

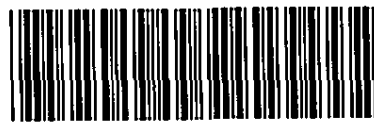
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## **CTC AVIATION HOLDINGS LIMITED**

Annual report and financial statements for the  
period ended 31 December 2015

Company registration number: 08045536

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**CTC AVIATION HOLDINGS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISORS**

**Directors**

R Cook  
A Crawford  
T Gautier  
A Yeager  
D Reilly

**Registered office**

Unit 120 Nursling Industrial Estate,  
Mauretania Road, Nursling  
Southampton  
England  
SO16 0YS

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Savannah House  
3 Ocean Way  
Ocean Village  
Southampton  
SO14 3TJ

**CTC AVIATION HOLDINGS LIMITED**  
**ANNUAL REPORT**  
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## **CTC AVIATION HOLDINGS LIMITED**

### **STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015**

The directors present their strategic report on the group for the 18 month period ended 31 December 2015

#### **Principal activities and review of the business**

The principal activity of the company is that of the holding company for the CTC Aviation group of companies ("the group") The activity of the group is the provision of aviation services, including pilot training, resourcing and private jet management, to the aviation industry

The results of the business are shown on page 9

The directors are satisfied with the performance in the year Pro-rata turnover continues to increase and the business continues to generate strong underlying operating profits and cash flow

In May 2015 the group was acquired by L-3 Communications Inc Headquartered in New York City, L-3 employs approximately 45,000 people worldwide and is a prime contractor in aerospace systems and national security solutions L-3 is also a leading provider of a broad range of communication and electronic systems and products used on military and commercial platforms

CTC Aviation is part of the L-3 Commercial Training Solutions (L-3 CTS) division alongside L-3 Communications Simulation & Training UK Limited (L-3 Link) and Aerosim Link UK is a provider of world-class flight training simulation devices, aftermarket solutions and pilot training services Aerosim Technologies provides innovative portable and flexible pilot and maintenance technician training products, enhancing efficiency with lower-cost solutions Aerosim Academy, a flight school for prospective airline pilots, trains both U S and international cadets

Together with its L-3 CTS partners, the group is able to deliver an expanded portfolio of 'vertically-integrated' training, resourcing and simulation solutions, spanning the entire spectrum of our customers' needs, delivering unique and innovative solutions with a strong emphasis on customer service

#### **Key performance indicators**

The directors believe that the key performance indicators ('KPIs') are turnover growth and profitability

For the 18 month period ended 31 December 2015, the group is pleased to report a 14% pro-rata increase in turnover to £72,521,000 (12 month period to 30 June 2014 £42,209,000) UK Sales demonstrated particularly strong growth (19% pro-rata)

In this environment of growth, the group continues to generate strong underlying operating profits of £1,311,000 (12 month period to 30 June 2014 £3,141,000) supported by rigorous control of the group's cost base

The comprehensive result for the year from continuing operations also improved, with a loss of £3,170,000 (12 month period to 30 June 2014 loss of £4,268,000), with the loss continuing to be principally a result of loan interest The loan was settled in full in May 2015

## **CTC AVIATION HOLDINGS LIMITED**

### **STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015**

**(continued)**

#### **Key performance indicators (continued)**

Cash balances increased by £3,526,000 (year ended 30 June 2014 decrease of £3,716,000) to £8,553,000 at the end of the period

Average employee numbers increased by 40 to 331 in the year to support business growth

#### **Principal risks and uncertainties**

The directors regularly review the group's key risks as described below and are satisfied that each of the risks are being correctly managed

The key risks identified are managing and sustaining growth, timely project management, attracting and retaining people, the safety and security of staff, and company reputation. Growth will be sustained by ensuring that the company provides an excellent service to its customers and maintains its investment in innovative technology which is closely matched to market needs.

Emphasis is also placed on the recruitment, retention and development of key skills. The health and safety of staff remains a high priority and is monitored through the Board and executive committee and by local site executives. Reputational risk is carefully managed through the company's comprehensive ethics training programme in order to assure ethical and legal business practices.

Other financial risks and how these are mitigated, are outlined below.

#### *Commercial risk*

The company continues to improve its services in order to maintain and develop its market place penetration.

#### *Financial risk management*

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, currency risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash out flows and hence manage interest rate risk, the company is supported by fellow group operations. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

#### *Currency risk*

The group operates internationally and is exposed to foreign exchange risk, primarily with respect to the New Zealand dollar and UK pound, and with respect to the US Dollar and UK pound to a lesser extent. The group uses forward contracts to purchase New Zealand dollars to manage this exposure, contracting to purchase approximately 50% of the forecast requirement.

## **CTC AVIATION HOLDINGS LIMITED**

### **STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **Principal risks and uncertainties (continued)**

##### *Credit risk*

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team.

##### **Going concern**

The directors are of the opinion that the group will continue to generate positive cash flows into the foreseeable future and have received confirmation of financial support from its parent company. Therefore these financial statements have been prepared on a going concern basis, notwithstanding the negative shareholders' funds reported on the balance sheet.

