

AirTanker Holdings Limited

**Annual report and financial statements
for the year ended 31 December 2008**

Registered no.06279650



AirTanker Holdings Limited

Annual report and financial statements for the year ended 31 December 2008

	Page
Directors and advisors	1
Report of the directors for the year 31 December 2008	2
Independent auditors' report to the members of AirTanker Holdings Limited	6
Group and Company Profit and loss account for the year ended 31 December 2008	7
Group and Company Balance Sheet as at 31 December 2008	8
Notes to the Group and Company financial statements for the year ended 31 December 2008	9

AirTanker Holdings Limited

Directors and advisors

Directors

Mark Barclay
Phillip Scott Blundell
Christopher John Cundy
Martin Clifford St John Fausset
Gordon Francis De Courcy Page
Carlos Suarez
Christian Hans Peter Unrath
Michelle Vincent

Alternate directors

Elizabeth Agnes Narey
Paul Sunil Perera

Javier Matallanos

David Johnston

Secretary

Elizabeth Barry

Registered office

6th Floor, One London Wall,
London
EC2Y 5EB

Independent auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London
EC2N 2DB

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2008

The directors present the annual report and the audited financial statements for the company and the AirTanker Holdings Limited consolidated group ("the group") for the year ended 31 December 2008.

Principal activity

The company was incorporated on 14 June 2007 and commenced trading on 27 March 2008 having been dormant in the previous financial period.

The principal activity of the group was the delivery of the Future Strategic Transport Aircraft (FSTA) project for the UK Ministry of Defence. The FSTA project consists of the acquisition and maintenance of 14 aircraft with air to air refuelling and air transport capabilities. The contract for FSTA commenced on 27 March 2008, when the contract was signed and financial close was achieved, and is scheduled to end in 2035. FSTA project funding is provided to the group by a syndicated bank group to AirTanker Finance Limited (a subsidiary undertaking of the company) and also by Bank of Scotland plc to the company via AirTanker Equity Bridge Loan Limited (a fellow group company). AirTanker Limited undertakes project management of the FSTA project with construction and servicing activities undertaken by sub-contractors EADS CASA and AirTanker Services Limited.

The principal activity of the company is that of a holding company and financing company whereby external debt raised is passed down to AirTanker Limited to fund the initial stages of the FSTA project.

Business review and future developments

The FSTA project has commenced satisfactorily and as at 31 December 2008 the construction of the facilities at Brize Norton RAF base was progressing in line with the scheduled project milestones.

The financial turmoil which has affected many businesses has not impacted on the senior debt draw downs from syndicated banks post financial close on 27 March 2008.

The aircraft delivery and construction of the aircraft training and support facilities are progressing to plan.

The specific areas of risk which the business must monitor and manage is the performance of AirTanker Limited which is responsible for the satisfactory performance of the FSTA contract.

Results and dividends

The loss for the financial year for the group for the year ended 31 December 2008 was £44,757,000 (2007: £nil). The directors do not propose a final dividend (2007: £nil).

The result for the financial period is set out in the profit and loss account on page 7. The directors consider that both the operating performance and level of business and the period end financial position were satisfactory.

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2008 (continued)

Directors

The directors and alternate directors, who held office during the year and subsequently up to the date of signing this report, are given below:

Directors

Mark Barclay	(appointed 4 November 2008)
Justin Stephen Barrett	(resigned 9 April 2008)
Peter Charles Brown	(resigned 9 April 2008)
Phillip Scott Blundell	
Antonio Caramazana	(resigned 9 April 2008)
Christopher John Cundy	(appointed 20 March 2008)
Martin Clifford St John Fausset	(appointed 9 April 2008)
Matthew Norton Lynas	(resigned 9 April 2008)
Philip Naybour	(resigned 4 November 2008)
Gordon Francis De Courcy Page	(resigned 4 November 2008 and appointed 10 February 2009)
Carlos Suarez	(appointed 20 March 2008)
Christian Hans Peter Unrath	(appointed 20 March 2008)
Michelle Vincent	(appointed 4 November 2008)
Justin Mark Walker	(resigned 9 April 2008)

Alternate directors

David Johnston	(appointed 17 December 2008)
Javier Matallanos	(appointed 20 March 2008)
Elizabeth Agnes Narey	(appointed 20 March 2008)
Paul Sunil Perera	(appointed 10 September 2008)

Research and development

No research and development activities were undertaken during the year.

