

AirTanker Holdings Limited
Report of the directors and financial
statements
for the year ended 31 December 2011

Registered number 06279650



AirTanker Holdings Limited

Report of the directors and financial statements for the year ended 31 December 2011

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AirTanker Holdings Limited

Directors and advisors

Directors

Phillip Scott Blundell
Marion Elizabeth Broughton
Nicholas Wynford Durham
Franco Martinelli
Javier Matallanos
Gordon Francis De Courcy Page
Christian Hans Peter Unrath
Michelle Jane Vincent

Alternate directors

Christopher Paul Borrill
Antonio Caramazana-Choya
Andrew Simon Craig Davies
David Johnston
Elizabeth Agnes Narey

Company secretary

Elizabeth Jane Barry

Registered office

6th Floor
One London Wall
London
EC2Y 5EB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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 2011

The directors present the report and the audited consolidated financial statements of the company and the AirTanker Holdings Limited consolidated group ("the group") for the year ended 31 December 2011

Principal activities

The principal activity of the group is the delivery of the Future Strategic Transport Aircraft (FSTA) project for the UK Ministry of Defence (MoD). The FSTA project consists of the acquisition, conversion and maintenance of 14 aircraft with air-to-air refuelling and air transport capabilities. The contract for FSTA commenced on 27 March 2008, 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 which is passed to the company via AirTanker Equity Bridge Loan Limited (a fellow group company). AirTanker Limited (a subsidiary undertaking of the company) 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 aircraft delivery, conversion programme and the construction of the aircraft training and support facilities are progressing to plan.

The Introduction to Service ('ITS') has been achieved on 31 January 2012. With the achievement of this significant milestone AirTanker Services has now commenced providing its services.

The specific areas of risk which the business must monitor and manage are 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 2011 was £54,625,000 (2010: £35,514,000) and is shown on page 8. The directors do not propose a final dividend (2010: £nil).

The directors consider that both the operating performance and level of business and the year end financial position were satisfactory as the project is currently in the construction phase, prior to the commencement of service delivery.

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2011 (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

Phillip Scott Blundell
Marion Elizabeth Broughton (appointed 1 January 2011)
Andrew Simon Craig Davies (resigned 27 May 2011)
Nicholas Wynford Durham (appointed 27 May 2011)
Franco Martinelli
Javier Matallanos
Philip Naybour (resigned 1 January 2011)
Gordon Francis De Courcy Page
Christian Hans Peter Unrath
Michelle Jane Vincent

Alternate directors

Christopher Paul Borrill (appointed 1 January 2011)
Antonio Caramazana-Choya
Andrew Simon Craig Davies (appointed 27 May 2011)
David Johnston
Elizabeth Agnes Narey
Paul Sunil Perera (resigned 27 May 2011)

Going concern

Although the company and the group have net liabilities at 31 December 2011, 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 and the financial obligations of the company and group in the foreseeable future, the directors have a reasonable expectation that the company and group will generate positive cash flows and profits over the life of the contract and that 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 financial statements.

Charitable and political contributions

Payments for charitable purposes in 2011 amounted to £8,300 (2010: £22,700), all of which was paid in the United Kingdom. AirTanker donated to the 'Combined Services Winter Sports Association' and to employees' charitable activities. No donation (2010: £nil) was made to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000.

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2011 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors 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 prepared the group and parent company 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 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,

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

Statement of disclosure of information to auditors

In the case of each director in office at the date the report of the directors is approved under section 418 of the Companies Act 2006, 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
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AirTanker Holdings Limited

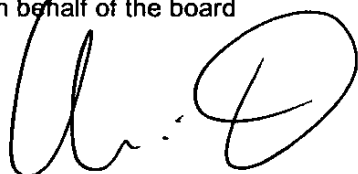
Report of the directors for the year ended 31 December 2011 (continued)

Independent auditors

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 relating to small companies with Part 15 of the Companies Act 2006

On behalf of the board

A handwritten signature in black ink, appearing to read 'C. Unrath', with a large circular flourish at the end.