By order of the board



A E Crawford  
**Director**

13 January 2017

## **CTC AVIATION HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015**

The directors present their report and audited financial statements of the group for the 18 month period ended 31 December 2015

The accounting reference date for the company has been changed to 31 December to align with L-3's year-end. As a result the accounting period has been extended to 18 months. The comparative amounts presented in these financial statements and the related notes are for a 12 month period and are not therefore entirely comparable.

#### **Future developments**

It is anticipated that the company will continue with its current trading activities as described in the strategic report. There are significant partnership opportunities with other L-3 CTS group companies as outlined in the business review on page 1.

#### **Dividends**

No dividend payment was made by the directors during the year (2014 £0).

#### **Financial risk management**

Information on the group's financial risk management is provided in the strategic report.

#### **Directors**

The directors of the company who were in office during the year and up to the date of signing the annual report were as follows:

R Cook	-appointed 27 May 2015
T Gautier	-appointed 27 May 2015
A Yeager	-appointed 27 May 2015
D Reilly	-appointed 27 May 2015
A Crawford	-appointed 11 December 2015
Y V Chotal	-resigned 27 May 2015
R F Clarke	-resigned 27 May 2015
J F Hartz	-resigned 27 May 2015
T A M Steele	-resigned 27 May 2015
M L Williams	-resigned 27 May 2015

#### **Third party indemnity provision**

Third party indemnity insurance, a qualifying third party indemnity provision, is provided for all directors of the company during the year and also at the date of approval of the financial statements, under policies held by the company's intermediate parent company L-3 Communications Corporation, Inc.

## **CTC AVIATION HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **Employees**

The company's competitive advantage is achieved through the skills of its people in developing more innovative and capable solutions. The company's values include mutual respect and open communication is actively encouraged.

The company supports business growth by creating an inclusive working environment that attracts and retains the best people. The company is committed to creating a working environment which helps people perform at their best. Great value is placed on giving a voice to our workforce and we engage and involve people in improving the business and welcome their feedback. Information on business and work issues is shared with our employees and their representatives through established communication channels. Regular business briefings create a shared understanding of the financial and economic factors that affect the performance of the company.

Human rights are reflected in our policies and standards covering Business Ethics, Health & Safety, the Environment and other Employment policies. The company is committed to developing a diverse workforce and equal opportunities for all. Our policy is to provide employment, training and development opportunities for disabled people wherever possible. We are committed to supporting employees who become disabled during employment and helping disabled employees make the best of their skills and potential.

#### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, Directors' Report and the group and parent company financial statements (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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 group and the company and of the profit or loss of the group and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has 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 102 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.



# **CTC AVIATION HOLDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

### **Statement of directors' responsibilities (continued)**

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.

In accordance with Section 418, each director in office at the date this report is approved confirms that

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and therefore pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board



**A E Crawford  
Director**

13 January 2017

## **CTC AVIATION HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CTC AVIATION HOLDINGS LIMITED**

#### **Report on the financial statements**

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##### **Our opinion**

In our opinion, CTC Aviation Holdings Limited's group financial statements and company financial statements (the "financial statements")

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's loss and cash flows for the 18 month period (the "period") 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 Annual Report and Financial Statements (the "Annual Report"), comprise

- the Consolidated and company Balance Sheets as at 31 December 2015,
- the Consolidated Statement of Comprehensive Income for the period then ended,
- the Statement of Consolidated Cash Flows for the period then ended,
- the Statement of Changes in Equity for the period 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law

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

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#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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#### **Other matters on which we are required to report by exception**

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##### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

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##### **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

## **CTC AVIATION HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CTC AVIATION HOLDINGS LIMITED**

#### **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 & 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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**

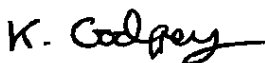
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

- whether the accounting policies are appropriate to the group's and 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



Kevin Godfrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
16 January 2017

**CTC AVIATION HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE  
PERIOD ENDED 31 DECEMBER 2015**

		<b>Period ended 31 December 2015</b>	<b>Year ended 30 June 2014</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Continuing operations</b>			
Turnover	6	72,521	42,209
Cost of sales		(36,693)	(22,664)
<b>Gross profit</b>		<b>35,828</b>	<b>19,545</b>
Administrative expenses		(34,517)	(16,404)
<b>Operating profit</b>	7	<b>1,311</b>	<b>3,141</b>
Profit on sale of tangible assets		9	43
Interest receivable and similar income	8	14	96
Interest payable and similar charges	9	(8,763)	(6,947)
<b>Loss on ordinary activities before taxation</b>		<b>(7,429)</b>	<b>(3,667)</b>
Tax on loss on ordinary activities	11	(596)	(377)
<b>Loss on ordinary activities after taxation</b>		<b>(8,025)</b>	<b>(4,044)</b>
<b>Other comprehensive income</b>			
Exchange gain on consolidation of overseas subsidiaries		15	20
<b>Total comprehensive loss for the period/year from continuing operations</b>		<b>(8,010)</b>	<b>(4,024)</b>
<b>Discontinued operations</b>			
Profit after tax for the period from discontinued operations	10	4,840	(244)
<b>Total comprehensive income for the period/year from operations</b>		<b>(3,170)</b>	<b>(4,268)</b>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the Company for the period was £3,203,000 (2014: loss of £1,608,000).