Creditor payment policy

The company endeavours to pay all its creditors within the contractual basis of the contracts and agreements entered into.

Going concern

Although the company and group have net liabilities at 31 December 2008, the directors have prepared the company and group financial statements on the going concern basis. In line with the current contractual circumstances of the group, a financial model covering the period up to the end of the FSTA contract with the MoD (27 years) has been produced. From a review of this model, the directors are satisfied that the company and group will generate positive cash flows and profits over the life of the contract and the company and group can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these accounts.

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2008 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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 the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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.

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2008 (continued)

Auditors

PricewaterhouseCoopers LLP were appointed as first auditors of the company on 3 November 2008. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

A handwritten signature in black ink, appearing to be 'C. Unrath', written over a horizontal line.

Christian Unrath
Director
30 March 2009

Independent auditors' report to the members of AirTanker Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of AirTanker Holdings Limited for the year ended 31 December 2008 which comprise the Group and Company Profit and Loss Accounts, the Group and Company Balance Sheets and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's and parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Birmingham

31 March 2009

AirTanker Holdings Limited

Group & Company profit and loss account for the year ended 31 December 2008

	Note	Group		Company	
		Year ended	Period ended	Year ended	Period ended
		31 December	31 December	31 December	31 December
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
Turnover	1, 2	368	-	-	-
Cost of sales		(365)	-	-	-
Gross profit		3	-	-	-
Administrative expenses	3	(33,870)	-	-	-
Operating (loss)/ profit	4	(33,867)	-	-	-
Interest receivable and similar income	5	537	-	5,700	-
Interest payable and similar charges	6	(16,265)	-	(5,951)	-
(Loss)/ profit on ordinary activities before taxation		(49,595)	-	(251)	-
Tax credit/ (charge) on (loss)/ profit on ordinary activities	8	4,838	-	-	-
(Loss)/ profit for the financial year	16	(44,757)	-	(251)	-

All of the group and company's results are derived from continuing operations.

The group/ company has no recognised gains and losses other than the (losses)/ profits for the years/ periods stated above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the (loss)/ profit on ordinary activities before taxation and the (loss)/ profit for the years/ periods stated above and their historical cost equivalents.

The prior period relates to the period from 14 June 2007 to 31 December 2007.

AirTanker Holdings Limited

Group & Company balance sheet as at 31 December 2008

	Note	Group		Company	
		2008	2007	2008	Restated (Note 1) 2007
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	9	285,807	-	-	-
Investments	10	-	-	45,679	-
		285,807	-	45,679	-
Current assets					
Debtors: amounts falling due within one year	11	9,913	25	-	25
Debtors: amounts falling due after more than one year	12	50,717	-	98,330	-
Cash at bank and in hand		20,676	-	206	-
		81,306	25	98,536	25
Creditors: amounts falling due within one year	13	(17,270)	-	-	-
Net current assets		64,036	25	98,536	25
Total assets less current liabilities		349,843	25	144,215	25
Creditors: amounts falling due after more than one year	14	(394,510)	-	(144,376)	-
Net (liabilities)/ assets		(44,667)	25	(161)	25
Capital and reserves					
Called up share capital	15	90	25	90	25
Profit and loss account	16	(44,757)	-	(251)	-
Total shareholders' (deficit)/ funds	17	(44,667)	25	(161)	25

The financial statements on pages 7 to 24 were approved by the board of directors on 30 March 2009 and were signed on its behalf by:


Christian Unrath
Director


Phillip Blundell
Director

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies

Basis of preparation

The company and group financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied, are set out below. The current period relates to the year to 31 December 2008. The prior period relates to the period from 14 June 2007 to 31 December 2007 and is unaudited.

