The Airline Seat Company Limited

Annual Report and Financial Statements

31 October 2016

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Corporate Information

Directors
A De Montigny (Resigned 10 February16)
J M Eustache (Resigned 10 February16)
T A Jeans
K V Munro
A Guerard (Appointed 10 February16)
F Mercier (Appointed 10 February16)

Secretary
B Bussieres

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

Registered Office
Hillgate House
13 Hillgate Street
London W8 7SP

Registered No. 3030025

Strategic report

The directors present their strategic report for the year ended 31 October 2016.

Review of business

The company's principal activities continued to be acting as a specialist Tour Operator to Canada, selling airline seats and ancillary ground products under the trading name Canadian Affair. All Transatlantic flights are offered by Air Transat, a fellow subsidiary of the Transat Group. Revenue was primarily generated from travel to Canada.

Key performance indicators

Turnover fell by 24 % to £66,233,275 (2015 – £87,152,611).

There were 4 key factors that effected the years result; Air Transat increased investment in distributing flights via UK B2B channels; The Canadian Affair brand in Canada was closed and migrated to the Air Transat brand; Significantly increased transatlantic capacity drove down selling prices; From June 16, Air Transat branded flight only bookings were booked directly with the Airline and not via The Airline Seat Company.

The company recorded an operating profit of £1,781,346 (2015 – £2,527,184).

Margins increased over the period as a result of an increased proportion of holiday sales versus flight only sales. Overheads were reduced by 8% in the period, as the company looked to mitigate the effects of the reduction in turnover.

The profit for the year after taxation amounted to £1,037,708 (2015 – £1,500,917).

Group interest payable decreased significantly, reflecting the lower rates of interest in the market.

The average number of employees in the company has decreased slightly year on year and is shown in note 6 to the financial statements. This is a result of a reduction in activity.

Shareholders' funds have increased by £1,037,708 due to the retained earnings for the year.

Principal risks and uncertainties

The travel industry continues to be very challenging, with ever-increasing choices of destinations and airlines to choose from. Customers remain cautious in their spending habits and actively seek good deals and the lowest prices. New operators from Canada to the UK have increased competition on key routes and their progress will be monitored with interest. However, the directors remain confident that the knowledge and expertise provided by the company will ensure it remains a market leader.

Terrorist activity, meteorological/geological activity, and economic uncertainty continue to be risks for the company, which could result in lost sales. The company works closely with the parent undertaking to manage this risk by identifying and managing key issues.

The company operates in a sector that is exposed to the financial risk caused by the volatility of foreign currency exchange rates. The company is directly exposed to movements in exchange rates as a portion of the travel components it sells are sourced in foreign currency. This risk is managed thought the use of hedging.

On behalf of the board

Kathryn Munro

Kathryn Munro
Director
21 February 2017

Directors' report

Registered No. 3030025

The directors present their report for the year ended 31 October 2016.

Directors

The current directors of the company are shown on page 1.

Dividends

The directors do not recommend a final dividend (2015 – £3,000,000).

Future developments

The Directors plan to significantly grow the volume of Tour Operating passengers to Canada, in order to replace the flight only sales being distributed either directly with the airline or via UK B2B channels.

Events after the balance sheet date

On 5th December the company issued and allotted 2,000,000 ordinary shares of £1.00 each to Transat Europe Ltd in consideration for a £2,000,000 investment in the company.

On 5th December the company cancelled 2,000,000 ordinary shares of £1.00 each.

On 6th December the company paid a dividend of £4,000,000.

Financial instruments

Details of financial instruments are provided in the strategic report on page 3.

Going concern

The company's activities, together with the factors likely to affect its future development and risk management are described in the Strategic Report on page 3. The directors have considered all these factors and believe that the company is well placed to manage its business risks successfully.

Note 21 details the cross guarantees provided within the Transat group and which The Airline Seat Company is party to.

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 report and accounts.