# CTC AVIATION HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

### Group

	Note	Called-up share capital	Share premium account	Retained earnings	Total equity
Group		£'000	£'000	£'000	£'000
Balance as at 1 July 2013		100	813	(5,000)	(4,087)
Exchange gain on consolidation of overseas subsidiaries		-	-	20	20
Loss for the year		-	-	(4,288)	(4,288)
Balance as at 1 July 2014		100	813	(9,268)	(8,355)
Exchange gain on consolidation of overseas subsidiaries		-	-	15	15
Loss for the period from continuing operations		-	-	(8,025)	(8,025)
Profit for the period from discontinued operations	10	-	-	4,840	4,840
<b>Balance as at 31 December 2015</b>		<b>100</b>	<b>813</b>	<b>(12,438)</b>	<b>(11,525)</b>

### Company

	Note	Called-up share capital	Share premium account	Retained earnings	Total equity
Company		£'000	£'000	£'000	£'000
Balance as at 1 July 2013		100	1,870	(1,451)	519
Loss for the year		-	-	(1,608)	(1,608)
Balance as at 1 July 2014		100	1,870	(3,059)	(1,089)
Loss for the period from continuing operations		-	-	(3,203)	(3,203)
<b>Balance as at 31 December 2015</b>		<b>100</b>	<b>1,870</b>	<b>(6,262)</b>	<b>(4,292)</b>

**CTC AVIATION HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015**

	Note	As at 31 December 2015 £'000	As at 30 June 2014 restated £'000
<b>Fixed assets</b>			
Intangible assets	13	34,114	42,177
Tangible assets	14	15,171	18,042
		<b>49,285</b>	<b>60,219</b>
<b>Current assets</b>			
Stocks	16	-	38
Debtors amounts falling due within one year	17	16,740	7,154
Cash at bank and in hand		8,553	5,027
		<b>25,293</b>	<b>12,219</b>
<b>Non-current assets</b>			
Debtors amounts falling due after more than one year	18	4,439	129
<b>Total assets</b>		<b>79,017</b>	<b>72,567</b>
<b>Capital and reserves</b>			
Called up share capital	23	100	100
Share premium account		813	813
Retained earnings		(12,438)	(9,268)
<b>Total shareholders' deficit</b>		<b>(11,525)</b>	<b>(8,355)</b>
<b>Provisions for liabilities and charges</b>		<b>719</b>	<b>946</b>
<b>Creditors amounts falling due within one year</b>	19	<b>19,942</b>	<b>16,418</b>
<b>Creditors amounts falling due after more than one year</b>	20	<b>69,881</b>	<b>63,558</b>
<b>Total liabilities</b>		<b>79,017</b>	<b>72,567</b>

The notes on pages 14 to 38 are an integral part of these financial statements. For details of the restatement, see note 4.

The financial statements on pages 9 to 38 were authorised for issue by the board of directors on 13 January 2017 and were signed on its behalf by



A E Crawford

Director

**CTC AVIATION HOLDINGS LIMITED**  
**COMPANY BALANCE SHEET AS AT 31 DECEMBER 2015**

	Note	As at 31 December 2015 £'000	As at 30 June 2014 £'000
<b>Fixed assets</b>			
Investments in subsidiaries	15	78	78
<b>Current assets</b>			
Debtors amounts falling due within one year	17	27,006	12,975
Cash at bank and in hand		34	35
		<b>27,040</b>	<b>13,010</b>
<b>Total assets</b>		<b>27,118</b>	<b>13,088</b>
<b>Capital and reserves</b>			
Called up share capital	23	100	100
Share premium account		1,870	1,870
Retained earnings		(6,262)	(3,059)
<b>Total shareholders' deficit</b>		<b>(4,292)</b>	<b>(1,089)</b>
<b>Creditors amounts falling due within one year</b>	19	<b>1,404</b>	<b>2</b>
<b>Creditors amounts falling due after more than one year</b>	20	<b>30,006</b>	<b>14,175</b>
<b>Total liabilities</b>		<b>27,118</b>	<b>13,088</b>

The notes on pages 14 to 38 are an integral part of these financial statements

The financial statements on pages 9 to 38 were approved by the board of directors on 13 January 2017 and signed on its behalf by