Transactions and balances entitled "fellow group undertaking" relate to AirTanker Equity Bridge Loan Limited which is owned by the same shareholders as the company in the same proportion, and AirTanker Services Limited which is owned by the same shareholders as the company but in a different proportion.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries. Intragroup sales, profits and balances are eliminated fully on consolidation. All subsidiaries have a year end date of 31 December.

Restatement

Called up share capital unpaid of £25,000 (Note 15) was incorrectly disclosed as cash at bank and in hand at 31 December 2007. This restatement has not had any impact on the result for the period to 31 December 2007 or the net assets at 31 December 2007.

Going concern

Although the fact that the company and group have net liabilities at 31 December 2008, the directors have prepared the company and group financial statements on the going concern basis. In line with the current contractual circumstances of the group, a financial model covering the period up to the end of the FSTA contract with the MoD (27 years) has been produced. From a review of this model, the directors are satisfied that the company and group will generate positive cash flows and profits over the life of the contract and the company and group can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these accounts.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) – *Cash flow statements* the group is exempt from the requirement to prepare a cash flow statement on the grounds that the group qualifies as a small group as defined in sections 247 and 247a of the Companies Act 1985.

Turnover

Turnover consists of the invoiced value for goods and services supplied to the Ministry of Defence under the FSTA contract and will be accounted for in accordance with Statement of Standard Accounting Practice 9 – *Long term contracts*. Other minor work relating to the FSTA contract is invoiced at the completion of agreed milestones.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Accounting policies (continued)

Bid costs

Bid costs relating to the FSTA project are accounted for under UITF 34 - *Pre-contract costs*. Bid costs have been charged to the group profit and loss account up to the point to when virtual certainty regarding the success of the FSTA project was achieved. From the point of virtual certainty, bid costs are deferred as a prepayment and amortised over the life of the contract (27 years).

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. No depreciation is provided on assets in the course of construction until they are brought into use.

In accordance with the provisions of Financial Reporting Standard 15 - *Fixed assets*, the company has chosen to capitalise finance costs which are directly attributable to the construction of fixed assets.

The company made a one-off payment of £16,000,000 to EADS NV for all Euro and US Dollar aircraft acquisition invoices and payments to be made in Sterling. This cost has been capitalised in fixed assets and will be amortised over the estimated useful economic life of the aircraft when they are brought into operational use.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Finance costs

In accordance with Financial Reporting Standard 4 - *Capital instruments*, all finance costs, which are directly attributable to the issuing of debt, are offset against the debt and amortised at a constant rate over the life of the debt facility. Annual commitment fees are expensed as incurred until there is greater certainty that a significant part of the full facilities will be drawn down. At this point annual commitment fees incurred will be offset against the debt and amortised at a constant rate over the remaining life of the debt facility.

Interest rate swaps and RPI swaps

Interest Rate Swaps (IRS) and Retail Price Index swaps (RPI) are used to hedge the group's exposure to movements on interest rates and inflation. The interest payable/ receivable on interest rate swaps is accrued in the same way as interest arising on the related borrowings. The impact of the RPI swaps on amounts paid is recorded in fixed assets as this relates exclusively to capital activity.

The group has not adopted the voluntary valuation provisions of Financial Reporting Standard 26 - *Financial instruments: Recognition and measurement*.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Accounting policies (continued)

Deferred taxation

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

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

Deferred taxation assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the balance sheet date or at the contract rate if covered by a foreign exchange contract. Transactions in foreign currencies are recorded at the rate of ruling at the date of the transaction. All differences are taken to the profit and loss account.

Related party disclosures

The company and group has taken advantage of the exemption under Financial Reporting Standard 8 - *Related party disclosures* not to disclose related party transactions between companies which are 90% owned by the ultimate parent company.