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, each director has 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.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Kathryn Munro

Kathryn Munro
Director

21 February 2017

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's 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 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 24. 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), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

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 auditor

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

Scope of the audit of the financial statements

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

Independent auditor's report to the members of The Airline Seat Company Limited (continued)

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 2016 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, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

Nicholas Jacques (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 23 February 2017

Income Statement

for the year ended 31 October 2016

	Notes	2016 £	2015 £
Turnover	3	66,233,275	87,152,611
Cost of sales	4	(57,226,944)	(76,749,750)
Marketing	4	(2,260,398)	(2,536,174)
Staff costs	6	(3,252,745)	(3,350,275)
Depreciation	4	(66,802)	(108,652)
Amortisation	4	(200,555)	(85,602)
Other operating charges		(1,444,485)	(1,794,974)
Operating Profit	4	1,781,346	2,527,184
Interest receivable and similar income	7	181,042	192,697
Interest payable and similar costs	7	(63,857)	(89,347)
Interest payable and similar costs - Group	7	(608,125)	(759,078)
Profit on ordinary activities before taxation		1,290,406	1,871,456
Tax on profit on ordinary activities	8	(252,698)	(370,539)
Profit for the financial year		1,037,708	1,500,917

Statement of comprehensive income

for the year ended 31 October 2016

The Company has no other items of comprehensive income in any of the periods for which financial statements are presented.

Statement of changes in equity

for the year ended 31 October 2016

	Called up share capital	*Share premium*	*Profit and loss account*	*Total shareholders' equity*
	£	£	£	£
At 1 November 2014	123,450	7,956,550	3,001,062	11,081,062
Profit for the year	-	-	1,500,917	1,500,917
Total comprehensive income for the year	123,450	7,956,550	4,501,979	12,581,979
Dividends	-	-	(3,000,000)	(3,000,000)
At 31 October 2015	123,450	7,956,550	1,501,979	9,581,979
Profit for the year	-	-	1,037,708	1,037,708
Total comprehensive income for the year	123,450	7,956,550	2,539,687	10,619,687
At 31 October 2016	123,450	7,956,550	2,539,687	10,619,687

Statement of financial position

at 31 October 2016

	Notes	2016 £	2015 £
Fixed assets			
Intangible assets	9	916,545	709,451
Tangible assets	10	133,249	193,120
		1,049,794	902,571
Current assets			
Debtors	12	3,292,638	1,699,928
Cash at bank and in hand		29,891,069	33,068,183
		33,183,707	34,768,111
Creditors: amounts falling due within one year	13	(10,834,262)	(13,323,970)
Net current assets		22,349,445	21,444,141
Total assets less current liabilities		23,399,239	22,346,712
Creditors: amounts falling due after more than one year	14	(12,700,000)	(12,700,000)
Provisions for liabilities	16	(79,552)	(64,733)
Net Assets		10,619,687	9,581,979
Capital and reserves			
Called up share capital	17	123,450	123,450
Share premium	18	7,956,550	7,956,550
Profit and loss account		2,539,687	1,501,979
Shareholders' funds		10,619,687	9,581,979

The financial statements were approved and authorised for issue by the board and were signed on its behalf by: Kathryn Munro

Kathryn Munro
Director
21 February 2017

Notes to the financial statements

at 31 October 2016

1. Authorisation of financial statements and statement of compliance

The Airline Seat Company Limited is a limited liability company incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 102 (FRS 102) as it applies to the financial statements of the Company for the year ended 31 October 2016. The financial statements are prepared under the historical cost convention and are presented in Sterling.

The Company has transitioned to FRS 102 from previously extant UK Generally Accepted Accounting Practice as at 1 November 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in Note 25.

The financial statements of The Airline Seat Company Limited for the year ended 31 October 2016 were authorised for issue by the board of directors on 21st February 2017 and the balance sheet was signed on the board's behalf by Kathryn Munro.

2. Accounting policies

2.1 Basis of preparation

The Airline Seat Company Limited has taken advantage of the exemption available under section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Transat A.T. Inc, which prepares publicly available group financial statements which include the results of the Company and its subsidiaries. The Airline Seat Company Limited financial statements therefore purely reflect the Company as an individual undertaking.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2016.

The Airline Seat Company Limited has taken advantage of the following disclosure exemptions under FRS 102:

(a) the requirements of section 4 *Statement of Financial Position* - Paragraph 4.12 (a) (iv)

(b) the requirements of section 7 Statement of Cash Flows and Section 3 *Financial Statement Presentation* paragraph 3.17(d)

(c) the requirements of *Basic Financial Instruments* paragraphs 11.39 to 11.48A and section 12 *Other Financial Instruments* paragraphs 12.26 to 12.29

(d) the requirements of Section 26 *Share based Payment*: paragraph 26.18 (b), 26.19 to 26.21 and 26.23

(e) Requirements of Section 33 *Related Party Disclosures*, paragraph 33.7

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following is the Company's key source of estimation uncertainty:

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with assessment of the effect of future tax planning strategies.