A E Crawford

**Director**

**CTC AVIATION HOLDINGS LIMITED**

Company registration number. 08045536

# CTC AVIATION HOLDINGS LIMITED

## STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	Period ended 31 December 2015 £'000	Year ended 30 June 2014 £'000
<b>Total comprehensive income for the period/year from operations</b>		<b>(3,170)</b>	<b>(4,268)</b>
Tax		596	377
Interest		8,749	6,851
Profit on sale of tangible assets		(9)	(43)
Exchange gain on consolidation of overseas subsidiaries		(15)	(20)
Profit after tax for the period from discontinued operations		(4,840)	244
<b>Operating profit - continuing operations</b>		<b>1,311</b>	<b>3,141</b>
<b>Net cash flow from operating activities</b>			
Operating profit - continuing operations		1,311	3,141
Operating profit - discontinued operations	10	(76)	(236)
Foreign exchange differences		57	26
Depreciation of tangible assets	14	3,572	2,489
Amortisation of intangible assets	13	8,021	2,403
Increase in stock		-	(38)
Increase in debtors		(14,149)	(126)
Increase / (decrease) in creditors		3,449	(52)
Increase in accruals & deferred income		3,150	-
Other non-cash changes		(7)	(426)
<b>Net cash from operating activities</b>		<b>5,328</b>	<b>7,181</b>
<b>Net cash flow from investing activities</b>			
Taxation paid		(234)	(610)
Payments to acquire tangible assets		(3,667)	(3,900)
Receipts from sales of tangible assets		1,095	82
Receipts from sale of subsidiaries		4,608	-
Interest received		14	96
<b>Net cash used in investing activities</b>		<b>1,816</b>	<b>(4,332)</b>
<b>Net cash flow from financing activities</b>			
Bank loan repayments		(17,670)	(3,253)
Loan notes redeemed		(49,076)	(2,000)
Loan note with parent company		70,452	-
Interest paid		(7,324)	(1,312)
<b>Net cash used in financing activities</b>		<b>(3,618)</b>	<b>(6,565)</b>
<b>Increase/(Decrease)/ in cash and cash equivalents in the period/year</b>		<b>3,526</b>	<b>(3,716)</b>
Cash and cash equivalents at the beginning of the year		5,027	8,743
<b>Cash and cash equivalents at the end of the year</b>		<b>8,553</b>	<b>5,027</b>

Cash and cash equivalents consist solely of cash at bank and in hand



# **CTC AVIATION HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

### **1 General information**

The principal activity of CTC Aviation Holdings Limited ("the company") is that of the holding company for the CTC Aviation group of companies ("the group"). The activity of the group is the provision of aviation services, including pilot training, resourcing and private jet management, to the aviation industry. The company is a private company limited by shares, incorporated and domiciled in England. The company's registered office is Unit 120 Nursling Industrial Estate, Mauretania Road, Nursling, Southampton SO16 0YS, England.

### **2 Statement of compliance**

The group and individual financial statements of CTC Aviation Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

### **3 Summary of significant accounting policies**

#### **Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The group and company have adopted Financial Reporting Standard (FRS) 102 from the date of incorporation.

These financial statements have been prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, notwithstanding the negative shareholders' funds reported on the statement of financial position. No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. The directors have received confirmation of financial support from its parent company.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

All company results are shown in GBP, which is the group and company's functional currency.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

## **CTC AVIATION HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Exemptions for qualifying entities under FRS 102**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d),
- the requirements of Section 11 Financial Instruments paragraphs 11 41(b), 11 41(c), 11 41(e), 11 41(f), 11 42, 11 44, 11 45, 11 47, 11 48(a)(iii), 11 48(a)(iv), 11 48(b) and 11 48(c),
- the requirements of Section 12 Other Financial Instruments paragraphs 12 26, 12 27, 12 29(a), 12 29(b) and 12 29A,
- the requirement of Section 33 Related Party Disclosures paragraph 33 7,
- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows

##### **Foreign currency**

###### *(i) Functional and presentation currency*

The company's functional and presentation currency is the pound sterling

###### *(ii) Transactions and balances*

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account.

Non-monetary items measured at historical costs are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to other comprehensive income, net of exchange differences arising on related foreign currency borrowings.

## **CTC AVIATION HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Revenue recognition**

Turnover is measured at the fair value of the consideration received or receivable and represents the amount received for services rendered, net of returns, discounts and rebates allowed by the company and value added taxes

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest

The group recognises revenue from a number of business activities, net of VAT, including

- the provision of training,
- private jet management,
- pilot supply services, and
- the placement of trainee pilots

Revenue in respect of the provision of training, private jet management and pilot supply services is recognised as services are provided on a work completed basis. Invoices raised in advance are held on the balance sheet as deferred income

Revenue in respect of the placement of trainee pilots is recognised according to the value of training completed by each pilot and in accordance with the group's contractual rights. Revenue invoiced in arrears is held on the balance sheet as accrued revenue

##### **Interest income**

Interest income is recognised using the effective interest rate method

##### **Dividend income**

Dividend income is recognised when the right to receive payment is established

## **CTC AVIATION HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Pensions**

The group operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with section 28 of FRS 102.

##### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### *(i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *(ii) Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# **CTC AVIATION HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Intangible assets**

##### *Goodwill*

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under the FRS102 section 18 and 19, goodwill arising on acquisitions has been capitalised and is being amortised over 10 years, being the period expected to benefit. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

##### *Other intangibles*

Intangible assets are stated at historic purchase cost, net of accumulated amortisation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended useful economic life.

#### **Tangible assets**

Tangible fixed assets other than freehold land are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended use.

##### *Plant and machinery, fixtures and fittings, computer equipment and aircraft simulator equipment*

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

##### *Depreciation and residual values*

The fixed assets have been depreciated on a straight line basis at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its expected useful economic life in the company's business, and the rates are as follows:

## **CTC AVIATION HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Tangible assets (continued)**

Freehold buildings	2%-3% straight line
Property improvements	Over 20 years or life of lease
Training equipment	5%-50% straight line
Office furniture and equipment	15%-33% straight line
Motor vehicles	15%-25% straight line

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

##### *Subsequent additions and major components*

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

##### *Assets in the course of construction*

Assets under the course of construction are depreciated when they first come into use.

