

3030025

The Airline Seat Company Limited

Report and Financial Statements

31 October 2010

MONDAY



AVB83VQC

A13

11/07/2011

27

COMPANIES HOUSE

Directors

A Rayner

I Willatt

J M Eustache (appointed 1 November 2009)

L De Cesare (resigned 1 November 2009)

A De Montigny

Secretary

B Bussieres

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

Hillgate House

13 Hillgate Street

London W8 7SP

Directors' report

The directors present their report and the financial statements of The Airline Seat Company Limited for the year ended 31 October 2010

Results and dividends

As shown in the profit and loss account on page 6, the company's profit before taxation is £22,067,203 (2009 – profit of £12,683,881) The profit for the year, after taxation, amounted to £16,168,297 (2009 – profit of £10,134,571)

The directors paid during the year, a final dividend for the year ended 31 October 2010 on the ordinary shares of £37.25 per share amounting to £2,980,000

Principal activities and review of the business

The company's principal activities continued to be acting as a travel specialist in airline seat sales and ancillary services The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year

Principal risks and uncertainties

The external commercial environment is expected to remain competitive in 2011 However, we remain confident that we will maintain our current level of performance in the future by providing added value services to the customers

Terrorist activity and economic uncertainty continue to be risks for the company, which could result in lost sales The company is working closely with the parent company to manage this risk by identifying and managing key issues

Key performance indicators

Turnover has increased by 31.3% to £176,267,205 (2009 – £134,220,380), primarily as a result of improved pricing strategy

Going concern

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual reports and accounts

Directors

The directors who served the company during the year were as follows

A Rayner
I Willatt
J M Eustache
A De Montigny

Disclosure of information to the auditors

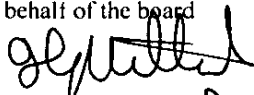
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Directors' report

Auditors

The company has elected by elective resolution to dispense with the annual reappointment of auditors Accordingly, Ernst & Young LLP will continue as auditors within the provisions of s485 of the Companies Act 2006

On behalf of the board


22 December 10

Iain Willatt
Director

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 proper accounting records that are sufficient to show and explain the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 and 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of The Airline Seat Company Limited

We have audited the financial statements of The Airline Seat Company Limited for the year ended 31 October 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2010 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report

to the members of The Airline Seat Company Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Julie Carlyle (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

23 DEC 2010

Profit and loss account

for the year ended 31 October 2010

	Notes	2010 £	2009 £
Turnover	2	176,267,204	134,220,380
External charges		(150,111,732)	(117,806,507)
Staff costs		(2,735,636)	(2,426,313)
Depreciation		(135,587)	(140,900)
Other operating charges		(1,421,692)	(1,395,962)
Operating Profit	3	21,862,557	12,450,698
Interest receivable and similar income		204,646	233,183
Profit on ordinary activities before taxation		22,067,203	12,683,881
Tax	6	(5,898,906)	(2,549,310)
Profit for the financial year	14	16,168,297	10,134,571

Turnover and the result for the year arise from the company's continuing operations

Statement of total recognised gains and losses

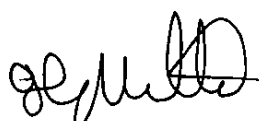
for the year ended 31 October 2010

	2010 £	2009 £
Profit for the financial year	16,168,297	10,134,571
Prior year adjustment (as explained in note 1)	-	(1,452,021)
Total gains and losses recognized since last annual report	16,168,297	8,682,550

Balance sheet

at 31 October 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	8	372,319	271,724
Investments	9	8,613	8,513
		<u>380,932</u>	<u>280,237</u>
Current assets			
Debtors	10	3,376,050	1,859,441
Cash at bank and in hand		41,147,632	25,606,040
		<u>44,523,682</u>	<u>27,465,481</u>
Creditors: amounts falling due within one year	11	(16,398,937)	(12,428,338)
Net current assets		<u>28,124,745</u>	<u>15,037,143</u>
Total assets less current liabilities		<u>28,505,677</u>	<u>15,317,380</u>
Capital and reserves			
Called up share capital	12	80,000	80,000
Profit and loss account	13	28,425,677	15,237,380
Shareholders' funds	14	<u>28,505,677</u>	<u>15,317,380</u>


22 December 10

Iain Willatt
Director

Notes to the financial statements

at 31 October 2010

1. Accounting policies

Basis of preparation

The financial statements of the Airline Seat Company Limited were approved for issue by the board of directors on 22 December 2010

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Group financial statements

The financial statements contain information about "The Airline Seat Company Limited" as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Transat AT Inc, registered in Canada.

