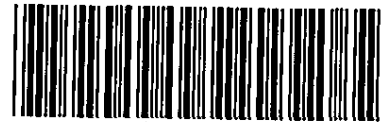


CTC AVIATION INTERNATIONAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015
Company Registration Number 8045500

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CTC AVIATION INTERNATIONAL LIMITED

ANNUAL REPORT

COMPANY INFORMATION

Directors

R Cook
A Crawford
T Gautier
D Reilly
A Yeager

Company number

8045500

Registered office

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

Business address

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

CTC AVIATION INTERNATIONAL LIMITED

ANNUAL REPORT

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CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

STRATEGIC REPORT

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

The directors present their strategic report on the company for the period ended 31 December 2015

Principal activity and review of the business

The principal activity of the company is that of the intermediate holding company for certain companies within the CTC Aviation group. The activity of the group is the provision of aviation services, including pilot training and private jet management, to the aviation industry.

Given the straightforward nature of the business, the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

In May 2015 the company's parent, CTC Aviation Holdings Ltd, was acquired by L-3 Communications Holdings Inc.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include credit risk and interest rate 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.

Impairment risk

Through the holding in subsidiaries, there is a risk that underperformance of these could lead to the value of the subsidiaries becoming less than the carrying value of the investment holding. Management actively monitor the performance of all subsidiaries, such that performance issues are identified and addressed as necessary. Management formally consider the need for impairment of its investments annually.

Credit risk

The company has extended loans to group undertakings. The amount of exposure to any individual counterparty is continually reviewed by the senior management team. The company can call upon the resources of the ultimate holding company, L-3 Communications Inc, for financial support if necessary.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, CTC Aviation Holdings Limited. The directors have received confirmation that CTC Aviation Holdings Limited intends to support the company for at least one year after these financial statements are signed.

On behalf of the board on 13 January 2017



A Crawford
Director

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

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

DIRECTORS' REPORT

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

The directors present their report and financial statements of the company for the period ended 31 December 2015

Results and dividends

The results for the period are set out on page 6 and show a loss of £7,556,000 (year to 30 June 2014 £5,733,000) resulting from the interest on financial instruments issued by the company. No dividend payment was made by the directors during the period.

Future developments

It is anticipated that the company will continue with its current trading activities.

Directors

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

Y V Chotali – Resigned 27 May 2015

R Cook – Appointed 27 May 2015

R F Clarke – Resigned 27 May 2015

A Crawford – Appointed 11 December 2015

J F Hartz – Resigned 27 May 2015

T Gautier – Appointed 27 May 2015

T A M Steele – Resigned 27 May 2015

D Reilly – Appointed 27 May 2015

M L Williams – Resigned 27 May 2015

A Yeager – Appointed 27 May 2015

Financial risk management

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

On behalf of the board on 13 January 2017



A Crawford

Director

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

PROFIT AND LOSS ACCOUNT**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015**

		Period to 31 December 2015	Year ended 30 June 2014
	Note	£000	£000
Turnover	2	1,673	1,134
Cost of sales		-	-
Gross profit		1,673	1,134
Administrative expenses		(2,511)	(1,541)
Operating loss	3	(838)	(407)
(Loss)/profit on ordinary activities before interest and taxation		(838)	(407)
Interest payable and similar charges	4	(6,718)	(5,326)
Loss on ordinary activities before taxation		(7,556)	(5,733)
Tax on loss on ordinary activities	5	-	-
Loss for the financial period	12	(7,556)	(5,733)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

BALANCE SHEET**AS AT 31 DECEMBER 2015**

		31 December 2015		30 June 2014	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	6		57,459		57,459
Current assets					
Debtors	7	1,266		1,119	
Cash at bank and in hand		106		85	
			1,372		1,204
Total assets			58,831		58,663
Capital and reserves					
Called up share capital	11	78		78	
Profit and loss account	12	(18,170)		(10,614)	
Total shareholders' deficit	13		(18,092)		(10,536)
Creditors: amounts falling due within one year	8		37,351		22,030
Creditors: amounts falling due after more than one year	9		39,572		47,169
Total liabilities			58,831		58,663

