

**THOMAS COOK AIRCRAFT
ENGINEERING LIMITED**

Report and Financial Statements

For the year ended 30 September 2016

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THOMAS COOK AIRCRAFT ENGINEERING LIMITED

REPORT AND FINANCIAL STATEMENTS

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THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Officers and professional advisers

DIRECTORS

C Debus
G M Steiro (appointed 1 September 2016)
J M Boler
Thomas Cook Group Management Services Ltd

COMPANY SECRETARY

E L Langford

REGISTERED OFFICE

Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
PE2 6FZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Abacus House
Castle Park
Cambridge
CB3 0AN

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Strategic report

The directors present their strategic report on Thomas Cook Aircraft Engineering Limited (the “Company”), for the year ended 30 September 2016.

BUSINESS REVIEW AND ACTIVITIES

The Company is a wholly owned indirect subsidiary of Thomas Cook Group plc (“the Group”) a company that is listed on the London Stock Exchange.

The principal activity of the Company is that of the provision of aircraft maintenance and support services.

The results for the Company show a loss on ordinary activities before taxation of £1.7 million (2015: loss of £3.5 million) for the year and sales of £40.4 million (2015: £38.6 million). The Company has net liabilities of £8.4 million (2015: £5.6 million net liabilities).

The Company is reliant on the support of the ultimate parent company, Thomas Cook Group plc. This support has been formally provided and further, liquidity risk is managed with the support of Group Treasury.

Business Environment

During the year, the UK has shown reasonable economic growth, the OECD estimates that GDP growth in 2016 will be 1.8%, reducing to 1.0% in 2017 due to the uncertainty the surrounds the UK’s decision to leave the European Union. The UK’s exit from the EU also brings regulatory changes which may affect our business and as part of the Thomas Cook Group, we are working with governments and EU institutions to make sure that travel remains as seamless as possible after the exit is complete.

Thomas Cook as a group has been affected by shocks in destination countries, most notably Turkey, where tourism visitor numbers declined when compared to 2015. In addition, our programme to North Africa continues to be impacted by the closure of Tunisia to UK tourist arrivals, as is Sharm el Sheikh airport in Egypt. As a result of these geopolitical events, we acted quickly and decisively to move our volumes to other areas, most notably the Balearic Islands and the Canaries. Whilst at the same time updating our maintenance schedule to correspond with these changes.

STRATEGY REVIEW AND FUTURE OUTLOOK

The Company continues 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 (and in particular the other Group Airlines) and also addressing the cost base of the Company.

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:

- Failure of the Group to deliver strategic and operational targets
- Inability to consistently meet customer expectations
- Failure to develop a diverse route portfolio
- Failure in our digital distribution
- Failure to recruit and retain the right people
- IT architecture is unable to support the needs of the business
- Information security and cyber threats
- Decision or course of actions is perceived negatively by the media
- Cash generation is insufficient to strategically manage debt repayment
- A major health and safety incident impacting our customers or colleagues
- A significant decline in customer demand due to growing threat of terrorism

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Strategic report (continued)

- The decision of the UK to leave the EU
- Failure to comply with regulatory and legislative requirements

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

KEY PERFORMANCE INDICATORS ("KPIs")

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 in 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, price movements, 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.

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.

The strategic report has been approved and is signed on behalf of the board by:



John Boler
Director

21 December 2016

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Directors' report

The directors present their annual report and audited financial statements of Thomas Cook Aircraft Engineering Limited (the "Company") for the year ended 30 September 2016.

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 making decisions which are likely to affect their interests. In addition, the Company encourages the involvement of employee's 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 2016 (2015: £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:

J M Boler
C Debus
G M Steiro (appointed 1 September 2016)
J K Schildt (resigned 8 July 2016)
Thomas Cook Group Management Services Ltd

COMPANY SECRETARY

E L Langford

DIRECTORS' INDEMNITIES

In accordance with its Articles, the Company has made qualifying third party indemnity provisions, to the extent permitted by law, for the benefit of its directors. These were made during the year and remain in force at the date of this report. The Company also maintains Directors' and Officers' liability insurance.

REQUIRED DISCLOSURES INCLUDED ELSEWHERE IN THE FINANCIAL STATEMENTS

Please refer to the Strategic report for details of financial risks and measures implemented by the Company, as well as more information on future developments.

