u>677</u>
Aggregate emoluments include:		
Short term benefits	<u>625</u>	<u>677</u>

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Notes to the financial statements (*continued*)

	30-Jun 2021 Number	30-Jun 2020 Number
Number of directors to whom retirement benefits are accruing under a defined contribution scheme	2	1
The number of directors who exercised share options	-	-
The number of directors who received share options under long term incentive schemes	2	1

Highest paid director

	30-Jun 2021 £'000	30-Jun 2020 £'000
Amounts included above:		
Aggregate emoluments	375	677
Pension contributions	2	-
	377	677

Key management personnel compensation

	30-Jun 2021 £'000	30-Jun 2020 £'000
Aggregate emoluments	609	1,224
Pension contributions	16	18
	625	1,242

The key management in the current year consists only of the directors of the Company, being the personnel with the greatest authority for the strategic direction and management of the Company. The prior year information also included two executives who are now the directors of the Company.

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Notes to the financial statements (*continued*)

7. Cash flow from operating activities

		30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
	Notes		
Cash generated from operations			
Loss before income tax		(26,825)	(31,618)
Adjustments for:			
- Depreciation of property, plant and equipment	10	1,687	4,072
- Amortisation of intangible assets	11	868	1,303
- Depreciation of right of use assets	12	2,617	6,637
- Loss on disposal of property, plant and equipment	10	209	4,117
- Loss on disposal of intangible assets	11	307	1
- Impairment of investment in subsidiaries	13	289	-
- (Gain) / loss on disposal of right of use assets	12	(7,234)	6
- Impairment of intangible assets	11	-	1,237
- Impairment of right of use assets	12	216	9,893
- Finance income	8	(1,351)	(1,326)
- Finance expense	8	793	850
Changes in working capital:			
- Decrease in trade and other receivables		18,439	76,171
- Decrease in trade and other payables and provisions for other liabilities and charges		(40,805)	(73,339)
Cash utilised in operations		(50,790)	(1,996)

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Notes to the financial statements (*continued*)

8. Finance income and costs

		30-Jun 2021 £'000	30-Jun 2020 £'000
	Notes		
Finance income			
Bank interest receivable		63	177
Interest receivable on amounts owed by group undertakings		1,288	963
Interest receivable on employee incentive scheme		-	186
		<u>1,351</u>	<u>1,326</u>
Finance costs			
Interest payable on amounts owed to group undertakings		8	100
Interest payable on borrowings		418	124
Interest on lease liabilities	12	<u>367</u>	<u>626</u>
		<u>793</u>	<u>850</u>
Net finance income		<u>558</u>	<u>476</u>

9. Income tax expense

(a) Income tax credit

	30-Jun 2021 £'000	30-Jun 2020 £'000
Current tax:		
Tax on loss for the year	-	(5,008)
Adjustment in respect of previous years	<u>(974)</u>	<u>(559)</u>
	<u>(974)</u>	<u>(5,567)</u>
Deferred tax:		
Origination and reversal of timing differences	(5,089)	(440)
Adjustment in respect of previous years	296	(84)
Change in tax rate	<u>225</u>	<u>-</u>
	<u>(4,568)</u>	<u>(524)</u>
Total tax credit	<u>(5,542)</u>	<u>(6,091)</u>

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Notes to the financial statements (*continued*)

(b) Reconciliation of income tax expense

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%).

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

	30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
Loss before income tax	(26,825)	(31,618)
Tax at UK tax rate of 19.0% (2020: 19.0%)	(5,097)	(6,007)
Tax effect of amounts:		
Expenses not allowable for tax purposes	8	559
Adjustments in respect of previous years - deferred tax	296	(84)
Adjustments in respect of previous years - current tax	(974)	(559)
Change in tax rate	225	-
Income tax credit	(5,542)	(6,091)

(c) Factors affecting future tax charges

The Chancellor announced in the Budget on 3 March 2021 that the main rate of UK corporation tax for years starting 1 April 2023 will be 25%.