2 Turnover

The turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Administrative expenses

Bid costs totalling £66,169,000 (2007: £nil) were recharged to the group in the year by AirTanker FSTA Limited, the bidding company for the FSTA contract (Note 21). £11,900,000 of these bid costs have been expensed in the year relating to the period prior to preferred bidder status being granted by the MoD (26 January 2004), at which point it was considered virtually certain that the contract would be awarded to the AirTanker bidding consortium. The balance of £54,269,000 has been deferred as a prepayment and is being amortised over the FSTA contract life (27 years). Amortisation of £1,542,000 (2007: £nil) has been charged in the year.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Operating (loss)/ profit

The operating (loss)/ profit is stated after charging/ (crediting):

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Depreciation of owned tangible assets	-	-	-	-
Operating lease rentals – buildings	108	-	-	-
Amortisation of deferred bid costs (Note 3)	1,542	-	-	-
Foreign exchange gains	(264)	-	-	-
Auditors' remuneration – audit services	59	-	-	-
Auditors' remuneration – taxation	40	-	-	-
Auditors' remuneration – consultancy	221	-	-	-
	320	-	-	-

The company audit fee of £2,500 (2007: £nil) was borne by AirTanker Limited and not recharged.

5 Interest receivable and similar income

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank interest and similar income	537	-	6	-
Interest receivable from group undertakings	-	-	5,694	-
	537	-	5,700	-

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 Interest payable and similar charges

	Group		Company	
	Year ended 31 December	Period ended 31 December	Year ended 31 December	Period ended 31 December
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank interest	(9,211)	-	-	-
Bank and other charges	(8,900)	-	-	-
Amortisation of debt issue costs	(124)	-	-	-
Interest payable to fellow group undertakings	(5,951)	-	(5,951)	-
Less: Interest capitalised in fixed assets	7,921	-	-	-
	(16,265)	-	(5,951)	-

Bank and other charges principally represent annual commitment fees relating to the finance for the FSTA project.

Debt issue costs relating to this financing have been deferred through an offset against the related liability and amortised over the life of the debt facility in accordance with Financial Reporting Standard 4 – *Capital instruments* (Note 14).

7 Employee information and directors' emoluments

The company and group did not have any employees in either the current or previous period.

None of the directors of the company received any emoluments for their services to the company in either the current or previous period on the basis of the limited time spent undertaking these roles.

Other than PS Blundell and CHP Unrath, none of the directors of the company received any emoluments from the group in either the current or previous year on the basis of the limited time spent undertaking these roles. The directors' emoluments relating to PS Blundell and CHP Unrath totalled £444,312 (2007: £nil) and reflect the secondment costs recharged to AirTanker Limited by EADS. None of the directors received any defined benefit pension scheme contributions from the company or the group.

Total remuneration of the highest paid director was £222,156 (2007: £nil).

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Tax (credit)/ charge on (loss)/ profit on ordinary activities and similar income

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current year tax				
UK Corporation tax in respect of the year/ period	(4,838)	-	-	-
Deferred tax				
Origination of timing differences	-	-	-	-
Total tax (credit)/ charge	(4,838)	-	-	-

The UK Corporation tax credit in respect of the year relates to consortium relief receivable.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Tax (credit)/ charge on (loss)/ profit on ordinary activities and similar income (continued)

Factors affecting the tax (credit)/ charge for the year/period

The tax credit for the year for the company and group is lower (2007: higher) than the standard rate of corporation tax in the UK of 28% (2007: 30%) as explained below.

	Group		Company	
	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
(Loss)/ profit on ordinary activities before taxation	(49,595)	-	(251)	-
(Loss)/ profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	(13,887)	-	(70)	-
Effects of				
Capitalised interest	(2,218)	-	-	-
Capital allowances in excess of depreciation	(10,500)	-	-	-
Group relief to be surrendered to a subsidiary undertaking for £nil consideration	-	-	2	-
Losses not utilised	21,767	-	68	-
Current tax (credit)/ charge	(4,838)	-	-	-

The UK corporation tax rate has been reduced from 30% to 28% with effect from 1 April 2008. On the basis the company and group commenced activities on 27 March 2008, the standard rate of corporation tax for the year to 31 December 2008 is 28%. There are no factors currently known that would affect future tax charges.