GOING CONCERN

The Company is reliant on the support of the ultimate parent company, Thomas Cook Group plc. This support has been formally provided and accordingly the directors have prepared these financial statements on a going concern basis.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Directors' report (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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 the group 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 the group 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

During the year a competitive tender process was completed for the 30 September 2017 audit onwards. The audit committee of Thomas Cook Group Plc recommended Ernst & Young LLP who were approved by the board and are subject to shareholder approval at the company's AGM in 2017. Ernst & Young LLP have expressed their willingness to be appointed as auditors of the Company.

On behalf of the Board,



John Boler
Director

21 December 2016

Company Registration Number: **04339114**

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

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

Report on the financial statements

Our opinion

In our opinion, Thomas Cook Aircraft Engineering Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 30 September 2016;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

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) ("ISAs (UK & 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.

What an audit of financial statements involves

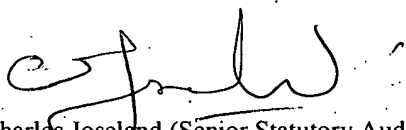
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Charles Joseland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
21 December 2016

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Income statement for the year ended 30 September 2016

	Notes	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Turnover	3	40,418	38,614
Cost of sales		(38,260)	(38,643)
Gross profit/(loss)		2,158	(29)
Operating expenses	4	(3,883)	(3,409)
Operating loss		(1,725)	(3,438)
Interest payable and similar charges	5	(4)	(46)
Loss on ordinary activities before taxation	6	(1,729)	(3,484)
Tax on loss on ordinary activities before tax	8	(1,094)	645
Loss for the financial year		(2,823)	(2,839)
Attributable to:			
Equity holders of the parent		(2,823)	(2,839)

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 comprehensive income has been presented.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Balance sheet as at 30 September 2016

	Note	30 September 2016 £'000	30 September 2015 £'000
Non-current assets			
Tangible assets	9	4,517	3,639
Intangible assets	10	1,607	1,483
Investments	11	1	1
		<u>6,125</u>	<u>5,123</u>
Current assets			
Trade and other receivables	12	5,970	3,934
Deferred tax asset	14	-	1,094
Cash at bank and in hand		15,570	122
		<u>21,540</u>	<u>5,150</u>
Total assets		<u>27,665</u>	<u>10,273</u>
Creditors: Amounts falling due within one year			
Trade and other payables	13	(36,097)	(15,882)
Net current liabilities		<u>(14,557)</u>	<u>(10,732)</u>
Net liabilities		<u>(8,432)</u>	<u>(5,609)</u>
Equity attributable to owners of the parent			
Called up share capital	15	1	1
Retained earnings	16	(8,433)	(5,610)
Total shareholders' deficit		<u>(8,432)</u>	<u>(5,609)</u>

The financial statements on pages 8 to 23 were approved by the board of directors and approved for issue 21 December 2016.

Signed on behalf of the board



John Boler, Director

21 December 2016

Company Registration Number: 04339114

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Statement of changes in equity for the year ended 30 September 2016

	Called up share capital £'000	Retained earnings £'000	Total shareholders' deficit £'000
Opening balance at 1 October 2014	1	(2,771)	(2,770)
Loss for the financial year	-	(2,839)	(2,839)
At 30 September 2015	1	(5,610)	(5,609)

	Called up share capital £'000	Retained earnings £'000	Total shareholders' deficit £'000
Opening balance at 1 October 2015	1	(5,610)	(5,609)
Loss for the financial year	-	(2,823)	(2,823)
At 30 September 2016	1	(8,433)	(8,432)

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

1. General information

Thomas Cook Aircraft Engineering Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Westpoint, Peterborough Business Park, Lynch Wood, Peterborough PE2 6FZ. The nature of the Company's operations and its principal activities are set out in the Strategic 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 2016 the Company was a wholly-owned subsidiary company and was included within the audited consolidated financial statements of Thomas Cook Group plc, a company incorporated in England and Wales, which were prepared in accordance with International Financial Reporting Standards and filed with the Registrar of Companies. The Company is therefore exempt from the obligation to prepare consolidated financial statements under section 400 of the Companies Act 2006.