The notes on pages 6 to 13 are an integral part of these financial statements

For the 18 month period ending 31 December 2015 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

No members have required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006

The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 December 2015 and of its profit for the period in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to the financial statements, so far as applicable to the company

The financial statements were approved by the Board on 13 January 2017 and signed on its behalf by



A Crawford
Director

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

1 Significant accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards in the United Kingdom

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of CTC Aviation Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of CTC Aviation Holdings Limited can be obtained from the address given in note 16

These financial statements have been prepared on a going concern basis notwithstanding the negative shareholders' funds reported on the balance sheet 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 and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

1.2 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company of the CTC group of companies, L-3 CTC Limited The directors have received confirmation that L-3 CTC Limited intends to support the company for at least one year after these financial statements are signed

1.3 Turnover

Turnover represents management charges to group companies relating to services provided by the company and is recognised at the time these services are provided

1.4 Investments

Investments held as fixed assets in the company balance sheet are stated at cost less provision for impairment Dividends are brought to account in the profit and loss account when received

1.5 Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

1.6 Group financial statements

The company has taken advantage of the exemption in section 401 of the Companies Act 2006 and has not prepared group financial statements on the grounds that it is included in the consolidated financial statements of CTC Aviation Holdings Limited, a company incorporated in England

1.7 Debt issue costs

Costs directly incurred in raising finance are deducted from the associated finance balance in the balance sheet and amortised in the profit and loss account over the period the directors believe the related instrument will be used

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015****1 Significant accounting policies (continued)****1.8 Financial instruments**

The company uses an interest rate swap to manage its exposure to interest rates on long term debt. Interest is charged to the profit and loss account on an accruals under rates secured in the swap.

2 Turnover

The company's turnover was derived wholly in the UK from its principal activity.

3 Operating loss

	Period to 31 December 2015 £000	Year Ended 30 June 2014 £000
Operating loss is stated after charging		
Auditors' remuneration		
Audit of the financial statements	2	2
Remuneration of auditor for non-audit work		
-Taxation compliance	1	1

4 Interest payable and similar charges

	Period to 31 December 2015 £000	Year Ended 30 June 2014 £000
Bank loans	595	810
Loan notes	3,853	4,034
Interest due to group companies	826	-
Amortisation of issue costs on bank loan	1,444	482
	6,718	5,326

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

5	Tax on loss on ordinary activities	Period to 31 December 2015 £000	Year Ended 30 June 2014 £000
	Current tax charge		
	UK Corporation Tax for the period	-	-
		<u>-</u>	<u>-</u>
	Deferred tax		
	Other timing differences	-	-
		<u>-</u>	<u>-</u>
	Tax on profit on ordinary activities	-	-
		<u>-</u>	<u>-</u>
	Factors affecting the tax charge for the period		
	Loss on ordinary activities before taxation	(7,556)	(5,733)
		<u>(7,556)</u>	<u>(5,733)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20 50% (year to 30 June 2014 22 50%)	(1,549)	(1,290)
	Effects of		
	Expenses not deductible for tax purposes	365	-
	Other timing differences	-	(14)
	Group relief surrendered for nil consideration	1,184	747
	Thin capitalisation adjustment	-	557
		<u>1,549</u>	<u>580</u>
	Current tax charge	-	-
		<u>-</u>	<u>-</u>

On 16 March 2016, it was announced that the main rate of UK corporation tax would be reduced to 17% with effect from 1 April 2020. As the change had not been substantively enacted at the balance sheet date the effect is not included in these financial statements.