Notes to the financial statements

at 31 October 2016

2.3 Significant accounting policies

Intangible assets

Intangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Software licences are amortised over a period of 5 years.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and 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 off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life, as follows:

Plant and machinery – 3 to 5 years

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, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Investments

Investments in subsidiary companies are stated at cost less any provisions for impairment.

Impairment of fixed assets

Where an event has occurred that gives rise to doubt about the recovery of the carrying value, an impairment assessment is made. The impairment is calculated by comparing the investment's carrying value to the recoverable amount. The recoverable amount is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the business, discounted at a risk adjusted weighted cost of capital.

Financial Instruments

Cash at bank and in hand

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Forward contracts

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in operating expenses.

Notes to the financial statements

at 31 October 2016

2.3 Significant accounting policies (continued)

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in the finance costs in the income statement.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverses, based on tax rates and laws enacted at the balance sheet date.

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, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Rendering of services

The Company recognizes revenue once the service is rendered and all the significant risks and rewards of the service have been transferred to the customer. As a result, revenue from tour operating activities, flight only sales and the related costs are recognized when passengers depart. Commission revenue is recognized when travel is reserved. Amounts received from customers for services not yet rendered are included in current liabilities as Customer deposits and deferred revenues.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Revenue is recognised when the Company's right to receive payments is established.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Pensions commitments

Defined contribution scheme

The company operates one defined contribution pension scheme. Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Notes to the financial statements

at 31 October 2016

2.3 Significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Share-based payments

The company operates equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of the company or cash-settled payments.

Equity-settled transactions

For equity-settled share-based compensation (performance share unit (PSU) plan, the expense is based on the grant date fair value of the awards expected to vest over the period in which the performance and/or service conditions are fulfilled, with a corresponding increase in the share- based payment reserve. The value of the compensation is measured based on the closing price of Transat shares on the Toronto Stock Exchange at grant date, adjusted to take into account the terms and conditions upon which the units were granted, and is based on the units that are expected to vest. For awards with graded vesting, the fair value of each tranche is recognized through profit or loss over its respective vesting period. Any consideration paid by employees on exercising stock options and the corresponding portion previously credited to share-based payment reserve are credited to share capital.

Cash-settled transactions

For cash-settled share-based compensation (restricted share unit (RSU) plan), the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. RSUs are awarded annually by the parent undertaking, Transat A.T. Inc, to eligible employees under the plan. The value of the compensation is measured based on the closing price of Transat shares on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the units were granted, and is based on the units that are expected to vest. The expense is recognized over the period in which the performance and service conditions are satisfied. At the end of each reporting period, the parent company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions through profit or loss.

3. 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, Europe and Canada. Turnover is recognised in one category (sale of services).

Turnover is analysed as follows:

Geographical area

	United Kingdom		*Europe*		*Canada*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
	£	£	£	£	£	£	£	£
Turnover	64,726,290	80,687,849	933,668	1,240,161	573,317	5,224,601	66,233,275	87,152,611

Notes to the financial statements

at 31 October 2016

4. Operating Profit

This is stated after charging:

		2016	2015
		£	£
Foreign Exchange loss		91,753	77,652
Operating lease rentals	– land and buildings	191,068	228,118
	– others (equipment rental)	9,383	11,951
Depreciation of owned assets		66,802	108,652
Amortisation of software		200,555	85,602
Auditors Remuneration (See Note 5)		55,500	39,706
		615,061	551,681

5. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and, where applicable, for other services provided to the Company.

	2016	2015
	£	£
Audit of the financial statements	32,000	32,000
Other non-audit services	23,500	7,706
	55,500	39,706

6. Staff costs

a) Staff costs, including directors' remuneration, were as follows

	2016	2015
	£	£
Wages and salaries	2,797,092	2,906,614
Social security costs	287,982	273,419
Other pension costs	167,671	170,242
	3,252,745	3,350,275

Included in wages and salaries is a total expense of share-based payments of £Nil (2015:£23,861) of which £Nil (2015:£13,044) arises from transactions accounted for as equity-settled share-based payment transactions.