##### *Derecognition*

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Administrative expenses'.

**CTC AVIATION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31  
DECEMBER 2015 (continued)**

**3 Summary of significant accounting policies (continued)**

**Operating leased assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

*Lease incentives*

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

**Investments**

Investments held as fixed assets are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

**Cash and cash equivalents**

Cash and cash equivalents represent current and deposit bank account balances and bank overdrafts. Bank overdrafts, where applicable, are shown within borrowings in current liabilities.

# **CTC AVIATION HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Derivative financial instruments**

The company uses derivative financial instruments to mitigate against its exposure to foreign exchange risk. Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

#### **Provisions and contingencies**

##### *Provisions*

Provisions 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 of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

##### *Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **Distributions to equity holders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders.

#### **Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.



# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 3 Summary of significant accounting policies (continued)

#### Financial instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires

### 4 Change in accounting policy

Following a review by the directors as a result of the acquisition of the company by L-3 Communications Holdings Inc comparative figures have been restated to reflect a change in accounting policy. Prior period balances relating to accrued income and bonds deposited by cadets during training have been restated to net off against each other. Previously, these were shown as gross values in debtors and creditors respectively

The accounting policy has been changed because the directors consider the new policy gives a fairer presentation of the group's balance sheet. As a result, comparative figures for the year ended 30 June 2014 have been adjusted as follows

	<b>Restated</b>	<b>Previously reported</b>
	<b>£000</b>	<b>£000</b>
Prepayments and accrued income	1,804	26,516
Creditors amounts falling due within one year	16,418	26,821
Creditors amounts falling due after more than one year	63,558	77,867

## **CTC AVIATION HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

#### **5 Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

##### **Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

##### *(i) Carrying value of goodwill and investments*

The estimated useful life of goodwill is dependent on management's judgement of expected future cash flows and technological change. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating assets to which goodwill has been allocated. The value in use calculation requires the company to estimate future cash flows using an appropriate discount rate in order to calculate present value. No impairment charge was recognised in the period (2014: £nil) (See note 13)

The carrying value of investments in subsidiary undertakings is reviewed annually based on the net present value of estimated future cash flows using an appropriate discount rate (see note 15)

##### *(ii) Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 6 Turnover

All turnover recognised in the period/year arose from the rendering of aviation services, which the directors consider represents one class of business

	Period ended 31 December 2015	Year ended 30 June 2014
<b>Geographical market by origin</b>	<b>£'000</b>	<b>£'000</b>
UK Sales	67,322	37,856
EC Sales	572	61
Rest of the world	4,627	4,292
	<b>72,521</b>	<b>42,209</b>

### 7 Group operating profit

	Period ended 31 December 2015	Year ended 30 June 2014
<b>Operating profit is stated after charging/(crediting)</b>	<b>£'000</b>	<b>£'000</b>
Amortisation of intangible assets (note 13)	8,021	2,403
Depreciation of tangible assets (note 14)	3,572	2,489
Operating lease rentals	1,690	1,525
Movements in fair value of foreign currency forward contracts	299	410

<b>Auditors' remuneration</b>		
Audit of financial statements of the company	2	2
Audit of consolidated financial statements	41	45
Remuneration of auditor for non-audit work		
-Taxation compliance	20	46
-Tax advisory	7	56

### 8 Interest receivable and similar income

	Period ended 31 December 2015	Year ended 30 June 2014
	<b>£'000</b>	<b>£'000</b>
Bank interest received	14	96

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 9 Interest payable and similar charges

	Period ended 31 December 2015 £'000	Year ended 30 June 2014 £'000
Bank loan interest	695	890
Loan note interest	6,588	5,630
Amortisation of issue costs on bank loan	1,445	481
Gain on derivatives	-	(56)
Other interest	35	2
	<b>8,763</b>	<b>6,947</b>

### 10 Discontinued operations

CTC Aviation Group Limited sold its interest in CTC Aviation Holdings Inc. to L-3 Communications Corporation on 20 November 2015

	Period ended 31 December 2015 £'000	Year ended 30 June 2014 £'000
Revenue	152	214
Expenses	(228)	(450)
<b>Operating profit</b>	<b>(76)</b>	<b>(236)</b>
Finance costs	(6)	(8)
Gain on disposal	4,922	-
<b>Profit/(loss) before tax from discontinued operations</b>	<b>4,840</b>	<b>(244)</b>
Tax charge on gain on disposal	-	-
<b>Profit/(loss) after tax for the period / year from discontinued operations</b>	<b>4,840</b>	<b>(244)</b>