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Notes to the financial statements (continued)

10. Property, plant and equipment

		Fixtures and fittings	Other property, plant and equipment	Total
	Notes	£'000	£'000	£'000
At 30 June 2019				
Cost		26,619	7,725	34,344
Accumulated depreciation		(18,225)	(5,563)	(23,788)
Net book amount		<u>8,394</u>	<u>2,162</u>	<u>10,556</u>
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		<u>2,532</u>	<u>1,338</u>	<u>3,870</u>
At 30 June 2020				
Cost		11,595	6,343	17,938
Accumulated depreciation		(9,063)	(5,005)	(14,068)
Net book amount		<u>2,532</u>	<u>1,338</u>	<u>3,870</u>
Year ended 30 June 2021				
Opening net book amount		2,532	1,338	3,870
Additions		-	46	46
Disposals		(1,642)	(401)	(2,043)
Depreciation write back on disposals		1,453	381	1,834
Depreciation charge	6 (a)	(978)	(709)	(1,687)
Closing net book amount		<u>1,365</u>	<u>655</u>	<u>2,020</u>
At 30 June 2021				
Cost		9,953	5,988	15,941
Accumulated depreciation		(8,588)	(5,333)	(13,921)
Net book amount		<u>1,365</u>	<u>655</u>	<u>2,020</u>

The depreciation of property, plant and equipment is included in operating expenses in the statement of comprehensive income.

In response to COVID-19, there has been an increased level of disposals of property, plant and equipment arising from store closures.

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Notes to the financial statements (continued)

11. Intangible assets

	Notes	Goodwill £'000	Computer software £'000	Other intangible assets £'000	Total £'000
At 30 June 2019 - restated					
Cost		1,646	5,476	391	7,513
Accumulated amortisation and impairment		-	(3,320)	(288)	(3,608)
Net book amount		1,646	2,156	103	3,905
Year ended 30 June 2020 - restated					
Opening net book amount		1,646	2,156	103	3,905
Additions		-	283	436	719
Disposals		-	(215)	-	(215)
Amortisation writeback on disposals		-	214	-	214
Amortisation charge	6 (a)	-	(937)	(366)	(1,303)
Impairment charge	6 (a)	(1,237)	-	-	(1,237)
Closing net book amount		409	1,501	173	2,083
Year ended 30 June 2020 - restated					
Cost		1,646	5,544	827	8,017
Accumulated amortisation and impairment		(1,237)	(4,043)	(654)	(5,934)
Net book amount		409	1,501	173	2,083
Year ended 30 June 2021					
Opening net book amount		409	1,501	173	2,083
Additions		-	68	85	153
Disposals		-	(689)	(479)	(1,168)
Amortisation writeback on disposals		-	483	378	861
Amortisation charge	6 (a)	-	(825)	(43)	(868)
Closing net book amount		409	538	114	1,061
At 30 June 2021					
Cost		1,646	4,923	433	7,002
Accumulated amortisation and impairment		(1,237)	(4,385)	(319)	(5,941)
Net book amount		409	538	114	1,061

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Notes to the financial statements (*continued*)

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

Computer software balances have been restated as required for changes introduced by IFRIC Agenda Decision - Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 2(r) for details.

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 of £1,237,000 relating to the acquisition of Gap Year was considered to be fully impaired in the prior year.

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.

FLIGHT CENTRE (UK) LIMITED
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Notes to the financial statements (continued)

12. Leases

	Notes	Right of use assets £'000	Lease liabilities £'000
Property			
At 1 July 2019		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
Disposals		(5,229)	(11,752)
Depreciation expense	6 (a)	(2,617)	-
Impairment expense	6 (a)	(216)	-
Lease modifications		(762)	(1,473)
Interest expense	8	-	367
Lease liability repayment		-	(4,316)
At 30 June 2021		<u>7,604</u>	<u>12,459</u>
		30-Jun 2021	30-Jun 2020
Right of use assets		£'000	£'000
Cost		16,927	32,845
Accumulated depreciation		(5,497)	(6,524)
Accumulated impairment		(3,826)	(9,893)
Net book amount		<u>7,604</u>	<u>16,428</u>
		30-Jun 2021	30-Jun 2020
Lease liabilities		£'000	£'000
Current		4,334	8,416
Non-current		8,125	21,217
Total lease liabilities		<u>12,459</u>	<u>29,633</u>