The company has taken advantage of the exemption afforded by FRS 1 because during the year it was a wholly owned subsidiary of Transat AT Inc which prepares group financial statements which are publicly available. On this basis the company was exempt from the requirement of FRS 1 to present a statement of cash flows.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Leasehold premium	–	length of lease
Plant and machinery	–	25% or 33 1/3% straight line basis

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are stated at cost. Provisions are made for permanent diminutions in value.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 October 2010

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that result in an obligation to pay more, or a right to pay less or to receive more tax in the future, with the following exceptions

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

Operating leases

The annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

Pensions

The company operates two defined contribution pension schemes. Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales tax or duty. The following criteria must also be met before revenue is recognised

Rendering of services

Revenue generated from the provision of services to customers is recognised on the date of departure. Revenue generated from the provision of all other services is recognised upon delivery of that service

Interest income

Revenue is recognised as interest accrues using the effective interest method

Notes to the financial statements

at 31 October 2010

1. Accounting policies (continued)

Share based payments

Restricted share unit plan

Restricted share unit plans (RSUs) are awarded annually by a parent company, Air Transat Inc, to eligible employees under the new restricted share unit plan. Under this plan, each employee receives a portion of his or her compensation in the form of RSUs. The value of an RSU is determined based on the weighted average closing price of the Class B shares for the five trading days prior to the award of the RSUs. The rights related to RSUs are acquired over a period of three years. When acquired, the RSUs are immediately repurchased by the Corporation, subject to certain conditions and certain provisions relating to the Corporation's financial performance. For the purpose of repurchasing RSUs, the value of an RSU is determined based on the weighted average closing price of the Class B shares for the five trading days prior to the repurchase of the RSUs.

The Airline Seat Company Limited recognises the amount as recharged from the parent company.

2. Turnover

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax. All turnover is derived from operations carried out in the United Kingdom.

3. Operating Profit

This is stated after charging

	2010	2009
	£	£
Rentals under operating leases		
Plant and machinery	67,083	68,382
Other operating leases	309,637	171,233
Aircraft charter	93,003,497	73,736,446
Depreciation	135,587	140,900
Auditors remuneration – audit	29,000	33,468
– non audit	4,500	7,600
	<u>458,322</u>	<u>434,542</u>

4. Directors' emoluments

	2010	2009
	£	£
Remuneration	443,350	419,916
Contributions to money purchase pension schemes	14,972	4,626
	<u>458,322</u>	<u>434,542</u>

During the year, 1 director (2009 – 1) accrued benefits under money purchase pension schemes.

No options were exercised during the year (2009 – nil).

	2010	2009
	£	£
Emoluments in respect of the highest paid director amounted to		
Remuneration	294,663	270,849

Notes to the financial statements

at 31 October 2010

5. Staff costs

	2010 £	2009 £
Wages and salaries (including bonus payment)	2,318,787	2,116,697
Social security costs	274,658	217,607
Other pension costs	94,424	88,582
Share- based payment expense	47,767	3,427
	<u>2,735,636</u>	<u>2,426,313</u>

The average monthly number of persons (including directors) employed by the company during the year was

	2010 No	2009 No
Office and management	9	7
Sales	61	60
	<u>70</u>	<u>67</u>

6 Tax

(a) Tax on profit of ordinary activities

The tax charge/(credit) is made up as follows

	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax on profits of the period	5,871,630	2,556,208
Adjustments in respect of previous periods	8,493	(6,724)
Total current tax (note 7(b))	<u>5,880,123</u>	<u>2,549,484</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 7(c))	18,783	(174)
Tax on profit on ordinary activities	<u>5,898,906</u>	<u>2,549,310</u>

Notes to the financial statements

at 31 October 2010

6. Tax (continued)

(b) Factors affecting current tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	22,067,203	12,683,881
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	6,178,737	3,551,487
<i>Effects of</i>		
Expenses not deductible for tax purposes	559	258
Capital allowances in (excess)/arrear of depreciation	(12,752)	(967)
Utilisation of Bonus provision	-	-
Other tax adjustments (group relief)	(296,488)	(997,058)
Adjustments to tax charge in respect of previous periods	8,493	(6,724)
Other timing differences	1,574	2,488
Tax current tax (note 7(a))	5,880,123	2,549,484

(c) Deferred tax

Provision for deferred tax has been made as follows

	2010 £	2009 £
Accelerated capital allowances	(7,181)	(27,293)
Other timing differences	(6,617)	(5,288)
Deferred tax asset	(13,798)	(32,581)
At 31 October 2010		(32,581)
Deferred tax credit in profit and loss account		18,783
Closing deferred tax asset (note 11)		(13,798)

The deferred tax asset relates mainly to depreciation in advance of capital allowance. The directors have produced financial forecasts which indicate that the company will produce sufficient future profits to support the recognition of the deferred tax asset.