**CTC AVIATION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31  
DECEMBER 2015 (continued)**

**11 Tax on profit/loss on ordinary activities**

	Period ended 31 December 2015 £'000	Year ended 30 June 2014 £'000
<b>Current tax charge</b>		
UK Corporation tax on loss for the period/year	640	385
Adjustments in respect of prior periods	11	26
Overseas tax	172	306
Double tax relief	-	(39)
	823	678
<b>Deferred tax credit</b>		
Origination and reversal of timing differences	(127)	11
Adjustments in respect of prior periods	(28)	(193)
Effect of changes in tax rate	(72)	(119)
	(227)	(301)
<b>Total tax charge for the period/year</b>	596	377
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	(7,429)	(3,667)
Adjustment for discontinued operations		(244)
<b>Adjusted loss on ordinary activities before taxation</b>	(7,429)	(3,911)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20 50% (2014 22 5%)	(1,523)	(880)
<b>Effects of</b>		
Expenses not deductible for tax purposes	1,810	565
Income not subject to tax	-	(20)
Effect of change in tax rates	(69)	(115)
Deferred tax not recognised – short term timing differences	-	79
Impact of higher overseas tax rate	24	4
Prior period adjustments	(17)	(172)
Thin capitalisation adjustment	684	916
Group relief received for nil consideration	(313)	-
<b>Total tax charge for the period/year</b>	596	377

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 11 Tax on profit/loss on ordinary activities (continued)

Finance Act 2013, which was enacted on 17 July 2013, includes legislation reducing the main UK corporation tax rate from 23% to 21%, effective from 1 April 2014 and to 20% effective from 1 April 2015. Finance Act 2015 included further changes to the UK corporation tax rates to reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance Act 2015 was enacted on 26 October 2015 and as such the financial statements reflect these changes.

Further changes in the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. This includes a reduction to the main rate to reduce the rate to 17% from 1 April 2020. As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements and accordingly deferred tax has been calculated using a rate of 18%.

### 12 Loss attributable to parent company

	Period ended 31 December 2015 £'000	Year ended 30 June 2014 £'000
Loss dealt with in the financial statements of the parent	(3,203)	(1,608)

The parent company, CTC Aviation Holdings Limited, has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006.

### 13 Intangible assets

Group	Goodwill £'000	Other £'000	Total £'000
<b>Cost</b>			
At 1 July 2014	46,871	112	46,983
Movements on foreign exchange	(35)	(7)	(42)
<b>At 31 December 2015</b>	<b>46,836</b>	<b>105</b>	<b>46,941</b>
<b>Accumulated amortisation</b>			
At 1 July 2014	4,770	36	4,806
Charge for year	7,952	69	8,021
<b>At 31 December 2015</b>	<b>12,722</b>	<b>105</b>	<b>12,827</b>
<b>Net book amount</b>			
<b>At 31 December 2015</b>	<b>34,114</b>	<b>-</b>	<b>34,114</b>
At 1 July 2014	42,101	76	42,177

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 14 Tangible assets

	Freehold buildings	Property improve - ments	Training equipment	Office furniture and equipment	Motor vehicles	Assets under construction	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 July 2014	4 733	1,078	14,417	952	122	817	22,119
Additions	39	492	1 997	681	221	237	3,667
Disposals	-	(19)	(514)	(285)	(25)	(817)	(1,660)
Disposal of subsidiary Foreign exchange adjustment	-	(25)	(1,576)	(88)	(26)	-	(1,715)
	(273)	4	(395)	(120)	(6)	-	(790)
<b>At 31 December 2015</b>	<b>4,499</b>	<b>1,530</b>	<b>13,929</b>	<b>1,140</b>	<b>286</b>	<b>237</b>	<b>21,621</b>
<b>Accumulated depreciation</b>							
At 1 July 2014	291	305	3,160	319	2	-	4,077
Charge for the year	215	249	2,551	479	78	-	3,572
Disposals	-	(16)	(285)	(258)	(15)	-	(574)
Disposal of subsidiary Foreign exchange adjustment	-	(1)	(42)	(9)	(3)	-	(55)
	(21)	-	(447)	(94)	(8)	-	(570)
<b>At 31 December 2015</b>	<b>485</b>	<b>537</b>	<b>4,937</b>	<b>437</b>	<b>54</b>	<b>-</b>	<b>6,450</b>
<b>Net book amount</b>							
<b>At 31 December 2015</b>	<b>4,014</b>	<b>993</b>	<b>8,992</b>	<b>703</b>	<b>232</b>	<b>237</b>	<b>15,171</b>
At 1 July 2014	4,442	773	11,257	633	120	817	18,042

### 15 Investments in subsidiaries

Company	Shares in group under takings
	£'000
<b>Cost</b>	
As at 1 June 2014	78
<b>As at 31 December 2015</b>	<b>78</b>

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 15 Investments in subsidiaries (continued)

Subsidiary companies which are either directly or indirectly held by the company are as follows

	Country of registration or	Principal activity	Shares held	
Subsidiary undertakings			Class	%
<i>held directly</i>				
CTC Aviation International Limited	England	Holding company	Ordinary shares	100
<i>held indirectly:</i>				
CTC Aviation Group Limited	England	Holding company	Ordinary shares	100
CTC Aviation Services Limited	England	Aviation training	Ordinary shares	100
		Private jet management		
CTC Aviation Jet Services Limited	England	services	Ordinary shares	100
CTC Aviation Training (UK) Limited	England	Aviation training	Ordinary shares	100
Airline Recruitment Limited	England	Airline recruitment	Ordinary shares	100
Airline Placement Limited	England	Airline placement	Ordinary shares	100
CTC Aviation Training (NZ) Limited	New Zealand	Aviation training	Ordinary shares	100

CTC Aviation Holdings Inc and CTC Aviation Leasing (US) Inc were incorporated on 14 February 2014 and CTC Aviation Training (US) Inc was incorporated on 19 February 2014. Shares in CTC Aviation Holdings Inc were acquired by CTC Aviation Group in the prior period. The investment was sold to L-3 Communications Corporation on 20 November 2015.