Basis of preparation

The financial statements of Thomas Cook Aircraft Engineering Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006, as applicable to companies using FRS101. The Directors have used the going concern principle on the basis that although the Company has net liabilities it has received a letter of support from its ultimate parent company.

The preparation of financial statements in conformity with FRS 101 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. In the opinion of the directors there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements that require additional disclosure.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- IAS 1, 'Presentation of financial statements' – the following paragraphs;
 - 10(d) (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS)
 - 111 (cash flow statement information), and
- IAS 7, 'Statement of cash flows'
- IAS 8 'Accounting policies, changes in accounting estimates and errors'
 - Paragraph 30 and 31 (requirement for disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- IAS 24 'Related party disclosures'
 - Paragraph 17 (key management compensation)
 - The requirements to disclose related party transactions entered into between two or more members of a group.

The Company is reliant on the support of the ultimate parent company, Thomas Cook Group plc. This support has been formally provided and accordingly the directors have prepared these financial statements on a going concern basis.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

1. General information (continued)

The principal accounting policies adopted by the Company have been applied consistently and are set out in note 2.

2. Significant accounting policies

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 income statement on the date of receipt and classified as investment income.

Property, plant and equipment

Property, plant and equipment are stated at 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 income statement 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

Estimated residual values and useful lives are reviewed annually.

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.

Revenue recognition and associated costs

Revenue represents amounts derived from the provision of aircraft maintenance and support services principally to Airlines within the Thomas Cook Group. 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.

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 2016

2. Significant accounting policies (continued)

Tax

Tax represents the sum of tax currently payable and deferred tax. Tax is recognised in the income statement 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.

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.

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 income statement over the period of the lease.

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 income statement 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 income statement.

Trade payables

Trade payables are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "interest payable" in the Income statement. Financial liabilities are initially recognised at fair value and subsequently measured at amortised costs using the effective interest rate method.

Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

2. Significant accounting policies (continued)

Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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 dealt with in the income statement.

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.

The parent company 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 income statement on a straight-line basis over the expected vesting period of the options. This amount has been charged to the Company by the Group.

3. Turnover

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 2016 £'000	Year ended 30 September 2015 £'000
UK	22,246	23,302
Europe	17,837	15,312
Rest of World	335	-
	<hr/> 40,418 <hr/>	<hr/> 38,614 <hr/>

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

4. Operating expenses

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Operating expenses	3,883	3,409
	<u>3,883</u>	<u>3,409</u>

5. Interest payable and similar charges

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Bank interest payable	4	46
	<u>4</u>	<u>46</u>

6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation has been arrived at after (crediting)/charging:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Net foreign exchange loss/(gain)	664	(5)
Depreciation of property, plant and equipment – owned assets (Note 10)	585	468
Profit on disposal of property, plant and equipment	-	(4)
Operating lease rentals payable – rental of land and buildings (Note 18)	945	811
Staff costs (Note 7)	25,668	25,247
	<u>25,668</u>	<u>25,247</u>

Auditors' remuneration is paid by the parent company, Thomas Cook Airlines Limited. No fees were paid to the auditors in respect of non-audit services.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

7. Staff costs

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

By Activity	Year ended 30 September 2016 Number	Year ended 30 September 2015 Number
Management and administration	34	20
Engineering	424	401
	458	421
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	21,797	21,417
Social security costs	2,323	2,195
Share based payment charge (Note 19)	-	18
Other pension costs (Note 17) – defined contribution scheme	1,548	1,617
	25,668	25,247

Directors' emoluments are borne by the parent company, Thomas Cook Airlines Limited.

8. Tax on loss on ordinary activities

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current tax		
UK corporation tax charge for the year	-	-
Total current tax	-	-
Deferred tax		
UK – movement in current year	1,094	(644)
UK – movement in prior year	-	(1)
Total deferred tax	1,094	(645)
Total tax charge/(credit)	1,094	(645)

Corporation tax is calculated at 20% (2015: 20.5%) of the estimated assessable profit for the period. This is the tax rate applicable for the period following a reduction in the standard rate of UK Corporation Tax from 21% to 20% effective from 1st April 2015.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