No deferred tax asset has been included in the company and group accounts as the project is in its formative phase and the current projections show that tax is not payable until significantly later in the project. This treatment of deferred tax will be reviewed when there is more certainty of the project programme and deliverability.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Tax (credit)/ charge on (loss)/ profit on ordinary activities and similar income (continued)

There was no recognised deferred tax at 31 December 2008 or at 31 December 2007 as summarised below.

	Group		Company	
	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Accelerated capital allowances	12,718	-	-	-
Losses	(12,718)	-	-	-
Current tax (credit)/ charge	-	-	-	-

Unrecognised deferred tax (losses) at 31 December 2008 totalled £68,000 (2007: £nil) for the company and £21,767,000 (2007: £nil) for the group.

9 Tangible fixed assets

Group	Assets in the course of construction £'000
Cost	
At 1 January 2008	-
Additions	285,807
At 31 December 2008	285,807
Depreciation	
At 1 January 2008	-
Charge for the year	-
At 31 December 2008	-
Net book value	
At 31 December 2008	285,807
At 31 December 2007	-

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Tangible fixed assets (continued)

Included within the fixed asset additions is £7,921,000 relating to capitalised interest in the year. Interest costs have been capitalised based on the actual net rate of interest incurred on capital funding of 5.9735% representing LIBOR plus 1.0% plus mandatory costs on the senior debt net of the impact of the interest rate swap.

All the fixed assets have been pledged as security against the senior debt facility obtained from the syndicate of banks.

Company

The company held no tangible fixed assets.

10 Fixed asset investments

Company	£000
At 1 January 2008	-
Additions	45,679
At 31 December 2008	45,679

Investments acquired in the year relate to the subsidiary undertakings AirTanker Limited (£45,629,000) and AirTanker Finance Limited (£50,000) and are valued at cost. Consideration paid was £45,679,000 cash with no goodwill arising on the acquisitions.

The subsidiary undertakings at 31 December 2008 were:

Company	Principal activity	Country of incorporation	Class of shares	% share holding
AirTanker Finance Limited	Finance company	UK	Ordinary	100
AirTanker Limited	Project company - Provision of aircraft services to the MoD	UK	Ordinary	100

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Debtors: amounts falling due within one year

	Group		Company	
				Restated (Note 1)
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade debtors	401	-	-	-
Other debtors	878	-	-	-
Deferred bid costs (Note 3)	2,010	-	-	-
Consortium relief receivable	4,838	-	-	-
Called up share capital unpaid (Note 15)	-	25	-	25
Prepayments and accrued income	1,786	-	-	-
	9,913	25	-	25

12 Debtors: amounts falling due greater than one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Deferred bid costs (Note 3)	50,717	-	-	-
Amounts due from group undertakings	-	-	98,330	-
	50,717	-	98,330	-

Amounts due from group undertakings consists of an intercompany loan balance of £98,330,000 (including £5,694,000 rolled up interest) due from AirTanker Finance Limited which is unsecured and attracts interest at 7.960% per annum. The intercompany loan has fixed dates of repayment commencing in 2017 and terminating in 2033.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade creditors	(9,444)	-	-	-
Bank loans	(4,186)	-	-	-
Unamortised issue costs	317	-	-	-
Other taxes and social security	(31)	-	-	-
Accruals and deferred income	(3,926)	-	-	-
	(17,270)	-	-	-

Included in trade creditors and accruals is £10,703,069 relating to payments due to related parties as outlined in Note 21.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Bank loans	(279,456)	-	-	-
Unamortised issue costs	29,322	-	-	-
Amounts due to fellow group undertakings	(144,376)	-	(144,376)	-
	(394,510)	-	(144,376)	-

Amounts due to fellow group undertakings (AirTanker Equity Bridge Limited) at 31 December 2008 consists of an intercompany loan of £144,376,000 (including £5,951,000 rolled up interest) which is unsecured, attracts interest at 5.59% per annum and is repayable on 27 March 2013.