6 Fixed asset investments

Cost	Shares in subsidiary undertakings £000
At 01 July 2014 and 31 December 2015	57,459
	<u>57,459</u>

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015****6 Fixed asset investments (continued)**

The company's subsidiaries at 31 December 2015 were as follows

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Shares held	
			Class	%
<i>held directly</i>				
CTC Aviation Group Limited	England	Holding company	Ordinary shares	100
<i>held indirectly</i>				
CTC Aviation Services Limited	England	Aviation training	Ordinary shares	100
CTC Aviation Jet Services Limited	England	Private jet management 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

7 Debtors

	31 December 2015 £000	30 June 2014 £000
Amounts owed by group undertakings	209	35
Other debtors	1,057	1,057
Prepayments and accrued income	-	27
	<u>1,266</u>	<u>1,119</u>

Amounts owed by group undertakings are trading balances and are repayable on demand, unsecured, and non-interest bearing

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015****8 Creditors amounts falling due within one year**

	31 December 2015 £000	30 June 2014 £000
Bank loans	-	809
Trade creditors	1	41
Amounts owed to group undertakings	36,680	20,944
Taxation and social security	39	15
Accruals and deferred income	603	221
Other Creditors	28	-
	<u>37,351</u>	<u>22,030</u>

Amounts owed to group undertakings are repayable on demand, unsecured, and not interest bearing

9 Creditors amounts falling due after more than one year

	31 December 2015 £000	30 June 2014 £000
Bank loans	-	12,268
Loan notes	-	34,901
Amounts owed to group undertakings	39,572	-
	<u>39,572</u>	<u>47,169</u>

Maturity of bank loans and loan note obligations are as follows

	31 December 2015 £000	30 June 2014 £000
Analysis of loans		
Amounts repayable	-	47,978
Loan maturity analysis		
In less than one year	-	1,290
In more than one year but not more than two years	-	1,410
In more than two years but not more than five years	-	11,821
In more than five years	-	34,902
	<u>-</u>	<u>49,423</u>
Less unamortised finance costs	-	(1,445)
	<u>-</u>	<u>47,978</u>

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015****9 Creditors amounts falling due after more than one year (continued)**

A loan note is repayable to L-3 CTC Limited (£39,571,987) It was issued on 27 May 2015 and is repayable in full after 5 years The rate of interest payable is at LIBOR +4 25%, which is considered by the Directors to reflect a market rate of interest

10 Pension costs

The company made pension contributions during the 18 month period of £14,000 (year to 30 June 2014 £50,000) Amounts outstanding at the balance sheet date total £17,000 (30 June 2014 £2,000)

11 Called up share capital

	31 December 2015 £000	30 June 2014 £000
Authorised, allotted, called up and fully paid		
61,783 (2013 61,783) 'A' Ordinary shares of £1 each	62	62
16,000 (2013 16,000) 'B' Ordinary shares of £1 each	16	16
	<u>78</u>	<u>78</u>

12 Profit and loss account**£000**

Balance at 01 July 2014	(10,614)
Loss for the 18 month period	(7,556)
Balance at 30 June 2015	<u>(18,170)</u>

13 Reconciliation of movements in shareholders' deficit

	31 December 2015 £000	30 June 2014 £000
Loss for the financial period	(7,556)	(5,733)
Net increase in shareholders' deficit	(7,556)	(5,733)
Opening shareholders' deficit	(10,536)	(4,803)
Closing shareholders' deficit	<u>(18,092)</u>	<u>(10,536)</u>

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015****14 Employees****Number of employees**

The average monthly number of employees during the period was 8 (2014: 8). All employees were engaged in office and administration roles.

Employment costs

	Period to 31 December 2015 £000	Year Ended 30 June 2014 £000
Wages and salaries	2,186	1,088
Social security costs	193	130
Other pension costs	14	50
	<u>2,393</u>	<u>1,268</u>

15 Directors' emoluments**All directors**

	Period to 31 December 2015	Year Ended 30 June 2014
Aggregate emoluments	481	378
Social security costs	48	38
Other pension costs	-	-
	<u>529</u>	<u>416</u>

Highest paid director

	Period to 31 December 2015	Year Ended 30 June 2014
Aggregate emoluments	224	173
Social security costs	26	20
Other pension costs	-	-
	<u>250</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.

CTC AVIATION INTERNATIONAL LIMITED

Company Registration Number 8045500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

16 Related parties

The company is a wholly owned subsidiary of CTC Aviation Holdings Limited, a company incorporated in England. The smallest group within which the results of the company were consolidated was that headed by CTC Aviation Holdings Limited, the financial statements of which are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

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.