7. Dividend

	2010 £	2009 £
Declared and paid during the year		
Final dividend for 2010 – £37.25	2,980,000	3,860,000

Notes to the financial statements

at 31 October 2010

8. Tangible fixed assets

	<i>Short leasehold £</i>	<i>Plant and machinery £</i>	<i>Total £</i>
Cost			
At 1 November 2009	62,024	1,219,543	1,281,567
Additions	-	236,182	236,182
At 31 October 2010	62,024	1,455,725	1,517,749
Depreciation			
At 1 November 2009	62,024	947,819	1,009,843
Charged in the year	-	135,587	135,587
At 31 October 2010	62,024	1,083,406	1,145,430
Net book value			
At 31 October 2010	-	372,319	372,319
At 1 November 2009	-	271,724	271,724

9. Investments

	<i>Shares in subsidiary undertakings £</i>
Cost	
At 1 November 2009	8,513
Additions	100
31 October 2010	8,613

The company's subsidiaries are as follows

	<i>Class of share</i>	<i>Country of incorporation</i>	<i>Proportion held</i>	<i>Nature of business</i>
ASC The Airline Seat Company Limited	Ordinary	Canada	100%	Airline seat sales
Australian Affair Limited	Ordinary	England	100%	Dormant
French Affair Limited	Ordinary	England	100%	Villa Rentals

Notes to the financial statements

at 31 October 2010

9. Investments (continued)

On 28 October 2010 French Affair Ltd acquired certain assets for a consideration of £ 286,491 from an entity which was controlled by a member of the close family of a Director of French Affair Ltd

Additional disclosures are given in respect of ASC The Airline Seat Company Limited

	2010 £000	2009 £000
Fixed assets	-	-
Current assets	1,041	982
Share of gross assets	1,041	982
Liabilities due within one year	(881)	(757)
Share of gross liabilities	(881)	(757)
Share of net assets/ (liabilities)	160	225
	2010 £000	2009 £000
Turnover	6,180	2,994
Profit before tax	19	74
Taxation	(104)	(21)
(Loss)/ Profit after tax	(85)	53

10. Debtors

	2010 £	2009 £
Due within one year		
Trade debtors	202,017	391,737
Amount due from subsidiary undertakings	218,425	164,262
Amount due from fellow subsidiaries	2,232,130	415,002
Other debtors	319,782	364,809
Prepayments and accrued income	389,898	491,050
Deferred taxation asset (note 7(c))	13,798	32,581
	3,376,050	1,859,441

Notes to the financial statements

at 31 October 2010

11. Creditors: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	7,097,856	2,756,509
Other taxation and social security costs	55,202	62,255
Accruals and deferred income	4,950,399	2,736,583
Share-based payment liability	39,124	8,427
Corporation tax	3,271,572	1,200,460
Amount due to fellow subsidiaries	984,784	5,664,104
	<u>16,398,937</u>	<u>12,428,338</u>

12 Issued share capital

	No	2010	No	2009
		£		£
<i>Allotted, called up and fully paid</i>				
39,200 'A' ordinary shares of £1 each	39,200	39,200	39,200	39,200
40,800 'B' ordinary shares of £1 each	40,800	40,800	40,800	40,800
	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>

The 'A' and 'B' ordinary shares rank pari passu in all respects

13. Profit and loss account

	£
At 1 November 2009	15,237,380
Profit for the year	16,168,297
Dividends paid	(2,980,000)
At 31 October 2010	<u>28,425,677</u>

14. Reconciliation of movement in shareholders' funds

	2010	2009
	£	£
Opening shareholders' funds	15,317,380	9,042,809
Profit for the financial year	16,168,297	10,134,571
Dividends paid in the year	(2,980,000)	(3,860,000)
Closing shareholders' funds	<u>28,505,677</u>	<u>15,317,380</u>

15. Events since the balance sheet date

On 17th November 2010 an amount of £20,700,000 was borrowed from A S C Luxembourg at the 12m LIBOR rate plus 3.5% as per the loan agreement currently in place with our parent company, Transat

Notes to the financial statements

at 31 October 2010

Europe Ltd A dividend of £20,700,000 was then declared and paid to Transat Europe Ltd who proceeded with the repayment of the loan originally made by A S C Luxembourg

16. Other financial commitments

At 31 October 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010			2009		
	<i>Aircraft charter</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Aircraft charter</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£	£	£
Operating leases which expire						
Within one year	66,131,638	-	-	92,597,761	-	-
In two to five years	-	16,230	10,838	-	16,230	10,838

17. Guarantees

The company has granted a charge to its bank over bank deposits totalling £15,028,244 (2009 – £28,244) in connection with certain letters of credit and guarantees given by the bank on behalf of the company

The company together with the parent company and two companies under common control are jointly and severally guarantors of the revolving credit facilities of the ultimate parent undertaking and two companies under common control As at October, 31, 2010, the amounts of the revolving credit facilities of those entities amounted to \$ 15,000,000 The company believes that the likelihood of having to pay a significant amount in respect to this security is low

18. Related party transactions

As a subsidiary undertaking of Transat AT, Inc , the company has taken advantage of the exception in FRS 8 not to disclose transactions with other members of the group as group financial statements, which include the company, are publicly available

Other related party transactions have been disclosed in note 9

19. Ultimate parent undertaking and controlling party

The directors consider the ultimate parent undertaking and controlling party to be Transat Europe Ltd, a company incorporated in England and Wales

The ultimate parent undertaking of the company is Transat AT Inc This also represents both the largest and smallest group of which the company is a member, and for which group financial statements are prepared Copies of the financial statements can be obtained from Place du Parc, 300 rue Leo-Pariseau, Bureau 600, Montreal (Quebec), H2X 4C2