Christian HP Unrath

Director

13 March 2012

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 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report of the directors and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

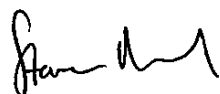
In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of AirTanker Holdings Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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
- the directors were not entitled to take advantage of the small companies' exemption in preparing the report of the directors



Steven Kentish (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

16 March 2012

AirTanker Holdings Limited

Group profit and loss account for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Turnover	1,2	1,260	-
Cost of sales		(1,161)	(406)
Gross profit / (loss)		99	(406)
Administrative expenses	3,4,21	(39,506)	(16,891)
Operating loss	4	(39,407)	(17,297)
Interest receivable and similar income	5	303	135
Interest payable and similar charges	6	(26,520)	(24,803)
Loss on ordinary activities before taxation		(65,624)	(41,965)
Tax on loss on ordinary activities	8	10,999	6,451
Loss for the financial year	16	(54,625)	(35,514)

All of the group results are derived from continuing operations in the United Kingdom

The group has no recognised gains and losses other than the losses for the financial years stated above, and therefore no separate statement of total recognised gains and losses has been presented

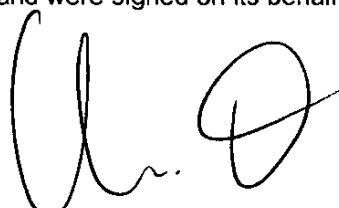
There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents

AirTanker Holdings Limited

Group and company balance sheets as at 31 December 2011

	Note	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Fixed assets					
Tangible fixed assets	9	1,660,230	1,112,609	-	-
Investments	10	-	-	45,679	45,679
		1,660,230	1,112,609	45,679	45,679
Current assets					
Debtors amounts falling due within one year	11	49,331	37,088	-	-
Debtors amounts falling due after more than one year	11	44,667	46,682	124,302	114,968
Cash at bank and in hand		46,604	29,650	210	206
		140,602	113,420	124,512	115,174
Creditors amounts falling due within one year	12	(276,921)	(47,377)	-	-
Net current (liabilities) / assets		(136,319)	66,043	124,512	115,174
Total assets less current liabilities		1,523,911	1,178,652	170,191	160,853
Creditors: amounts falling due after more than one year	13	(1,672,433)	(1,278,725)	(170,369)	(161,231)
Provisions for liabilities	14	(14,606)	(8,430)	-	-
Net liabilities		(163,128)	(108,503)	(178)	(378)
Capital and reserves					
Called up share capital	15	90	90	90	90
Profit and loss account	16	(163,218)	(108,593)	(268)	(468)
Total shareholders' deficit	17	(163,128)	(108,503)	(178)	(378)

The financial statements on pages 8 to 24 were approved by the board of directors on 13 March 2012 and were signed on its behalf by



Christian HP Unrath
Director

AirTanker Holdings Limited



Phillip S Blundell
Director

Registered number 06279650

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied, are set out below.

Transactions and balances entitled "fellow group undertakings" 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.

The disclosures within these financial statements are presented in round thousands.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in the financial statements. Intragroup sales, profits and balances are eliminated fully on consolidation. All subsidiaries have a year end date of 31 December 2011 and uniform accounting policies.

Going concern

Although the company and the group have net liabilities at 31 December 2011, 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 and financial obligations of the company and group in the foreseeable future, the directors have a reasonable expectation that the company and group will generate positive cash flows and profits over the life of the contract and that 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 financial statements.

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 383 of the Companies Act 2006.

Turnover

No revenue has been earned under the original main head contract during the year. In accordance with Financial Reporting Standard (FRS) 5 'Reporting the Substance of Transactions' – Application Note G, the company includes sales and purchase transactions related to variations to the original contract, including hangar building rental income, where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (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 incurred prior to the point to when virtual certainty regarding the success of the FSTA project was achieved have been charged to the profit and loss account. 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 historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. No depreciation is provided on assets in the course of construction until they are brought into use. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life as follows:

Land and Buildings – straight line over the life of the project

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

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less any appropriate 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 related borrowings within long term creditors and amortised at a constant rate over the life of those borrowings. Annual commitment fees are expensed as incurred.

