

Thomas Cook Aircraft Engineering Limited

**Report and financial statements
for the year ended 30 September 2012**

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THOMAS COOK AIRCRAFT ENGINEERING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

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THOMAS COOK AIRCRAFT ENGINEERING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Frank Pullman
Thomas Cook Group Management Services Limited
John Boler
Paul Horstink

COMPANY SECRETARY

Emma Langford

REGISTERED OFFICE

The Thomas Cook Business Park
Coningsby Road
Peterborough
Cambridgeshire
PE3 8SB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
WC2N 6RH
London

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Directors' report

The directors present their annual report on the affairs of Thomas Cook Aircraft Engineering Limited (the "Company"), together with the audited financial statements and independent auditors' report. This annual report covers the year ended 30 September 2012.

BUSINESS REVIEW AND ACTIVITIES

Thomas Cook Aircraft Engineering Limited is a wholly owned subsidiary of Thomas Cook Airlines Limited, a company that ultimately forms part of the Thomas Cook Group plc ("TCG plc" / "the Group") which is a company that is listed on the London Stock Exchange.

The results for the Company show a pre tax loss of £0.6 million (2011: £7.1 million loss) for the year and sales of £36.0 million (2011: £37.1 million). The Company has net liabilities of £5.2 million (2011: £4.6 million net liabilities). Net cash inflow from operating activities for 2012 was £0.2 million (2011: inflow of £0.8 million).

Thomas Cook Group plc operates in the UK through a number of subsidiary companies, the activities of which include packaged holidays, airline operations, sales channels including retail and online dynamic packaging / component travel businesses and scheduled tour operators.

The principal activity of Thomas Cook Aircraft Engineering Limited is that of the provision of aircraft maintenance and support services.

BUSINESS ENVIRONMENT

Following the international economic and financial crisis in 2008, the GDP in the UK fell 4% in 2009 and, although economic conditions have improved slightly, the on-going global economic uncertainty continues to negatively impact GDP in the UK. Although unemployment rates in the UK are beginning to fall, the economic outlook for 2013 remains uncertain.

In general, the growth of global international tourism outpaces the growth of economic output. According to the UK World Tourism Organisation ('UNWTO') demand for global international tourism maintained momentum in 2011 and early 2012, with an expected growth in international tourism for the full year 2012 of 3% to 4%. Between 2010 and 2030, the UNWTO estimates that global outbound tourism will grow at 3.3% pa, with outbound tourism from Europe growing at 2.5% pa. There are two distinct segments in the leisure travel market: direct suppliers and travel intermediaries. The Company largely operates in the travel intermediary segment through its linkage with Thomas Cook Airlines Limited and the Thomas Cook UK Tour Operator.

STRATEGY AND FUTURE OUTLOOK

Historically, the Company has been an integral part of Thomas Cook Airlines Limited providing aircraft maintenance and support services. The Company will continue to support Thomas Cook Airlines Limited, although our strategy is to reduce our dependence on the UK Airline by providing aircraft maintenance and support services to all of the Group's airline businesses.

The second element of our business improvement plan is to improve our profitability through increased co-operation with the rest of the Thomas Cook Group, in particular through addressing the cost base of the Company."

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Directors' report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The directors have identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities

- Downturn in the global economy and in the economies of our source market leading to a reduction in demand for our products and services
- Fall in demand for traditional package tours and competition from internet distributors and low cost airlines
- Any significant damage to the Group's UK reputation or brands
- Environmental risks and regulations
- Major health and safety incident
- Loss of, or difficulty in replacing, senior talent
- Natural catastrophe including closure of airspace
- Disruption to information technology systems or infrastructure, premises or business processes
- Performance failure by outsourced partners and third party suppliers

For further information on the potential impact of these risks, and the procedures implemented by the Group to mitigate these risks, please refer to pages 18-19 of the Group's annual report

KEY PERFORMANCE INDICATORS ("KPI's")

The directors of the Group manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on pages 21 to 22 of the Group's annual report, which does not form part of this report

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks, including the effects of changes in currency exchange rates, credit exposure, liquidity and interest rates. The directors manage these risks in accordance with policies that have been agreed with the Group. The main risks arising from the Company's financial instruments can be analysed as follows

Currency risk

The Company is exposed in its trading operations to the risk of changes in currency exchange rates. Appropriate forward contracts and other instruments are used to hedge this exposure in accordance with policies agreed with the UK Group

Credit risk

The Company's principal financial assets are bank balances, cash and trade and inter-company debtors which represent the Company's maximum exposure to credit risk in relation to financial assets. Risk is managed through internal monitoring processes

Liquidity risk

The Company has appropriate overdraft facilities at Group level in place with various banks where considered necessary. The Company uses its annual budget and planning process to predict and manage expected future liquidity. The liquidity forecast is reviewed and updated on a regular basis

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Directors' report (continued)

Interest rate risk

The Company is subject to risks arising from interest rate movements in connection with the cost of servicing its short-term borrowings and the returns on its liquid assets. The risks associated with this are managed at a Group level in conjunction with the liquidity risk.