Included in other pension costs are £167,671 (2015: £170,242) in respect of the defined contribution scheme.

Notes to the financial statements

at 31 October 2016

6. Staff costs (continued)

The average monthly number of employees during the year was made up as follows:

	2016	*2015*
	No.	*No.*
Office and management	15	17
Sales	65	71
	80	88

b) Directors' remuneration

	2016	*2015*
	£	*£*
Aggregate remuneration in respect of qualifying services	210,886	230,612
Aggregate amounts receivable under long term incentive schemes	-	22,522
	210,886	253,134

	2016	*2015*
	No	*No*
Number of directors who received shares in respect of qualifying services	1	1
Number of directors who exercised share options	0	0
	1	1

	2016	*2015*
	£	*£*
In respect of the highest paid director:		
Aggregate remuneration	192,699	234,574
	192,699	234,574

7. Interest payable and similar charges

	2016	*2015*
	£	*£*
Interest payable:		
Bond interest	63,857	89,347
Loan interest – Group	608,125	759,078
	671,982	848,425
Interest receivable:		
Loan interest – Group	181,042	192,697
	181,042	192,697

Notes to the financial statements

at 31 October 2016

8. Tax

(a) Tax on Profit on ordinary activities

The tax charge is made up as follows:

	2016	*2015*
	£	*£*
Current tax:		
UK corporation tax at 20.00% (2015:20.41%)	237,238	302,263
Tax over/(under) provided in previous years	3,705	(81,660)
Total current tax	240,943	220,603
Deferred tax:		
Origination and reversal of timing differences	20,496	72,104
Tax (under)/over provided in previous years	(3,448)	79,511
Effect of change in the tax rate on opening liability	(5,293)	(1,679)
Total change in the deferred tax	11,755	149,936
Tax on profit on ordinary activities (note 9(b))	252,698	370,539

(b) Factors affecting the current tax charge/(credit) for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.00% (2015 – 20.41%). The differences are reconciled below:

	2016	*2015*
	£	*£*
Profit on ordinary activities before tax	1,290,406	1,871,456
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 – 20.41%)	258,081	382,033
Expenses not deductible for tax purposes	1,930	1,465
Tax over/(under) provided in previous years	257	(2,149)
Group Relief	-	(3,766)
Tax Rate Change	(5,293)	(1,679)
Difference between current & deferred tax rate	(2,277)	(5,365)
Total tax expense	252,698	370,539

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% took effect from 1 April 2015. Further reductions in the UK corporation rate to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted on 16 September 2016 and the impact of these reductions have been appropriately reflected in these financial statements.

Notes to the financial statements

at 31 October 2016

8. Tax (continued)

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2016	*2015*
	£	*£*
Included in creditors (note 13)	36,217	39,281
Included in provisions for liabilities (note 16)	79,552	64,733
	115,769	104,014
Accelerated capital allowances	118,855	111,226
Other timing differences	(3,086)	(7,212)
Deferred tax Liability	115,769	104,014

At 1 November 2015	104,014
Deferred tax debit in profit and loss account	11,755
At 31 October 2016	115,769

9. Intangible assets

	Software
	£
Cost:	
At 1 November 2015	795,053
Additions	407,649
At 31 October 2016	1,202,702
Amortisation:	
At 1 November 2015	85,602
Charged in the year	200,555
At 31 October 2016	286,157
Net book value:	
At 31 October 2016	916,545
At 1 November 2015	709,451

Notes to the financial statements

at 31 October 2016

10. Tangible fixed assets

	Plant and machinery
	£
Cost:	
At 1 November 2015	1,161,724
Additions	6,931
Disposals	(98,185)
At 31 October 2016	1,070,470
Depreciation:	
At 1 November 2015	968,604
Charged in the year	66,802
Disposals	(98,185)
At 31 October 2016	937,221
Net book value:	
At 31 October 2016	133,249
At 1 November 2015	193,120

11. Investments

The company's subsidiaries are as follows:

	Class of shares	*Country of incorporation*	*Proportion held*	*Nature of business*
Australian Affair Limited	Ordinary	England	100%	Dormant
Australian Airfares Limited	Ordinary	England	100%	Dormant
Canada Airfares Limited	Ordinary	England	100%	Dormant
Canadian Airfares Limited	Ordinary	England	100%	Dormant
Canadian Travel Service Limited	Ordinary	England	100%	Dormant
Flag Carrier Limited	Ordinary	England	100%	Dormant
Go Canada Direct Limited	Ordinary	England	100%	Dormant
Go Canada Limited	Ordinary	England	100%	Dormant
ASC The Airline Seat Company Limited	Ordinary	Canada	100%	Dormant

All subsidiary companies are dormant, and the investments values have been written down to zero. On transition to FRS 102, the company took the option under FRS 102 Section 35.10 (f) to measure its investments in subsidiaries at their deemed cost i.e. at the previous GAAP carrying amount as at the date of transition to FRS 102.