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Notes to the financial statements (*continued*)

In response to COVID-19, the Company has had to make strategic decisions which included revising the leased property portfolio resulting in lease surrenders. The Company surrendered 53 leases in the current financial year, for which the right of use asset and corresponding lease liability had been impaired in the prior financial year.

13. Investment in subsidiaries

Company	Total
Cost and net book value	£'000
At 30 June 2020	291
Impairment	(289)
At 30 June 2021	2

Name of undertaking	Country of incorporation	Effective holding	Proportion of voting rights held	Nature of business
Flight Centre (UK) Wholesale Limited	United Kingdom	100%	100%	Wholesale company

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

The Company impaired its investments in Flight Centre Moneywise Limited and the Gapyear Company Limited on dissolution of the investment entities on 19 January 2021.

14. Deferred income tax assets

The balance comprises temporary differences attributable to:

	30-Jun 2021 £'000	30-Jun 2020 £'000
Employee benefits	1,359	1,126
Tax losses carried forward	5,150	-
Decelerated capital allowances	1,447	2,252
	7,956	3,378
Expected settlement		
In excess of 12 months	7,956	3,378
	7,956	3,378

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.

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Notes to the financial statements (continued)

Movements

	Notes	Employee benefits £'000	Tax losses carried forward £'000	Decelerated capital allowances £'000	Total £'000
At 30 June 2019		1,157	-	1,697	2,854
(Charged) / credited to the statement of comprehensive income	9 (a)	(31)	-	555	524
At 30 June 2020		1,126	-	2,252	3,378
Credited / (charged) to the statement of comprehensive income	9 (a)	233	5,150	(805)	4,578
At 30 June 2021		1,359	5,150	1,447	7,956

There are no amounts of unprovided deferred tax (2020: £nil).

15. Trade and other receivables

	30-Jun 2021 £'000	Restated 30-Jun 2020 £'000
Current		
Trade receivables	13,606	31,688
Less: Provision for impairment of receivables	(1,799)	(2,487)
Trade receivables - net	11,807	29,201
Other receivables		
Loan to parent company	100,000	-
Amounts owed by group undertakings	205	-
Deposits refundable	56	56
Available-for-sale assets	-	4
Prepayments and accrued income	2,624	3,645
	102,885	3,705
Total current	114,692	32,906
Non-current		
Amounts owed by group undertakings	69,403	68,246
Prepayments and accrued income	668	804
Total non-current	70,071	69,050
Total trade and other receivables	184,763	101,956

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The loan to parent company bears interest at 0.66% and is repayable in February 2022.

Non-current amounts owed by group undertakings are unsecured and bear interest at rates ranging from 1.13% to 3.04% (2020: 1.89% to 2.35%).

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

(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, known 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 2021 the lifetime expected loss provision for trade receivables was as follows:

Brand	Average expected loss rate	Gross carrying amount £'000	Loss provision £'000
Corporate	6.6%	10,567	698
Retail	41.4%	2,244	929
Supplier incentives	73.8%	233	172
Other	0.0%	562	-
		<u>13,606</u>	<u>1,799</u>

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

Brand	Average expected loss rate	Gross carrying amount £'000	Loss provision £'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
		<u>31,688</u>	<u>2,487</u>

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

	30-Jun	30-Jun
	2021	2020
	£'000	£'000
Carrying amount at start of year	2,487	1,178
Provided during the year	(275)	1,654
Amounts reversed in the year	(413)	(345)
	<u>1,799</u>	<u>2,487</u>