EQUAL OPPORTUNITIES

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers training and career development for disabled staff. If members of staff become disabled the Company continues employment wherever possible and arranges retraining.

EMPLOYEE INVOLVEMENT

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when decisions which are likely to affect their interests. In addition, the Company encourages the involvement of employees by means of regular briefing meetings, supplemented by a range of staff magazines. Surveys are held regularly as a means of measuring the effectiveness of the ways in which staff are managed.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2012 (2011: £nil).

DIRECTORS

The directors, who served during the year and up to the date of signing the financial statements, except where noted below, were as follows:

Frank Pullman

Thomas Cook Group Management Services Limited

John Boler

Norman Creveuil resigned 1st November 2012

Paul Horstink appointed 13th December 2012

COMPANY SECRETARY

Emma Langford

DIRECTORS' INDEMNITIES

In accordance with its Articles, the Company has granted a qualifying third party indemnity, to the extent permitted by law, to each Director. The company also maintains Directors' and Officers' liability insurance.

SUPPLIER PAYMENT POLICY

The Group's policy, which is also applied by the Company, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 September 2012 were equivalent to 48 days (2011: 48 days) purchases, based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no charitable or political donations during the year (2011: £nil).

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Directors' report (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

PROVISION OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved, the following applies

- (a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed as auditors of the Company. A resolution will be proposed at the next Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors of the Company.

On behalf of the Board,



John Boler, Director

26 February 2013

Company Registration Number; 4339114

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Independent auditors' report to the members of Thomas Cook Aircraft Engineering Limited

We have audited the financial statements of Thomas Cook Aircraft Engineering Limited for the year ended 30 September 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 February 2013

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Statement of comprehensive income for the year ended 30 September 2012

	Note	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Revenue	3	35,986	37,125
Cost of sales		(32,514)	(41,615)
Gross profit / (loss)		3,472	(4,490)
Operating expenses	5	(3,876)	(2,018)
Disposal of items of property, plant and equipment		(1)	(1)
Operating loss		(405)	(6,509)
Analysed between			
Operating (loss) / profit before exceptional items		(101)	1,982
Exceptional Items	4	(304)	(8,491)
Loss before finance items		(405)	(6,509)
Income from investments		-	-
Finance income	6	27	21
Finance costs	6	(1)	(31)
Exceptional Finance costs	4,6	(188)	(539)
Loss before tax	7	(567)	(7,058)
Income tax credit / (expense)	9	-	342
Total comprehensive expenditure for the year		(567)	(6,716)

All revenues and results arose from continuing operations

There is no recognised income or expense for either year other than the loss for the year, consequently no separate statement of recognised income and expenses has been presented

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Balance sheet as at 30 September 2012

	Note	30 September 2012 £'000	30 September 2011 £'000
Non-current assets			
Property, plant and equipment	10	4,345	4,616
Intangible assets	11	-	-
Deferred income tax	12	-	-
Investments in subsidiary undertakings	13	1	6
		<u>4,346</u>	<u>4,622</u>
Current assets			
Trade and other receivables	14	3,396	4,267
Cash and cash equivalents		2,512	2,664
Total assets		<u>10,254</u>	<u>11,553</u>
Current liabilities			
Trade and other payables	15	(15,410)	(16,142)
		<u>(15,410)</u>	<u>(16,142)</u>
Net current liabilities		<u>(9,502)</u>	<u>(9,211)</u>
Net liabilities		<u>(5,156)</u>	<u>(4,589)</u>
Equity attributable to owners of the parent			
Called up share capital	16	1	1
Retained (loss) / profit	17	(5,157)	(4,590)
Total Equity		<u>(5,156)</u>	<u>(4,589)</u>

The financial statements on pages 7 to 30 were approved by the board of directors and authorised for issue on 26 February 2013