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 expenditure 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 2011 (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 exchange ruling at the date of the transaction. All differences are taken to the profit and loss account

Related party disclosures

The company has taken advantage of the exemption under Financial Reporting Standard 8 - Related party disclosures and has therefore not disclosed any transactions with 100% owned subsidiary undertakings within the AirTanker Holdings group of companies

2 Turnover

The turnover of the company in the year was derived from engineering studies and hangar rental undertaken in the United Kingdom

3 Administrative expenses

Bid costs totalling £54,269,000 have been deferred as a prepayment and are being amortised over the life of the FSTA contract (27 years). Amortisation of £2,015,000 (2010 £2,015,000) has been charged in the year, whilst a balance of £46,682,000 (2010 £48,697,000) remains unamortised at the year end

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Operating loss

The operating loss is stated after charging/(crediting)

	Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000
Operating lease rentals – buildings	196	164
Amortisation of deferred bid costs (Note 3)	2,015	2,015
Foreign exchange gains	(3,658)	(4,378)
Services provided by the company's auditors and its associates		
Fees payable to company auditor for the audit of parent company and consolidated financial statements	5	5
Fees payable to the company's auditors and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	61	75
Tax services	74	71
Other services-group reporting requirements	25	25
Other services-consulting	30	-
Fees payable in respect of the audit of parent company and consolidated financial statements were borne by AirTanker Limited and not recharged		

5 Interest receivable and similar income

	Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000
Bank interest and similar income	303	135

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000
Bank interest	(76,183)	(52,008)
Bank and other charges	(6,461)	(8,356)
Amortisation of debt issue costs	(1,039)	(705)
Interest payable to fellow group undertakings	(9,139)	(8,649)
Less Interest capitalised in fixed assets	66,302	44,915
	(26,520)	(24,803)

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

Debt issue costs relating to this financing have been deferred through an offset against the related liability and are amortised over the life of the debt facility in accordance with Financial Reporting Standard 4 – Capital instruments (Note 13)

7 Employee information and directors' emoluments

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

None of the directors received any emoluments paid directly from the company in either the current or previous year. However, AirTanker Limited paid a fee totalling £653,000 (2010 £757,000) to EADS CASA reflecting the secondment costs recharged to the company in relation to two directors (2010 two directors) for services performed

The highest secondment recharge relating to a director amounted to £326,000 (2010 £379,000)
The secondment recharge does not represent the actual amounts paid to the director

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Tax on loss on ordinary activities

	Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000
Current year tax		
UK Corporation tax in respect of the year	(17,268)	(12,779)
Adjustment in respect of prior years	93	1
Total current tax credit	(17,175)	(12,778)
Deferred tax		
Origination and reversal of timing differences (note 14)	6,176	6,323
Adjustments in respect of previous years	-	4
Tax credit on loss on ordinary activities	(10,999)	(6,451)

UK corporation tax credit in respect of the year and prior year relates to consortium relief receivable from Cobham plc and Babcock plc

Factors affecting the tax credit for the year

The tax credit for the year for the company and group is lower (2010 higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2011 of 26.5% (2010 28%) as explained below

	Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000
Loss on ordinary activities before taxation	(65,624)	(41,965)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	(17,390)	(11,750)
Effects of		
Adjustment in respect of prior years	93	1
Capitalised interest	(17,570)	(12,577)
Capital allowances in excess of depreciation	(55,594)	(42,868)
Consortium relief surrendered at discount	6,715	4,970
Losses not utilised	65,956	48,809
Disallowable expenses	615	637
Total current tax credit for the year	(17,175)	(12,778)

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Tax on loss on ordinary activities (continued)

During the year, as a result of the changes in the UK main corporation tax rate to 26% that was substantively enacted on 29 March 2011 and that will be effective from 1 April 2011, and to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant unrecognised deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014.

The changes had not been substantively enacted at the balance sheet date and, therefore are not recognised in these financial statements. Each percentage point reduction in corporate tax is not expected to have a material impact on the financial statements and will be recognised in the period in which the substantive enactment occurs.

Each percentage point reduction in corporation tax is expected to reduce the deferred tax liability by approximately £584,000.

9 Tangible fixed assets

Group	Land and Buildings £'000	Assets in the course of construction £'000	Total Tangible Fixed Assets £'000
Cost			
At 1 January 2011	-	1,112,609	1,112,609
Additions	19,920	527,701	547,621
Transfer to Land and Buildings	63,099	(63,099)	-
At 31 December 2011	83,019	1,577,211	1,660,230
Accumulated depreciation			
At 1 January 2011	-	-	-
Charge for the year	-	-	-
At 31 December 2011	-	-	-
Net book value			
At 31 December 2011	83,019	1,577,211	1,660,230
At 31 December 2010	-	1,112,609	1,112,609

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Tangible fixed assets (continued)

Included within the fixed asset additions is £66,302,000 (2010 £44,915,000) relating to interest capitalised 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. Total interest capitalised within tangible fixed assets amounts to £143,318,000 (2010 £77,016,000).