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

16. Cash and cash equivalents

	30-Jun	30-Jun
	2021	2020
	£'000	£'000
Cash at bank and in hand	13,682	33,278
Client bank balances	4,188	19,979
	<u>17,870</u>	<u>53,257</u>

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17. Trade and other payables

	30-Jun 2021 £'000	30-Jun 2020 £'000
Current		
Trade creditors	18,010	22,259
Amounts owed to group undertakings	2,389	21,903
Value added tax payable	2,320	817
Other taxation and social security	1,010	1,117
Deferred income	212	304
Other payables	13,028	24,488
Total current	36,969	70,888
Non-current		
Deferred income	1,522	2,333
Other payables	608	608
Total non-current	2,130	2,941
Total trade and other payables	39,099	73,829

As at 30 June 2021 all current trade and other payables are unsecured, interest free and are expected to be settled within 12 months.

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. The amount has reduced in the current year from £17,515,000 to £6,401,000 as refunds have been paid to the end consumer during the year. 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 each 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 in the prior year, revenue released from opening deferred income to the statement of comprehensive income during the year was £nil (2020: £31,016,000).

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 £2,858,000 (2020: £4,193,000). 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 £2,832,000 (2020: £3,908,000) against these employee incentives. The balance of the investments, net of the notional loans is £26,000 (2020: £285,000) and is recognised within other payables.

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18. Borrowings

	30-Jun 2021 £'000	30-Jun 2020 £'000
Current		
Borrowings	114,462	-

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 which matured in March 2021 and were repaid. On 16 March 2021 the initial notes were refinanced and issued with an additional amount of £50,000,000 issued on 19 March 2021. These loans bear interest at 0.66% and the total balance of £115,000,000 matures in March 2022.

19. Provisions for other liabilities and charges

	30-Jun 2021 £'000	30-Jun 2020 £'000
Current		
Restructuring provision	-	5,788
Non-current		
Decommissioning provision	756	1,051

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 reduced 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.

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

	Restructuring provision	
	30-Jun 2021 £'000	30-Jun 2020 £'000
Current		
Carrying amount at start of year	5,788	-
Additional provisions recognised - employee costs	-	5,500
Additional provisions recognised - occupancy costs	-	288
Amounts used during the year	(5,788)	-
Carrying amount at end of year	-	5,788

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	Decommissioning provision	
	30-Jun	30-Jun
	2021	2020
	£'000	£'000
Non-current		
Carrying amount at start of year	1,051	479
Additional provisions recognised	84	520
Amounts used during the year	(393)	(105)
Discount unwinding	14	157
Carrying amount at end of year	<u>756</u>	<u>1,051</u>

The decommissioning provision is expected to be utilised by 2029.

20. 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 £1,269,000 (2020: £2,350,000). At 30 June 2021, £233,000 (2020: £nil) was payable and is included within trade and other payables.

21. Share capital

(a) Share capital

	30-Jun	30-Jun
	2021	2020
	£'000	£'000
4,603,982 (2020: 4,603,982) ordinary shares of £1 each	<u>4,604</u>	<u>4,604</u>

(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.

22. Commitments and contingencies

(a) Commitments

As at 30 June 2021 the Company had no capital commitments (2020: £nil).

(b) Guarantees

The Company had provided the following guarantees at 30 June 2021:

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 (2020: EUR 400,000).

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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 (2020: 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 (2020: SEK 2,900,000).

(c) Contingent liabilities

As at 30 June 2021 the Company had no contingent liabilities or assets (2020: £nil).