They were signed on its behalf by



John Boler, Director

Company Registration Number: 4339114

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Cash flow statement for the year ended 30 September 2012

	Note	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Cash flow from operating activities			
Cash generated from / (used in) operations	18	159	803
Interest Paid		(1)	(31)
Net cash generated from operating activities		158	772
Investing activities			
Purchases of property, plant and equipment		(337)	(464)
Interest received		27	21
Net cash used in investing activities		(310)	(443)
Net (decrease) / increase in cash and cash equivalents		(152)	329
Cash and cash equivalents at beginning of the year		2,664	2,335
Cash and cash equivalents at end of the year		2,512	2,664

Statement of changes in equity for the year ended 30 September 2012

	Called up share capital £'000	Retained earnings/(deficit) £'000	Total £'000
Opening balance at 1 October 2010	1	2,126	2,127
Loss for the year	-	(6,716)	(6,716)
At 30 September 2011	1	(4,590)	(4,589)
Loss for the year	-	(567)	(567)
At 30 September 2012	1	(5,157)	(5,156)

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012

1. General information

Thomas Cook Aircraft Engineering Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB. The nature of the Company's operations and its principal activities are set out in the Directors' Report. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. At 30 September 2012 the Company was a wholly-owned subsidiary company (note 22) and was included within the audited consolidated financial statements of Thomas Cook Group plc, a company incorporated in Great Britain, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and filed with the Registrar of Companies. The Company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

Adoption of new or amended standards and interpretations in the current year

In the current year, the following new or amended standards have been adopted. Their adoption has not had a significant impact in the amounts reported or the disclosure and presentation in these financial statements, but may impact the accounting or the disclosure and presentation for future transactions and arrangements.

IAS 24 Amendment "Related parties" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment clarifies the definition of related parties.

IFRIC 14 Amendment "Prepayments of a minimum funding requirement" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment remedies one of the consequences of IFRIC 14, whereby an entity under certain circumstances was not allowed to recognise an asset for the prepayment of a minimum funding requirement.

In addition, the Group has adopted the various amendments to International Financial Reporting Standards and the related Bases for Conclusions and guidance made in the International Accounting Board's annual improvement process. The relevant IFRSs subject to Annual Improvements 2010 and applicable to the Group include:

IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosure
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IAS 34	Interim Financial Reporting

New or amended standards and interpretations in issue but not yet effective and not EU endorsed

The following new standards, amendments to standards and interpretations that are expected to impact the Group, which have not been applied in these financial statements, were in issue, but are not yet effective and are not EU endorsed:

IFRS 9 "Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2015. The standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets.

IFRS 10 "Consolidated financial statements" is effective for annual reporting periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within consolidated financial statements.

IFRS 11 "Joint arrangements" is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

1. General information (continued)

IFRS12 “Disclosure of interests in other entities” is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 “Fair value measurement” is effective for annual periods beginning on or after 1 January 2013. This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement.

IAS19 (revised 2011) “Employee benefits” is effective for annual periods beginning on or after 1 January 2013. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IAS27 (revised) “Separate financial statements” is effective for annual reporting periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS27 have been included in the new IFRS10.

IAS28 (revised) “Investments in associates and joint ventures” is effective for annual periods beginning on or after 1 January 2013. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS11.

IAS 32 “Offsetting financial assets and liabilities” is effective for annual periods beginning on or after 1 January 2014, and provides clarification on the application of offsetting rules.

Management is currently assessing the impact of adopting these new or amended standards and interpretations.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRSs as adopted by the EU and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS. The accounting policies adopted are consistent with those of the previous financial period except for those which the Company has adopted in the year.

The financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments, namely share-based payments. The principal accounting policies adopted are set out below.

The Company is reliant on the support of the fellow group undertaking Thomas Cook Airline Limited. This support has been formally provided and accordingly the directors of Thomas Cook Aircraft Engineering Limited have prepared these financial statements on a going concern basis.

1. Subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less provision for impairment. Impairment reviews are performed when there has been an indication of potential impairment. Dividends received from these investments are recognised in the statement of comprehensive income on the date of receipt and classified as investment income.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

2 Significant accounting policies (continued)

ii Intangible assets - other

Intangible assets, other than goodwill, are carried on the Company's balance sheet at cost less accumulated amortisation. Amortisation on the restrictive covenant is charged on a straight-line basis over the asset's useful life of 3 years. Amortisation on the IT user licences are charged on a straight-line basis over a period of 4 years in line with group policy.

iii. Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of straight-line depreciation and any provision for impairment.

Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are charged to the statement of comprehensive income as incurred.

Depreciation on property, plant and equipment, other than freehold land, upon which no depreciation is provided, is calculated on a straight line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

- | | |
|-------------------------------|-----------------|
| • Freehold Land and Buildings | Period of lease |
| • Plant and Machinery | 3 to 15 years |
| • Motor vehicles | 4 years |
| • Fixtures and Fittings | 5 years |

The residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the proceeds received and the net book value of the asset on disposal, and is recognised on the date of disposal in operating profit.

iv. Revenue recognition and associated costs

Revenue represents amounts derived from the provision of aircraft maintenance and support services principally to Thomas Cook Airlines Limited during the year. Turnover is recognised during the year when the service is delivered. Other revenue and associated expenses are taken to the statement of comprehensive income as earned or incurred.

v. Income statement presentation

Profit or loss from operations includes the results from operating activities of the Company.

The Company separately discloses exceptional items in the income statement. Exceptional items, namely items that are material because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a full understanding of the Company's underlying performance. Items which are included within the exceptional category include:

- profits / (losses) on disposal of assets
- costs of major restructuring programmes
- significant goodwill or other asset impairments
- other material items that are unusual because of their size, nature or incidence

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

2. Significant accounting policies (continued)

vi. Tax

Tax represents the sum of tax currently payable and deferred tax. Tax is recognised in the statement of comprehensive income unless it relates to an item recognised directly in equity, in which case the associated tax is also recognised directly in equity.

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future, except as set out below. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse.

Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

vii. Pensions

Pension costs charged against profits in respect of the Company's defined contribution scheme represent the amount of the contributions payable to the schemes in respect of the accounting period.

viii. Foreign currency

Transactions in currencies other than the functional currency of the Company are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the year end are translated at year end exchange rates. The resulting exchange gain or loss is recognised in the statement of comprehensive income.

ix. Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Company are finance leases, all other leases are operating leases.

Assets held under finance leases are recognised within property, plant and equipment on the balance sheet and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease.

Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the lease term.

x. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in the statement of comprehensive income.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

2 Significant accounting policies (continued)

x1. Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

xii. Cash and cash equivalents

In the cashflow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities

xiii. Share-based payments

The Company has applied the requirements of IFRS 2 'Share-based payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 November 2004

Thomas Cook Group plc issues share options to certain employees of the Company as part of their total remuneration. The fair values of the share options are calculated at the date of grant, using the Black-Scholes option pricing model. These fair values are charged to the statement of comprehensive income on a straight-line basis over the expected vesting period of the options. This amount has been charged to the Company by Thomas Cook Group plc

xiv. Finance income and costs

Finance income comprises interest income on funds invested

Finance costs comprise interest costs on borrowings and finance provisions

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

3. Revenue

The Company has only one principal activity which is that of the provision of aircraft maintenance and support services

An analysis of the Company's revenue is as follows

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
UK	27,796	30,844
Europe	7,667	5,647
Rest of World	523	634
	<u>35,986</u>	<u>37,125</u>

4 Exceptional items

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Exceptional items – cost of sales:		
Restructuring	-	42
Provision for HMRC Settlement	304	8,449
Total exceptional operating items	<u>304</u>	<u>8,491</u>
 Exceptional items - finance costs		
Finance cost associated with HMRC Settlement	188	539
Total exceptional finance costs	<u>188</u>	<u>539</u>

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

5. Operating expenses

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Administrative expenses	(3,876)	(2,018)
	<u>(3,876)</u>	<u>(2,018)</u>

6. Finance income and costs

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Interest receivable from bank	27	21
Interest paid to bank	(1)	(31)
Finance cost associated with HMRC settlement (see note 4)	(188)	(539)
Net finance expenditure	<u>(162)</u>	<u>(549)</u>

7. Loss before tax

Loss before tax has been arrived at after charging

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Net foreign exchange loss	228	14
Depreciation of property, plant and equipment – owned assets	608	577
Depreciation of property, plant and equipment – held under finance leases	-	-
Amortisation of intangible assets	-	12
Loss on disposal of property, plant and equipment	1	1
Operating lease rentals payable – other	760	760
Exceptional items (see note 4)	492	9,030
Staff costs (note 8)	1,399	2,528
Auditors' remuneration for audit services (see below)	-	-

Auditors' remuneration is paid for centrally. Amounts payable to PricewaterhouseCoopers LLP and their associates by the Company in respect of non-audit services are disclosed in the financial statements of Thomas Cook Group plc.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