Notes to the financial statements

at 31 October 2016

12. Debtors: amounts falling due within one year

	2016	*2015*
	£	*£*
Trade and other receivables	318,511	697,389
Derivative financial instruments	1,651,636	-
Prepayments and accrued income	435,148	371,793
Amounts owed by group undertakings	569,120	153,165
Corporate tax	-	82,268
Other debtors	318,223	395,313
	3,292,638	1,699,928

13. Creditors: amounts falling due within one year

	2016	*2015*
	£	*£*
Trade creditors	649,107	593,360
Derivative financial instruments	1,651,636	-
Amounts owed to group undertakings	403,120	1,550,699
Loan Interest payable to fellow subsidiaries	574,825	726,351
Taxation and social security	66,467	70,317
Corporate Tax	129,434	-
Deferred taxation	36,217	39,281
Accruals and deferred income	7,323,456	10,343,962
	10,834,262	13,323,970

14. Creditors: amounts falling due after more than one year

	2016	*2015*
	£	*£*
Other creditors		
Loan from fellow group undertaking	12,700,000	12,700,000

The loan has been drawn from A.S.C (Luxembourg.) S.a.r.l. The loan is repayable on 17 November 2020, or in the event of a renewal, 17 November of the year of the last renewal. Interest shall accrue at a rate equal to the LIBOR 12 month rate applicable on the draw down date, plus 370 basis points per annum.

Notes to the financial statements

at 31 October 2016

15. Obligations under leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	*2015*
	£	*£*
Within one year	188,597	191,068
In two to five years	85,717	274,291
In over five years	-	-
	274,314	465,359

16. Provisions for liabilities

	Deferred tax
	£
At 1 November 2015	64,733
Arising during the year	14,819
At 31 October 2016	79,552

The deferred tax provision reflects the expected amount that will unwind after more than one year.

17. Allotted and issued share capital

		2016		*2015*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
'A' ordinary shares of £1 each	123,450	123,450	123,450	123,450

18. Share Premium

	£
At 1 November 2015 and 31 October 2016	7,956,550

19. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

20. Guarantees

The company has granted a charge to its bank over bank deposits totalling £11,658,741 (2015 – £14,800,000) in connection with certain letters of credit and guarantees given by the bank on behalf of the company.

The company together with the parent undertaking and two companies under common control are jointly and severally guarantors of the revolving credit facilities amounting to $50,000,000 of the ultimate parent undertaking and two companies under common control. As at 31 October 2016, the $50,000,000 revolving credit facilities remained unused.

Notes to the financial statements

at 31 October 2016

21. Events after the reporting period

On 5th December the company issued and allotted 2,000,000 ordinary shares of £1.00 each to Transat Europe Ltd in consideration for a £2,000,000 investment in the company.

On 5th December the company cancelled 2,000,000 ordinary shares of £1.00 each.

On 6th December the company paid a dividend of £4,000,000.

22. Related party disclosures

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. There were no transactions undertaken with related parties that are not wholly owned by the Transat Inc. group.

23. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Transat Europe Ltd, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party of the company is Transat A.T. 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.

24. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 November 2015.

The following were changes in accounting policies arising from the transition to FRS 102:

Software assets

Under FRS 102 software assets are recorded as intangible assets. Under previous UK GAAP, these were recorded as tangible assets. As at 1 November 2015, the recorded intangible assets had a net book value of £709,451.

Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach.

Deferred tax unwinding after more than 1 year is recorded as a provision for liabilities. Under previous UK GAAP, this was recorded as a creditor within net current assets. This has no impact on the income statement of the company, but as of 31 October 2015 and 31 October 2016 amounts of £64,733 and £79,552 respectively were moved from creditors and recorded as provisions for liabilities.