8. Tax on loss on ordinary activities (continued)

The tax credit for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2016 £'000	2015 £'000
Loss before tax	(1,729)	(3,484)
Expected tax charge at the UK corporation tax rate of 20% (2015: 20.5%)	(346)	(714)
Effects of:		
Expenses not deductible for tax purposes	8	3
Deferred tax effect of reduction in the main rate of corporation tax	-	19
Derecognition of deferred tax previously recognised	1,094	-
Current year deferred tax not recognised	165	-
Depreciation not in deferred tax	44	48
Group relief received for nil consideration	129	-
Adjustments to tax in respect of prior years	-	(1)
Tax charge/(credit) for the year	1,094	(645)

Finance Act 2013 included legislation to reduce the main rate of Corporation Tax to 21% with effect from 1st April 2014 and 20% with effect from 1st April 2015. Further reductions in the main rate of Corporation Tax in the UK to 19% from 1st April 2017 and 18% from 1st April 2020 were enacted by Finance (No.2) Act 2015. Finance Act 2016 included legislation enacting a further reduction in the main rate of Corporation Tax to 17% from 1st April 2020.

9. Tangible assets

	Freehold Land and Buildings £'000	Motor Vehicles £'000	Fixtures Fittings and Equipment £'000	Total £'000
Cost or valuation				
At 1 October 2015	2,267	345	5,348	7,960
Additions	-	-	1,463	1,463
Disposals	-	-	(1,126)	(1,126)
At 30 September 2016	2,267	345	5,685	8,297
Accumulated depreciation and impairment				
At 1 October 2015	651	345	3,325	4,321
Disposals	-	-	(1,126)	(1,126)
Charge for the year	65	-	520	585
At 30 September 2016	716	345	2,719	3,780
Carrying amount				
At 30 September 2016	1,551	-	2,966	4,517
At 30 September 2015	1,616	-	2,023	3,639

Depreciation of £0.6m (2015: £0.5m) has been charged to operating expenses.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

10. Intangible assets

	Total £'000
Cost	
At 1 October 2015	2,017
Additions	587
Disposals	(52)
	<hr/>
At 30 September 2016	2,552 <hr/>
Accumulated amortisation	
At 1 October 2015	534
Disposals	(52)
Amortisation charge	463
	<hr/>
At 30 September 2016	945 <hr/>
Net book value	
At 30 September 2016	1,607 <hr/>
At 30 September 2015	1,483 <hr/>

Purchased software licences in respect of aircraft maintenance software have been amortised on a straight-line basis over a period of 4 years. Additions in the year represent software development costs on a replacement system.

11. Investments

The Company has the following subsidiaries:

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
Thomas Cook Aircraft Engineering Mexico S.A. de C.V.	100	Mexico	Aircraft engineering services
Thomas Cook Aircraft Engineering Inc,	100	United States of America	Aircraft engineering services

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 Cancún, 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 in December 2011 a further investment of 12,132,999 Mexican Peso (£565,641) was 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 held an investment of £1,000 which represented 100% of the issued share capital of Thomas Cook Aircraft Engineering Services Limited, a company incorporated in Guernsey, whose registered address was Mont Crevelt House, Bulwer Avenue, St. Sampson, Guernsey, GY2 4LH. The investment was made on 21st September 2006, and the company was struck off on 24th February 2015.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

11. Investments (continued)

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

12. Trade and other receivables

	30 September 2016 £'000	30 September 2015 £'000
Current assets		
Trade receivables	822	678
Less: provision for impairment of trade receivables	(37)	(1)
Trade receivables – net	785	677
Other receivables and prepayments	2,183	1,575
Amounts owed by Group undertakings	3,002	1,682
	5,970	3,934

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

	30 September 2016 £'000	30 September 2015 £'000
Movement in allowances for doubtful trade receivables		
At the beginning of the year	1	-
Additional provision for receivables impairment	36	1
Utilised	-	-
At the end of the year	37	1

As of 30 September 2016, trade receivables of £716,000 (2015: £675,000) 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 3 months past due are not considered impaired. As of 30 September 2016, trade receivables of £69,000 (2015: £2,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default, and so are considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	30 September 2016 £'000	30 September 2015 £'000
3 to 6 months	2	-
6 to 12 months	67	1
Over 12 months	-	1
	69	2

As of 30 September 2016, trade receivables of £37,000 (2015: £1,000) were impaired and provided for. The amount of the provision was £37,000 as of 30 September 2016 (2015: £1,000). The individually impaired receivables mainly relate to customers in unexpectedly difficult economic situations or to significantly aged balances. These trade receivables are all aged over six months. The ageing analysis of these trade receivables is as follows:

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

12. Trade and other receivables (continued)

	30 September 2016 £'000	30 September 2015 £'000
3 to 6 months	-	-
6 to 12 months	37	-
Over 12 months	-	1
	<u>37</u>	<u>1</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.