8. Staff costs

The average monthly number of employees (including executive directors) was

By Activity	Year ended 30 September 2012 Number	Year ended 30 September 2011 Number
Management and administration	8	9
Engineering	16	41
	<u>24</u>	<u>50</u>
Their aggregate remuneration comprised		
Wages and salaries	1,212	2,219
Social security costs	113	198
Other pension costs	74	111
	<u>1,399</u>	<u>2,528</u>

Operational employees are employed by a subsidiary company

9. Income tax credit

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Analysis of tax credit in the year		
Current taxation:		
UK corporation tax credit for the year	-	-
Adjustment in respect of prior years	-	(467)
Double taxation relief	-	(51)
Overseas tax charge for the year	-	51
Total current tax credit	<u>-</u>	<u>(467)</u>
Deferred taxation:		
UK – movement in current year	-	102
Adjustment in respect of prior years	-	23
Total deferred tax	<u>-</u>	<u>125</u>
Total tax credit	<u>-</u>	<u>(342)</u>

Corporation tax is calculated at 25% (2011 27%) of the estimated assessable loss for the period. This is the weighted average tax rate applicable for the period following a reduction in the standard rate of UK Corporation Tax from 26% to 24% effective from 1st April 2012.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

9 Income tax credit (continued)

The tax credit for the year can be reconciled to the loss per the statement of comprehensive income as follows

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Loss before tax	(567)	(7,058)
Profit / (Loss) before tax multiplied by the current tax rate of 25% (2011 27%)	(142)	(1,907)
Effects of		
Adjustments in respect of prior years	-	(444)
Double Tax Relief	-	(51)
Expenses not deductible for tax purposes	144	2,435
Depreciation not in deferred tax	44	43
Current year deferred tax not recognised	105	110
Deferred tax brought forward no longer recognised	-	102
Group relief received for nil consideration	(151)	(630)
Tax credit for the year	-	(342)

The Finance (No 2) Act 2010 included legislation to reduce the main rate of UK Corporation Tax from 28% to 27% from 1st April 2011. This was amended by Finance Act 2011 which reduced the rate to 26% with effect from 1st April 2011. Finance Act 2011 also included legislation to reduce the main rate of Corporation Tax to 25% with effect from 1st April 2012, this was amended by the Finance Act 2012 which reduced the rate to 24% with effect from 1st April 2012. Finance Act 2012 also included legislation to reduce the main rate of corporation Tax to 23% with effect from 1st April 2013. The changes have had no effect on these financial statements.

A further reduction in the main rate of Corporation Tax in the UK by 2% to 21% by 1st April 2014 has also been proposed and is expected to be enacted separately. The change has not been substantially enacted at the balance sheet date and therefore is not recognised in these financial statements.

Group relief was charged for in periods ending 30th September 2009 and earlier. Group relief is surrendered / received for nil consideration in subsequent periods.

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Corporation tax creditor	-	(526)

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

10. Property, plant and equipment

	Freehold Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 October 2010	2,267	2,461	416	1954	7,098
Additions	-	123	-	341	464
Disposals	-	(15)	(66)	-	(81)
At 1 October 2011	2,267	2,569	350	2,295	7,481
Additions	-	200	-	137	337
Disposals	-	-	-	(2)	(2)
At 30 September 2012	2,267	2,769	350	2,430	7,816
Accumulated depreciation					
At 1 October 2010	317	1,162	391	498	2,368
Charge for year	66	181	15	315	577
Disposals	-	(14)	(66)	-	(80)
At 1 October 2011	383	1,329	340	813	2,865
Charge for year	67	173	4	364	608
Disposals	-	-	-	(1)	(1)
At 30 September 2012	450	1,502	344	1,176	3,472
Carrying amount					
At 30 September 2012	1,817	1,267	6	1,254	4,345
At 30 September 2011	1,884	1,240	10	1,482	4,616
At 30 September 2010	1,950	1,299	25	1,456	4,730

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

11. Intangible assets

	Total £'000
Cost	
At 1 October 2010	52
Additions	-
Disposals	-
	<hr/>
At 1 October 2011	52
Additions	-
Disposals	-
	<hr/>
At 30 September 2012	52
	<hr/>
Accumulated amortisation	
At 1 October 2010	40
Charge for year	12
Disposals	-
	<hr/>
At 1 October 2011	52
Charge for year	-
Disposals	-
	<hr/>
At 30 September 2012	52
	<hr/>
Carrying amount	
At 30 September 2012	-
	<hr/>
At 30 September 2011	-
	<hr/>
At 30 September 2010	12
	<hr/>