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

During the year, the Land and Buildings in the project were partially occupied, and have been transferred from assets in the course of construction to their own asset class. The final milestone in respect of the Land and Buildings was completed on 21 December 2011. No depreciation has been charged during 2011 as the charge is insignificant.

Company

The company held no tangible fixed assets (2010 nil).

10 Investments

Company	£'000
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At 1 January 2011 and 31 December 2011	45,679
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The subsidiary undertakings at 31 December 2011 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

The directors believe that the carrying value of investments is supported by their underlying net assets.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Debtors: Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade debtors	91	196	-	-
Other debtors	15,410	4,254	-	-
Deferred bid costs (Note 3)	2,015	2,015	-	-
Consortium relief receivable	28,788	29,036	-	-
Prepayments and accrued income	3,027	1,587	-	-
	49,331	37,088	-	-

Included within trade debtors and accrued income is £262,000 inclusive of VAT (2010 £Nil) relating to receivables due from related parties as outlined in Note 21

Amounts falling due after more than one year

Deferred bid costs (Note 3)	44,667	46,682	-	-
Amounts owed by group undertakings	-	-	124,302	114,968
	44,667	46,682	124,302	114,968

Amounts owed by group undertakings consists of an intercompany loan balance of £124,302,000 (2010 £114,968,000) including £2,445,000 (2010 £2,261,000) accrued interest due from AirTanker Finance Limited which is unsecured and attracts interest at 7.960% per annum. The intercompany loan will be repaid in full by 2035. Interest is rolled onto the principal every six months on 31 March and 30 September respectively.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans (Note 13)	(6,129)	(4,676)	-	-
Trade creditors	(89,615)	(28,566)	-	-
Taxation and social security	-	(1)	-	-
Accruals and deferred income	(181,177)	(14,134)	-	-
	(276,921)	(47,377)	-	-

Included in trade creditors and accruals is £254,477,000 inclusive of VAT (2010 £29,474,000) relating to payments due to related parties as outlined in Note 21

Bank loans included within creditors falling due within one year relate to accrued interest

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans	(1,502,064)	(1,117,494)	-	-
Amounts owed to fellow group undertakings	(170,369)	(161,231)	(170,369)	(161,231)
	(1,672,433)	(1,278,725)	(170,369)	(161,231)

Amounts owed to fellow group undertakings (AirTanker Equity Bridge Loan Limited) at 31 December 2011 consists of an intercompany loan of £170,369,000 (2010 £161,231,000) including £2,367,000 (2010 £2,240,000) rolled up interest which is unsecured, attracts interest at 5.59% per annum and is repayable on 27 March 2013. Interest is rolled up onto the principal every six months on 31 March and 30 September respectively.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

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

Bank loans at 31 December 2011 consist of senior debt totalling £1,535,670,000 (2010 £1,144,948,000) including £6,129,000 (2010 £4,676,000) 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.

The group incurred issue costs totalling £29,763,000 in the first operating year which are being amortised over the life of the loan.

Maturity of financial liabilities

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	-	-	-
In more than one but less than five years	(170,369)	(161,231)	(170,369)	(161,231)
In more than five years	(1,528,083)	(1,144,948)	-	-
	(1,698,452)	(1,306,177)	(170,369)	(161,231)
Unamortised issue costs	27,477	28,516	-	-
	(1,670,975)	(1,277,663)	(170,369)	(161,231)

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Provisions for liabilities

	Group
	2011
	£'000
Analysis of deferred tax liability:	
Accelerated capital allowances	184,531
Losses	(169,925)
	14,606
Deferred tax liability:	
At the beginning of the year	8,430
Charge in the year (note 8)	6,176
At the end of the period	14,606
There is no deferred tax held in the company (2010 £Nil)	

15 Called up share capital

	Group and company	
	2011	2010
	£'000	£'000
Authorised		
475,000 ordinary shares of £1 each (2010 475,000 ordinary shares of £1 each)	475	475
Allotted, called up and fully paid		
90,000 ordinary shares of £1 each (2010 90,000 ordinary shares of £1 each)	90	90

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 2011	(108,593)	(468)
(Loss) / profit for the financial year	(54,625)	200
At 31 December 2011	(163,218)	(268)

In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in the financial statements.