23. 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, and 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 2021 £'000	Restated 30-Jun 2020 £'000
Financial assets		
At amortised cost		
Trade and other receivables	11,902	29,429
Loan to parent entity	100,000	-
Amounts owed by group undertakings	69,608	68,246
Cash and cash equivalents	17,870	53,257
	199,380	150,932

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

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	30-Jun 2021 £'000	30-Jun 2020 £'000
Financial liabilities		
At amortised cost		
Trade and other payables	31,646	47,355
Amounts owed to group undertakings	2,389	21,903
Borrowings	114,462	-
Lease liabilities	12,459	29,633
Provisions for other liabilities and charges	756	6,839
	<u>161,712</u>	<u>105,730</u>

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

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

(a) Market risk

(i) Foreign exchange risk

The Company faces limited exposure to foreign exchange fluctuations as 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 2021		30-Jun 2020	
	USD £'000	EUR £'000	USD £'000	EUR £'000
Financial assets				
Cash and cash equivalents	-	-	-	885
Financial liabilities				
Trade and other payables	675	-	708	-

As at 30 June 2021 all financial liabilities are expected to be settled within 12 months.

(ii) Cash flow and fair value interest rate risk

The Company has limited exposure to interest rate risk. The Company's borrowings relate mainly to the Bank of England loan held, which is at a fixed interest rate, and 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.

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(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 2021	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	-	18,010	-	-	-	18,010	18,010
Amounts owed to group undertakings	2,389	-	-	-	-	2,389	2,389
Other payables	-	13,028	608	-	-	13,636	13,636
Borrowings	-	115,000	-	-	-	115,000	114,462
Lease liabilities	-	3,771	3,354	4,926	747	12,798	12,459
Provisions for other liabilities and charges	-	96	302	316	90	804	756
Total non- derivatives	2,389	149,905	4,264	5,242	837	162,637	161,712

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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

(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.

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Notes to the financial statements (*continued*)

24. 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.

Assets as per the statement of financial position:

		30-Jun 2021 £'000	30-Jun 2020 £'000
Related party	Nature of transactions		
Flight Centre Travel Group Limited (Australia)	Opening balance	66,908	57,806
Ultimate parent in Australia	Loan to parent company	100,000	-
	Other operational transactions	2,495	9,102
	Outstanding balance	169,403	66,908
Flight Centre Moneywise Limited	Opening balance	24	6
Subsidiary	Operational transactions	(24)	18
	Outstanding balance	-	24
Fellow subsidiaries of the ultimate parent undertaking	Opening balance	1,314	-
	Other operational transactions	(1,109)	1,314
	Outstanding balance	205	1,314
Total owed by other entities	Outstanding balance	169,608	68,246

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Liabilities as per the statement of financial position:

		30-Jun 2021 £'000	30-Jun 2020 £'000
Related party	Nature of transactions		
Flight Centre Travel Group Limited (Australia)	Opening balance	-	-
Ultimate parent in Australia	Other operational transactions	(1,108)	-
	Outstanding balance	(1,108)	-
Flight Centre (UK) Wholesale Limited	Opening balance	(21,901)	(33,878)
Subsidiary	Operational transactions	20,665	11,977
	Outstanding balance	(1,236)	(21,901)
The Gapyear Company Limited	Opening balance	(2)	-
Subsidiary	Operational transactions	2	(2)
	Outstanding balance	-	(2)
Fellow subsidiaries of the ultimate parent undertaking	Opening balance	-	-
	Operational transactions	(45)	-
	Outstanding balance	(45)	-
Total owed to other entities	Outstanding balance	(2,389)	(21,903)

Inter-company loan

Flight Centre (UK) Limited has inter-company loans from Flight Centre Travel Group Limited. The balance outstanding at 30 June 2021 was £169,403,000 (2020: £66,908,000) receivable, including £100,000,000 loan to the parent company. The loan to the parent company bears interest at 0.66% and is repayable in February 2022. The remainder of the balance is interest bearing with interest receivable at rates ranging from 1.13% to 3.04% throughout the year (2020: 1.89% to 2.35%) and payable at 1.13% to 3.04% (2020: 0.03% to 1.89%) 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 £34,000 (2020: £68,000).

Flight Centre (UK) Limited earned commission income from Back Roads Touring Co. Limited of £11,000 (2020: £22,000).

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Notes to the financial statements (*continued*)

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.