Purchased RAL software licences (Aircraft Maintenance software) are amortised on a straight-line basis over a period of 4 years

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

12. Deferred income tax

No deferred tax assets have been offset against deferred tax liabilities

The gross movement on the deferred income tax account is as follows

Deferred tax assets	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 st October 2010	124	1	125
Credited to the income statement	(124)	(1)	(125)
At 30th September 2011	-	-	-
(Charged)/Credited to the income statement income	-	-	-
At 30th September 2012	-	-	-

At the balance sheet date, the company had short term timing differences of £1,513,000 (2011 £1,129,000) available for offset against future profits. No deferred tax asset has been recognised in respect of short term timing differences of £1,513,000 (2011 £1,129,000) due to the unpredictability of future profits.

13. Investments in subsidiary undertakings

The company holds an investment of 12,182,999 Mexican Peso (£570,858) in Thomas Cook Aircraft Engineering Mexico S A de C V (previously known as Line Maintenance de Mexico S A de C V), a company incorporated in Mexico, whose principal place of business is Aeropuerto Int de Cancun, Calle de Liga con FBO S/N, C P 77500 Q Roo México. The original investment of Mexican Peso 50,000 (£5,217) was made on 13th October 2003 and during this year (in December 2011) a further investment of 12,132,999 Mexican Peso (£565,641) has been made to recapitalise the company and comply with Mexican Law. This investment has subsequently been impaired, the investment net of the impairment provision is a nil balance on the Balance sheet.

The Company holds an investment of US\$1 which represents 100% of the issued share capital of Thomas Cook Aircraft Engineering Inc, a company incorporated in the United States of America, whose principal place of business is Sanford Airport, Florida, 32772, USA. The investment was made on 15th October 2003.

The Company also holds an investment of £1,000 which represents 100% of the issued share capital of Thomas Cook Aircraft Engineering Services Limited, a company incorporated in Guernsey, whose registered address is PO box 18, Belmont Court, Kings Road, St Peter Port, Guernsey, GY1 4AL. The investment was made on 21st September 2006.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

14. Trade and other receivables

	30 September 2012 £'000	30 September 2011 £'000
Current assets		
Trade receivables	1,252	1,346
Less provision for impairment of trade receivables	(1,041)	(1,007)
Trade receivables - net	211	339
Deposits and prepayments	973	944
Other receivables	1,812	1,962
Amounts owed by group undertakings	400	1,022
	<u>3,396</u>	<u>4,267</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

	30 September 2012 £'000	30 September 2011 £'000
Movement in allowances for doubtful trade receivables		
At the beginning of the year	(1,007)	(1,003)
Additional provision for receivables impairment	(145)	(121)
Write-back of previous provision	26	102
Utilised	85	15
At the end of the year	<u>(1,041)</u>	<u>(1,007)</u>

As of 30 September 2012, trade receivables of £141,000 (2011 £265,000) were fully performing and therefore considered fully recoverable. No items that are fully performing have been renegotiated in the last year.

Trade receivables that are less than six months past due are not considered impaired. As of 30 September 2012, trade receivables of £49,000 (2011 £32,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 September 2012 £'000	30 September 2011 £'000
Up to 3 months	49	32
3 to 6 months	-	-
6 to 12 months	-	-
Over 12 months	-	-
	<u>49</u>	<u>32</u>

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

Trade and other receivables (continued)

As of 30 September 2012, trade receivables of £1,062,000 (2011 £1,050,000) were impaired and provided for. The amount of the provision was £1,041,000 as of 30 September 2012 (2011 £1,007,000). The individually impaired receivables mainly relate to significantly aged balances. The ageing analysis of these trade receivables is as follows:

	30 September 2012 £'000	30 September 2011 £'000
Up to 3 months	-	-
3 to 6 months	4	20
6 to 12 months	37	48
Over 12 months	1,021	982
	<u>1,062</u>	<u>1,050</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, aircraft deposits and amounts owed by group undertakings.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

15. Trade and other payables

	30 September 2012 £'000	30 September 2011 £'000
Current liabilities		
Trade payables	(1,084)	(991)
Taxation and Social Security	-	(526)
Accruals and deferred income	(711)	(963)
Amounts owed to group undertakings	(13,615)	(13,662)
	<u>(15,410)</u>	<u>(16,142)</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 48 days (2011 48 days).