Bank loans at 31 December 2008 consist of senior debt totalling £283,642,000 (including £4,186,000 interest accrued due within one year) which is secured via fixed and floating charges over the assets and shares of the company, AirTanker Limited and AirTanker Finance Limited and is subject to repayment on fixed dates commencing in 2017 and terminating in 2033. Senior debt attracts interest at 5.9735% representing LIBOR plus 1.0% plus mandatory costs on the senior debt net of the impact of the interest rate swap.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Creditors: amounts falling due after more than one year (continued)

Maturity of financial liabilities

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
In one year or less, or on demand	(4,186)	-	-	-
In more than one but less than five years	(144,376)	-	(144,376)	-
In more than five years	(279,456)	-	-	-
	(428,018)	-	(144,376)	-
Unamortised issue costs	29,639	-	-	-
	(398,379)	-	(144,376)	-

15 Called up share capital

	Restated (Note 1)	
	2008	2007
	£'000	£'000
Authorised		
475,000 ordinary shares of £1 each	475	475
Allotted, called up and fully paid		
90,000 ordinary shares of £1 each (2007: 25,000 ordinary shares of £1 each)	90	25

During the year 65,000 £1 ordinary shares were issued to EADS NV (26,000 shares), Rolls-Royce plc (13,000 shares), Thales plc (8,667 shares), VT Group plc (8,667 shares) and Cobham plc (8,666 shares) at par for cash consideration. During the previous period 25,000 £1 ordinary shares were issued to EADS NV (10,000 shares), Rolls-Royce plc (5,000 shares), Thales plc (3,333 shares), VT Group plc (3,333 shares) and Cobham plc (3,334 shares) for deferred consideration (Note 11) which was settled in 2008.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

16 Profit and loss account

	Group	Company
	£000	£000
At 1 January 2008	-	-
Loss for the financial year	(44,757)	(251)
At 31 December 2008	(44,757)	(251)

17 Reconciliation of movement in total shareholders' (deficit)/ funds

	Group		Company	
	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
(Loss)/ profit for the financial year/ period	(44,757)	-	(251)	-
Proceeds from the issue of share capital	65	25	65	25
Net (decrease)/ increase to total shareholders' funds	(44,692)	25	(186)	25
Opening total shareholders' funds at 1 January 2008/ 14 June 2007	25	-	25	-
Closing total shareholders' (deficit)/ funds at 31 December	(44,667)	25	(161)	25

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Financial commitments

At 31 December 2008, the group has annual commitments under non-cancellable operating leases as follows:

	Buildings	
	2008	2007
	£000	£000
Less than one year	-	-
Between one and five years	162	-
In more than five years	-	-

19 Financial liabilities

The group has entered into interest rate swap agreements under the senior debt loan which expires in 2033. A fixed rate of 5.9735% applies to all amounts drawn under the senior debt loan since its inception. The interest rate swaps convert the borrowings from rates linked to LIBOR to the fixed rate above. The fair value of the swaps at 31 December 2008 is £306.5m out of the money (2007: n/a).

Retail Price Index swaps have been secured to cover the construction expenditure until 2013 and ensure that the projects construction expenditure is hedged against movements in prices during this period. The fair value of the swaps at 31 December 2008 is £84.7m out of the money (2007: n/a).

The company has entered into US Dollar and Euro foreign exchange contracts expiring in 2016 and 2012 respectively. The fair value of the contracts at 31 December 2008 is £27.6m in the money (2007: n/a).

The group has not adopted the voluntary valuation provisions of Financial Reporting Standard 26 – *Financial instruments: Recognition and measurement* and hence has not recognised the fair value of these derivative financial instruments in its results.

20 Capital commitments

The group has contracts placed for future capital expenditure not provided in the financial statements totalling £2.2 billion (2007: £nil).

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

21 Related party disclosures

Related party transactions during the year/ period are disclosed below and stated net of VAT (where applicable).

Share purchases

During the year, 65,000 £1 ordinary shares were issued to EADS NV (26,000 shares), Rolls-Royce plc (13,000 shares), Thales plc (8,667 shares), VT Group plc (8,667 shares) and Cobham plc (8,666 shares) at par for cash consideration. During the previous period 25,000 £1 ordinary shares were issued to EADS NV (10,000 shares), Rolls-Royce plc (5,000 shares), Thales plc (3,333 shares), VT Group plc (3,333 shares) and Cobham plc (3,334 shares) for deferred consideration (Note 11) which was settled in 2008.