The amounts owed by Group undertakings are unsecured interest free and payable on demand.

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of 3 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 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.

13. Trade and other payables

	30 September 2016 £'000	30 September 2015 £'000
Current liabilities		
Trade payables	1,983	1,604
Accruals and deferred income	1,158	2,290
Amounts owed to Group undertakings	32,956	11,988
	<u>36,097</u>	<u>15,882</u>

The average credit period taken for trade purchases is 67 days (2015: 56 days).

The amounts owed to Group undertakings are unsecured interest free and payable on demand.

The directors consider that the carrying amount of trade payables approximates to their fair value.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

14. Deferred tax asset

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
At 1 October 2014	449	-	449
Credited to the income statement	112	533	645
At 30 September 2015	561	533	1,094
Charged to the income statement	(561)	(533)	(1,094)
At 30 September 2016	-	-	-

At the balance sheet date, the company had unused tax losses of £2.7 million (2015: £2.7 million) and other deductible short term temporary differences of £3.6 million (2015: £2.8 million) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses of £2.7 million (2015: nil) and deductible short term temporary differences of £3.6 million (2015: nil).

15. Called up share capital

	30 September 2016 £'000	30 September 2015 £'000
Authorised, allotted, issued and fully paid		
1,000 (2015: 1,000) ordinary shares of £1 each	1	1

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

The Company is not subject to any externally imposed capital requirement. The parent company's objectives when managing capital are to safeguard the UK Group'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 UK Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and sell assets to reduce debt or issue new shares. The capital structure of the UK Group consists of debt, cash and cash equivalents.

16. Retained earnings

	£'000
Balance at 1 October 2015	(5,610)
Loss for the financial year	(2,823)
Balance at 30 September 2016	(8,433)

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

17. Pensions

Defined contribution schemes

There are a number of defined contribution schemes in the Company, the principal scheme being the Thomas Cook UK DC Pension Scheme, which is open to all UK employees of Thomas Cook Group plc.

The total cost charged to the income statement of £1,548,000 (2015: £1,617,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 September 2016, contributions of £nil (2015: £nil) due in respect of the current reporting year had not been paid over to the schemes.

18. Operating lease arrangements

The Company as lessee

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Minimum lease payments under operating leases recognised in expense for the year	945	811

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 2016 £'000	30 September 2015 £'000
Within one year	941	941
In the second to fifth years inclusive	3,764	3,764
After five years	16,596	17,537
	21,301	22,242

Operating lease payments principally 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.

19. Share based payments

Equity-settled share option scheme

The Company operates two equity-settled share-based payment schemes, as outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £nil (2015: £18,233).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP)

Executive Directors and senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. The awards will vest if performance targets are met during the 3 years following the date of grant.

The Thomas Cook Group plc 2011 Restricted Share Plan (RSP)

Senior management of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. Executive Directors are excluded from receiving awards under the RSP. The Company will determine at the date of award whether the award will be subject to a performance target and the date of vesting.

THOMAS COOK AIRCRAFT ENGINEERING LIMITED

Notes to the financial statements for the year ended 30 September 2016

19. Share based payments (continued)

The exercise price of awards outstanding at the year end and the average remaining contractual life of these awards were:

	2016	
	PSP	RSP
Exercise price (£)	-	-
Average remaining contractual life (years)	-	-
	2015	
	PSP	RSP
Exercise price (£)	-	-
Average remaining contractual life (years)	1.4	1.5

In the current year, the average remaining contractual life of these awards was calculated based upon vesting date. In the prior year the lives were calculated based upon exercise date.

20. 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 England and Wales, is the ultimate parent company and ultimate controlling party.

The smallest and largest 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 3rd Floor, South Building, 200 Aldersgate, London, EC1A 4HD.