The directors consider that the carrying amount of trade payables approximates to their fair value. The amounts owed to Group undertakings are unsecured and payable on demand.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

16. Called-up share capital

	30 September 2012 £'000	30 September 2011 £'000
Authorised, allotted and fully paid		
1,000 (2011 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income

17. Retained earnings

	30 September 2012 £'000
Balance at 30 September 2010	2,126
Loss for the year	<u>(6,716)</u>
Balance at 30 September 2011	(4,590)
Loss for the year	<u>(567)</u>
Balance at 30 September 2012	<u>(5,157)</u>

18. Notes to the cash flow statement

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Operating loss	(405)	(6,509)
Adjustments for		
Depreciation of property, plant and equipment	608	577
Amortisation of intangible assets	-	12
Loss on disposal of property, plant and equipment	(1)	(1)
Other non-cash items	<u>5</u>	<u>(2)</u>
Operating cash flows before movements in working capital	207	(5,923)
Decrease / (Increase) in receivables	249	(1,741)
(Decrease) / Increase in payables	(685)	292
Net movement in amounts owed to group companies	<u>388</u>	<u>8,175</u>
Net cash inflow from operating activities	<u>159</u>	<u>803</u>

Cash and cash equivalents comprise cash at bank, and other short-term highly liquid investments with a maturity of three months or less

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

19. Operating lease arrangements

The Company as lessee

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Minimum lease payments under operating leases recognised in income for the year	760	760

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	30 September 2012 £'000	30 September 2011 £'000
Within one year	760	760
In the second to fifth years inclusive	3,040	3,040
After five years	16,910	17,670
	20,710	21,470

Operating lease payments represent rentals payable by the Company for Hangar 1 and associated annexes. The lease has been negotiated for a term of 34 years and is due for renewal in December 2039.

20. Retirement benefit schemes

Defined contribution schemes

There are a number of defined contribution schemes in the Company, the principal ones being the MyTravel UK Group scheme which relates to employees of MyTravel Group plc and various of its UK subsidiary companies and the new scheme for Thomas Cook UK employees joining since April 2003.

The total cost charged to the statement of comprehensive income of £74,000 (2011 - £111,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 September 2012, contributions of £nil (2011 - £nil) due in respect of the current reporting year had not been paid over to the schemes.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

21. Share based payments

Equity-settled share option schemes

The parent company (Thomas Cook Group plc) operates five equity-settled share-based payment schemes, as outlined below. The total expense recognised during the year in respect of equity-settled share-based payment transactions was £19,000 (2011 credit of £56,000). From 1 November 2007 share based payment transactions are cash settled by the company through an intercompany recharge. As such these amounts are no longer credited back through reserves.

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)

Executive Directors and senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of the Thomas Cook Group plc. The awards will vest if performance targets for adjusted earnings per share (EPS), total shareholder return (TSR) and the share price of Thomas Cook Group plc are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Co-Investment Plan (COIP)

Executive Directors and senior executives may be required to purchase shares in Thomas Cook Group plc using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased participants may receive up to 3.5 Matching Shares if performance targets for EPS, return on invested capital (ROIC), TSR and the share price of Thomas Cook Group plc are met during the three years following the date of grant. Subject to vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)

Eligible employees were offered options to purchase shares in Thomas Cook Group plc by entering into a three or four -year savings contract. The option exercise price was set at a 10% (2010 grant) or 20% (2008 grant) discount to the market price at the offer date. Options are exercisable during the six months after the end of the savings contract.

The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)

Eligible UK tax paying employees are offered the opportunity to purchase shares in Thomas Cook Group plc by deduction from their monthly gross pay. For every ten shares an employee buys in this way, the Company will purchase one matching share on their behalf. At 30 September 2012, 2,547 matching shares had been purchased (2011 975).