Transactions with EADS NV

EADS NV is a related party as it is a substantial shareholder of AirTanker Holdings Limited during the year under review. Carlos Suarez is the representative of EADS NV and was appointed a director of the company on 20 March 2008. At financial close (27 March 2008) AirTanker Limited paid EADS NV a £16,000,000 (2007: £nil) fee to take out foreign exchange hedges in Euro and US Dollars so that the invoices from its subsidiary EADS CASA for the delivery of the converted A330-200 aircraft would be invoiced to AirTanker Limited in Sterling. In addition EADS NV received £2,500,000 (2007: £nil) from AirTanker Limited for their Parent Company Guarantee (PCG) which came into effect at financial close and is provided to support the performance of EADS CASA. EADS NV seconded senior staff to AirTanker Limited in the year under review amounting to £639,000 which was unpaid at 31 December 2008 (2007: £nil).

Transactions with EADS CASA

EADS CASA is a related party as it is a 100% subsidiary of EADS NV which is a substantial shareholder of AirTanker Holdings Limited in the year under review. Payments have been made by AirTanker Limited to EADS CASA amounting to £224,042,900 (2007: £nil) and relate to the milestones achieved for the delivery of the converted A330-200 aircraft during the year under review and £354,600 (2007: £nil) relating to studies awarded to AirTanker Limited by UK Ministry of Defence in connection with potential modifications to their requirements. No balances were outstanding at 31 December 2008 (2007: £nil).

Transactions with AirTanker Services Limited

AirTanker Services Limited is a related party as it is owned by the same shareholders as AirTanker Holdings Limited but in different percentages. AirTanker Services Limited provides support services to AirTanker Limited such as accounting, human resources and other support functions including insurance premiums. Billings for these services amounted to £737,053 (2007: £nil) for the year under review. In addition, AirTanker Services Limited provides the infrastructure and training facilities at RAF Brize Norton, Oxfordshire, where the AirTanker Limited aircraft will be based and maintained. Payments were made by AirTanker Limited to AirTanker Services Limited totalling £39,460,201 (2007: £nil) relating to the milestones achieved for the delivery of these activities for the year under review of which £2,791,150 (2007: £nil) was unpaid at 31 December 2008. Lastly, per the subcontract with AirTanker Services Limited, payments were made to enable AirTanker Services Limited commence their operations and subcontracts. This activity is called the Service Implementation Charge (SIC) and £14,913,744 (2007: £nil) was payable by AirTanker Limited in the year under review of which £5,664,562 was unpaid at 31 December 2008.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

21 Related party disclosures (continued)

Transactions with AirTanker FSTA Limited

AirTanker FSTA Limited is a related party as it is owned by the same shareholders of AirTanker Holdings Limited in the same percentages as AirTanker Holdings Limited. AirTanker FSTA Limited was the entity that bid for the Future Strategic Tanker Aircraft contract with UK Ministry of Defence and AirTanker Limited reimbursed AirTanker FSTA Limited £66,169,000 (2007: £nil) at financial close (27 March 2008) for these bid costs.

Transactions with Rolls-Royce plc

Rolls-Royce plc is a related party as it is a substantial shareholder of AirTanker Holdings Limited during the year under review. Martin Clifford St John Fausset is the representative of Rolls-Royce plc and was appointed a director of the company on 9 April 2008. Rolls-Royce plc seconded senior staff to AirTanker Limited in the year under review amounting to £340,000 which was unpaid at 31 December 2008.

22 Ultimate parent undertaking and controlling party

AirTanker Holdings Limited's ordinary share capital is jointly owned in the following proportions by EADS NV (40%), Rolls-Royce plc (20%), Thales plc (13 1/3%), VT Group plc (13 1/3%) and Cobham plc (13 1/3%). In the opinion of the directors there is no ultimate controlling party.