17 Reconciliation of movement in total shareholders' deficit

	Group	
	2011	2010
	£'000	£'000
Loss for the financial year	(54,625)	(35,514)
Net decrease to shareholders' deficit	(54,625)	(35,514)
Opening total shareholders' deficit	(108,503)	(72,989)
Closing total shareholders' deficit	(163,128)	(108,503)

18 Financial commitments

At 31 December 2011, the group has annual commitments under non-cancellable operating leases expiring as follows

	Buildings	
	2011	2010
	£'000	£'000
Less than one year	47	186
Between one and five years	-	47
In more than five years	-	-

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Financial liabilities

The company 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 2011 is £632.5m out of the money (2010: £240.3m out of the money).

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 2011 is £0.4m out of the money (2010: £5.9m out of the money).

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 2011 is £7.3m in the money (2010: £11.4m in the money).

The company has not adopted the voluntary valuation provisions of Financial Reporting Standard 26 – 'Financial instruments'. Recognition and measurement and hence has not accounted for or recognised the fair value of these derivative financial instruments in its financial statements.

20 Capital commitments

The group has contracts placed for future capital expenditure not provided for in the financial statements totalling £1.03 billion (2010: £1.56 billion).

21 Related party disclosures

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

Transactions with EADS Group

EADS NV is a related party as it is a substantial shareholder of AirTanker Holdings Limited and its subsidiary undertakings during the financial year under review.

EADS NV received £2,500,000 (2010: £2,500,000) from the company for their Parent Company Guarantee (PCG) which came into effect at financial close and is provided to support the performance of EADS CASA.

EADS Group seconded senior staff to AirTanker Limited in the financial year under review amounting to £1,054,000 (2010: £1,275,000). Cumulatively, £739,000 (2010: £510,000) was unpaid at 31 December 2011.

In the year under review EADS CASA completed milestones, in relation to the delivery of the converted A330-200 aircraft, amounting to £377,634,000 (2010: £266,000,000) of which £162,952,000 (2010: £Nil) remains unpaid at year end.

£970,000 (2010: £406,000) relating to studies awarded to AirTanker Limited by UK Ministry of Defence in connection with potential modifications to their requirements have been incurred in the year, of which £970,000 (2010: £Nil) remain unpaid at 31 December 2011. A further £315,000 (2010: £Nil) has been incurred in respect of Aircraft insurance of which £315,000 (2010: £Nil) remains unpaid.

£242,000 (2010: £34,000) was recharged to EADS CASA for costs incurred on their behalf in respect of this programme of which £222,000 (2010: £Nil) remains unpaid at 31 December 2011.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

21 Related party disclosures (continued)

Transactions with EADS UK

EADS UK is a related party as it is a 100% subsidiary of EADS NV which is a substantial shareholder of AirTanker Holdings Limited and its subsidiary undertakings in the financial year under review

EADS UK seconded staff to AirTanker Limited in the financial year under review amounting to £43,000 (2010 £31,000) of which £Nil (2010 £Nil) was unpaid at 31 December 2011

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, hangar rental, and other support functions including insurance premiums. In addition, AirTanker Services Limited receives payment for the infrastructure, aircraft spares and service implementation at RAF Brize Norton, Oxfordshire, where the AirTanker Limited aircraft will be based and maintained.

Billings to the company for these services amounted to £139,304,000 (2010 £85,728,000) for the year under review. Cumulatively, £89,142,000 inclusive of VAT (2010 £25,058,000) was unpaid at year end and £104,031,000 (2010 £72,411,000) was recorded on the Balance Sheet. Furthermore, £40,000 (2010 £Nil) was due to AirTanker Limited from AirTanker Services Limited.

Transactions with Rolls-Royce plc

Rolls-Royce plc seconded senior staff to AirTanker Limited in the financial year under review amounting to £503,000 (2010 £573,000). Cumulatively, £359,000 (2010 £219,000) was unpaid at 31 December 2011.

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%), Babcock plc (13 1/3%) and Cobham plc (13 1/3%). In the opinion of the directors there is no ultimate controlling party.

During the prior year, VT Group plc was acquired by Babcock plc and therefore the holding of AirTanker Holdings Limited's ordinary share capital was purchased by Babcock plc.

Copies of AirTanker Holdings Limited consolidated financial statements can be obtained from the company secretary at 6th Floor, 1 London Wall, London EC2Y 5EB.