The directors believe that the carrying values of these investments are not impaired, due to the financial projections and future cash flows forecasted by these subsidiary companies.

Under section 479A of the Companies Act 2006 the above subsidiary companies (with the exception of CTC Aviation Training (NZ) Limited) have taken the exemption in relation to the audit of financial statements.

### 16 Stocks

	As at 31 December 2015 £'000	As at 30 June 2014 £'000
Stocks	-	38



**CTC AVIATION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

**17 Debtors: amounts falling due within one year**

<b>Group</b>	<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2014 restated £'000</b>
Trade debtors	3,207	4,786
Other debtors	865	564
Prepayments and accrued income	796	1,804
Amounts due from group undertakings	11,872	-
	<b>16,740</b>	<b>7,154</b>

<b>Company</b>	<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2014 £'000</b>
Prepayments and accrued income	8	-
Amounts due from group undertakings	26,998	12,975
	<b>27,006</b>	<b>12,975</b>

Amounts due from group undertakings for the group include a short term loan of £8,000,000 due from L-3 Communications Corporation repayable on 20 January 2016. The rate of interest payable is LIBOR +1.5%. The remaining amounts included in amounts due from group undertakings for the group and the company are repayable on demand, unsecured and interest free.

**18 Debtors: amounts falling due after more than one year**

<b>Group</b>	<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2014 £'000</b>
Amounts due from group undertakings	4,439	129

The amount due from group undertakings is a loan note of £4,439,200 due from L-3 CTC Ltd Limited. The loan note was issued on 22 December 2015 and is repayable in full after 10 years. During this 10 year period CTC Aviation Group Limited may demand repayment in full at any time by giving 30 days notice. However, in the opinion of the directors the loan will not be required to be repaid before the end of the loan note period. The rate of interest payable on the loan note is at LIBOR +3.32%, which is considered by the Directors to reflect a market rate of interest.

**CTC AVIATION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31  
DECEMBER 2015 (continued)**

**19 Creditors: amounts falling due within one year**

<b>Group</b>	<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2014 restated £'000</b>
Bank loans	-	1,823
Trade creditors	2,826	2,404
Corporation tax	634	272
Amounts owed to group undertakings	647	-
Taxes and social security costs	1,575	1,553
Other creditors	4,745	3,959
Accruals and deferred income	9,515	6,407
	<b>19,942</b>	<b>16,418</b>

<b>Company</b>	<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2014 £'000</b>
Trade creditors	23	-
Accruals and deferred income	550	2
Amounts owed to group undertakings	831	-
	<b>1,404</b>	<b>2</b>

The amounts included in amounts due to group undertakings are repayable on demand, unsecured and interest free

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 20 Creditors: amounts falling due after more than one year

Group	As at 31 December 2015 £'000	As at 30 June 2014 restated £'000
Bank loans	-	14,402
Loan notes	-	49,076
Amounts owed to group undertakings	69,805	-
Other creditors	76	80
	<b>69,881</b>	<b>63,558</b>

#### Analysis of loans

Amounts repayable	-	65,301
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#### Loan maturity analysis

In less than one year	-	2,305
In more than one year but not more than two years	-	2,424
In more than two years but not more than five years	-	12,941
In more than five years	-	49,076
	-	66,746
Less unamortised finance costs		(1,445)
	-	65,301

Company	As at 31 December 2015 £'000	As at 30 June 2014 £'000
Loan notes	30,006	14,175

Borrowing costs totalling £2,408,000 were incurred in the 2012 and were being amortised over a period of five years. The amortisation cost in the period was £1,445,000 (year ending to 30 June 2014 £482,000). The loan was repaid in full prior to the balance sheet date.

Amounts owed to group undertakings include loan notes payable to CTC Aviation International Limited (£39,571,987), CTC Aviation Group Limited (£226,639) and CTC Aviation Holdings Limited (£30,005,525). The loan notes were issued on 27 May 2015 and are repayable in full after 5 years. The rate of interest payable on the loan note is at LIBOR +4.25%, which is considered by the Directors to reflect a market rate of interest.