The Thomas Cook Group plc Restricted Share Plan (RSP)

Senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of the Thomas Cook Group plc. Thomas Cook Group plc will determine at the date of award whether the award will be subject to a performance target and the date of vesting. Subject to any vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

21. Share based payments (continued)

The movements in options and awards during the year and prior year were

	RSP	PSP	2012 COIP	SAYE	CSOSP
Outstanding at beginning of year	6,175	154,506	31,244	19,500	23,986
Granted	-	133,430	13,075	-	-
Exercised	(4,355)	-	-	-	-
Cancelled	-	-	-	(12,243)	-
Forfeited	(266)	(71,073)	(10,963)	(1,114)	(18,662)
Outstanding at end of year	1,554	216,863	33,356	6,143	5,324
Exercisable at end of year	1,554	-	-	-	-
Exercise price (£)	Nil	Nil	Nil	1.81	1.97
Average remaining contractual life (years)	8.5	9.1	8.7	1.3	8.3

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2012 was £0.17

	RSP	2011 PSP	COIP	SAYE	CSOSP
Outstanding at beginning of year	-	193,029	47,656	22,987	25,045
Granted	6,175	73,828	20,542	-	5,324
Exercised	-	(3,035)	-	-	-
Cancelled	-	-	(5,956)	(1,112)	-
Forfeited	-	(109,316)	(30,998)	(2,375)	(6,383)
Outstanding at end of year	6,175	154,506	31,244	19,500	23,986
Exercisable at end of year	-	-	-	8,791	-
Exercise price (£)	Nil	Nil	Nil	1.81-2.15	1.88-2.22
Average remaining contractual life (years)	9.5	8.2	8.6	1.5	7.7

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2011 was £1.76

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

21. Share based payments (continued)

The fair value of options and awards subject to EPS and ROIC performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations. For options and awards granted during the year the key inputs to the models were

	2012			
		PSP	COIP	
Share price at measurement date (£)		0.17	0.17	
Exercise price (£)		Nil	Nil	
Expected volatility (%)		50	50	
Option life (years)		3	3	
Expected dividend yield (%)		0	0	
Weighted average fair value at date of grant (£)		0.05	0.04	

		2011		
		RSP	PSP	COIP
Share price at measurement date (£)	1.67	1.64	1.76	1.65
Exercise price (£)	Nil	Nil	Nil	1.97
Expected volatility (%)	31	48	48	48
Expected volatility on comparator group (%)	n/a	25-121	25-121	25-121
Expected correlation with comparator group (%)	n/a	35	35	35
Option life (years)	1	3	3	3
Risk free rate (%)	0.8	1.7	1.7	1.7
Expected dividend yield (%)	7	7	6	7
Weighted average fair value at date of grant (£)	1.56	1.10	1.20	0.28

Expected volatility has been based on the historic volatility of the shares of Thomas Cook Group plc and the shares of other companies in the same or related sectors

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

22. Ultimate controlling party

The Company is a subsidiary of Thomas Cook Airlines Limited, a company incorporated in England and Wales

Thomas Cook Group plc, incorporated in Great Britain, is the Company's ultimate parent company

The smallest group in which the results of the Company are consolidated is that of which Thomas Cook Group plc is the parent company. The consolidated financial statements of Thomas Cook Group plc may be obtained from The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB

23. Related party transactions

Transactions between the Company and other members of the Thomas Cook Group are disclosed below

Trading transactions and balances	Sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Parent Company	26,576	28,973	-	-	-	-	6,564	1,542
Other Group Companies	6,183	4,450	31,130	39,295	400	1,022	7,051	12,120
Total	32,759	33,423	31,130	39,295	400	1,022	13,615	13,662

Sales of goods to related parties were made at an agreed price set out at the beginning of each season. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

During the year ended 30 September 2012, the directors received remuneration for their services, to this and other companies, from the parent company Thomas Cook Airlines Limited. Thomas Cook Airlines Limited do not apply a management charge to recover the cost of F Pullman, N Creveul and J Boler.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2012 (continued)

24 Financial risk

The Company is subject to risks related to changes in exchange rates within the framework of its business operations. Details of the nature of these risks and the policies and processes that the Company operates to manage them and mitigate any financial impact are set out in the Directors' Report.

The principal risk that the Company is subject to has been identified as exchange rate risk. The impact of reasonably possible changes in these risk variables on the Company, based on the year end holdings of financial instruments, has been calculated and is set out in the tables below. In each case it has been assumed that all other variables remain constant.

Exchange rate risk	Year ended 30 September 2012		Year ended 30 September 2011	
	Impact on loss before tax £'000	Impact on net equity £'000	Impact on loss before tax £'000	Impact on net equity £'000
5% strengthening of euro	104	104	2	2
5% weakening of euro	(94)	(94)	(2)	(2)
5% strengthening of US dollar	10	10	48	48
5% weakening of US dollar	(9)	(9)	(44)	(44)

Liquidity risk

All financial liabilities fall due in less than 12 months and hence there is no difference between their undiscounted future cash flow amount and their carrying value or fair value that they have been presented at within these financial statements.