**CTC AVIATION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)**

**21 Provisions for liabilities and charges**

<b>Group</b>	<b>Provision for property reinstatement £'000</b>	<b>Deferred tax £'000</b>	<b>Total £'000</b>
Balance at 1 July 2014	50	896	946
Credit for the year	-	(155)	(155)
Effect of changes in rates	-	(72)	(72)
<b>At 31 December 2015</b>	<b>50</b>	<b>669</b>	<b>719</b>

The deferred tax liability is made up as follows

<b>Group</b>	<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2014 £'000</b>
Deferred tax assets to be recovered within one year	-	(121)
Deferred tax liabilities to be recovered after more than one year	669	1,017
	<b>669</b>	<b>896</b>

<b>Deferred tax assets</b>	<b>Short term timing differences £'000</b>
Balance at 1 July 2014	121
Charged for the year	(121)
<b>At 31 December 2015</b>	<b>-</b>

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The company did not recognise deferred tax assets of £0 (2014 £104,000)

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 21 Provisions for liabilities and charges (continued)

	Accelerated capital allowances
Deferred tax liabilities	£'000
Balance at 1 July 2014	(1,017)
Charged for the year	348
<b>At 31 December 2015</b>	<b>(669)</b>

Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. The timing of the reversal of the timing difference can be controlled and it is unlikely to reverse in the foreseeable future.

### 22 Pension costs

The group made pension contributions during the period of £189,000 (year ended 30 June 2014 £247,000). Amounts outstanding at the financial position date total £61,000 (30 June 2014 £20,000).

The company made no pension contributions during the year (18 months ended 30 June 2014 nil).

### 23 Called up share capital

	As at 31 December 2015 £'000	As at 30 June 2014 £'000
<b>Group and Company</b>		
<b>Allotted, called up and fully paid</b>		
61,783 (2014 61,783) 'A' Ordinary shares of £1 each	62	62
38,217 (2014 38,217) 'B' Ordinary shares of £1 each	38	38
	<b>100</b>	<b>100</b>

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 24 Financial commitments

At the year end, total future minimum lease payments under non-cancellable operating leases were as follows

Group	Period ended 31 December 2015 £'000	Year ended 30 June 2014 £'000
Expiry date		
Within one year	2	1
Between two and five years	581	41
In over five years	1,107	1,749
	1,690	1,791

### 25 Employees and directors

Group - Number of employees	Period ended 31 December 2015 No	Year ended 30 June 2014 No
The average monthly number of employees (including directors) during the year was		
Office and administration	120	82
Trainers and pilots	186	179
Domestic	10	17
Maintenance	15	13
	331	291

Group - Employment costs	£'000	£'000
Wages and salaries	19,250	12,897
Social security costs	1,550	1,203
Other pension costs	115	247
	20,915	14,347

# CTC AVIATION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (continued)

### 25 Employees and directors (continued)

#### Directors emoluments

All directors	Period to 31 December 2015	Year Ended 30 June 2014
Aggregate emoluments	638	378
Social security costs	82	38
Other pension costs	-	-
	<u>720</u>	<u>416</u>

Highest paid director	Period to 31 December 2015	Year Ended 30 June 2014
Aggregate emoluments	358	173
Social security costs	48	20
Other pension costs	-	-
	<u>406</u>	<u>193</u>

All of the directors of the Company at the balance sheet date are subject to service agreements with, and are remunerated by, other group companies. It is not possible to make an accurate apportionment of their emoluments resulting to services provided to the Company.

### 26 Key management compensation

Key management compensation includes the directors and members of the executive management team. The remuneration paid or payable to key management for employee services is shown below.

	Period ended 31 December 2015 £'000	Year ended 30 June 2014 restated £'000
Salaries and other short term benefits	1,563	710
Post-employment benefits	28	-
	<u>1,591</u>	<u>710</u>

The prior year figure is corrected to account for omission.

**CTC AVIATION HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31  
DECEMBER 2015 (continued)****27 Related party transactions**

See note 25 & 26 for disclosure of the directors' remuneration and key management compensation

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group

**28 Financial instruments**

The group has the following financial instruments

	As at 31 December 2015 £'000	As at 30 June 2014 £'000
Financial assets that are debt instruments measured at amortised cost		
- Trade receivables	3,207	4,786
- Amounts owed from group undertakings	11,872	-
	15,079	4,786
Financial liabilities measured at amortised cost		
- Trade creditors	2,826	2,404
- Amounts owed to group undertakings	647	-
	3,473	2,404
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	-	263
	-	263
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	36	-
	36	-

**Derivative financial instruments**

The company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 December 2015, the outstanding contracts all mature within 6 months (2014: 12 months) of the year end. The company is committed to sell NZD 9.0 million and received a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumption used in valuing the derivatives is the forward exchange rate for GBP/NZD.



**CTC AVIATION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31  
DECEMBER 2015 (continued)**

**29 Controlling parties**

Subsequent to 27 May 2015, the directors consider the ultimate parent undertaking and controlling party is L-3 Communications Holdings Inc , which is the largest group to consolidate these financial statements. The company is incorporated in the United States of America and its common stock is listed on the New York Stock Exchange. Copies of the financial statements of the ultimate parent company are publically available and can be obtained from its headquarters at 600 Third Avenue, New York, NY 10016-1901, United States of America.

Prior to the acquisition by L-3, Inflexion 2010 General Partner Limited, a limited company incorporated in Guernsey was the ultimate parent undertaking and controlling party. Under Guernsey law, the financial statements of a Guernsey company are not a matter of public record.

The immediate parent undertaking is L-3 CTC Limited.