

AirTanker Holdings Limited
Annual report and financial statements
for the year ended 31 December 2013

Registered number: 06279650

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AirTanker Holdings Limited

Directors and advisors

Directors

Phillip Scott Blundell
Richard Henry Hine
Peter William Hitchcock
Franco Martinelli
Rafael Tentor-Aunon
Gordon Francis De Courcy Page
Robert George Stoddart
Michelle Jane Vincent

Alternate directors

Timothy Michael Rodgers
Antonio Caramazana-Choya
John Blayney
Martin David Parmenter
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

Strategic report for the year ended 31 December 2013

The directors present the strategic report on the company and the AirTanker Holdings Limited consolidated group ("the group") for the year ended 31 December 2013.

Principal activities

The principal activity of the group is to finance and manage the phased acquisition of 14 A330 Voyager aircraft to support air to air refuelling, air transport and ancillary services for the UK Ministry of Defence. The company was funded for these activities by AirTanker Holdings Limited and AirTanker Finance Limited. The construction and servicing activities were undertaken by sub-contractors EADS CASA and AirTanker Services Limited.

The funding is provided to the group by a syndicated bank group to AirTanker Finance Limited (a subsidiary undertaking of the company) and also by a combination of share capital and subordinated loan notes issued by the shareholders. During the year, the loan from AirTanker Equity Bridge Loan Limited (a fellow related company) was repaid from the proceeds of the share capital and loan note issue.

Review of Business and future developments

The group accomplished its first full year of operations in 2013, following the delivery of the first aircraft in January 2012. During 2013 it has expanded operating, training and ancillary support services for the Ministry of Defence and has taken delivery of a further three aircraft. The group now has a fleet of six aircraft, and will continue to support the delivery of eight further aircraft and the development of the full Voyager service.

The construction of the group infrastructure at Brize Norton was largely completed during the prior year. The infrastructure will support the operations and maintenance services of the fleet of aircraft during the life of operations.

The specific areas of risk which the group must monitor and manage are the performance of AirTanker Limited, which is responsible for the delivery of aircraft and expanding of the service.

Key Performance Indicators

Given the nature of the business, the group's key performance indicators are predominantly non-financial and relate to service provision. The performance indicators are based on aircraft availability, service performance and infrastructure delivery. The construction of aircraft and support infrastructure are provided through the subcontract relationships. The operating service is managed through a subcontractor AirTanker Services Limited. The group monitors the performance of the subcontractor to ensure that aircraft, service provision and support infrastructure are delivered to specification.

The directors have not provided a detailed analysis of the group's key performance indicators as, given the nature of the company's and group's operations, they consider it would be prejudicial to the group's interests to do so.

The group results are as planned for the year to date. The group has adequate debt headroom and continues to draw on its debt facilities to expand the number of aircraft, support infrastructure and operating capability.

AirTanker Holdings Limited

Strategic report for the year ended 31 December 2013 (continued)

Commercial risk

The group charges the customer for the availability and usage of aircraft. The price takes account of inflation, and therefore the directors do not consider price variations to be a risk. The group's operating and maintenance costs will also take account of inflation, and therefore the directors do not consider operating cost variation to be a risk.

The group considers revenue to be a risk as revenue is sensitive to the availability and usage of the aircraft. In order to ensure revenues, the group must ensure that service performance and aircraft availability is maintained. Inadequate aircraft availability and/or service provision is penalised, however, this is managed through the group's subcontractors who in turn will be penalised for any shortfalls. Furthermore, there is an element of revenue which is conditional on the delivery of aircraft which mitigates this risk. AirTanker has accepted six aircraft at the year end.

Financial risk management

The group's operations expose it to a number of financial risks, which through the group's structure and risk management programme the directors have sought to minimise.

Credit and counterparty risk

Credit and counterparty risk arise from managing cash and cash equivalents with financial institutions, as well as credit exposures to the customer. The risk faced by the group arises in respect to the risk from 3rd parties as a result of deterioration in the parties' credit quality.

For financial institutions, cash is invested with financial institutions and the group takes on the credit risk of the counterparty bank. The group will only enter into agreements with financial institutions that are rated by a credit agency. Any bank or bank product will be rated 'Investment grade', with a minimum rating of 'AA' or higher.

For customers, the customer is part of the UK Government, and is a sovereign nation with a rating of AAA (S&P) and Aa1 (Moody's), and therefore the directors do not consider there to be a significant customer credit risk.

Interest rate and cash flow risk

The group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include cash invested with financial institutions. The group receives a market return for cash invested. It manages the risk and return by diversifying the products and financial institutions. It will only invest in financial institutions that are investment grade ("AA" rated and higher).

Interest-bearing liabilities include only the various forms of debt utilised by the group. The vast majority of the debt capital held by the group is hedged as part of a structured financing strategy through the use of interest rate swaps which endure until the debt is discharged. Therefore, the directors consider interest rate risk to be adequately mitigated. The fair value of the interest rate swaps is disclosed in Note 22.

AirTanker Holdings Limited

Strategic report for the year ended 31 December 2013 (continued)

Foreign currency risk

The company has purchased all foreign currency that is required for infrastructure payments using a forward contract and all other revenue and costs are denominated in Sterling. Therefore the company is not exposed to movements in exchange rates. These forward contracts are valued with reference to the exchange rate inherent in the contract. The fair value of the forward contracts is disclosed in Note 22.

Results and dividends

The profit for the financial year for the group for the year ended 31 December 2013 was £109,474,000 (2012: £67,471,000) and is shown on page 9. The directors do not propose a final dividend (2012: £nil). All profits in the company and group are currently reinvested into the acquisition of further aircraft and into operation and expansion of the service. The nature of the group is such that all profits earned before Full Service Date are used to finance the project as no dividends can be paid until after this date.

The directors consider that both the operating performance level of business and the year-end financial position were satisfactory as the group has continued to provide the service and continues the expansion of the fleet of aircraft.

The group has no employees and conducts its business through its subcontractors and shareholders. Therefore, all environmental, employee and social issues are managed and monitored by these parties.

The composition of the board of directors at the end of the financial year was as follows:

Gender	Number
Male	11
Female	2
Total	13

On behalf of the Board



Phillip Blundell
Director
11 March 2014

AirTanker Holdings Limited

Report of the directors for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company and the AirTanker Holdings Limited consolidated group ("the group") for the year ended 31 December 2013.

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 (resigned 1 April 2013)
Nicholas Wynford Durham (resigned 28 June 2013)
Richard Henry Hine (appointed 12 February 2013)
Peter William Hitchcock (appointed 1 April 2013)
Franco Martinelli
Rafael Tentor-Aunon
Gordon Francis De Courcy Page
Robert George Stoddart (appointed 28 June 2013)
Christian Hans Peter Unrath (resigned 12 February 2013)
Michelle Jane Vincent

Alternate directors

John Blayney (appointed 28 June 2013)
Timothy Michael Rodgers
Antonio Caramazana-Choya
Andrew Simon Craig Davies (resigned 28 June 2013)
David Johnston (resigned 15 October 2013)
Elizabeth Agnes Narey
Martin David Parmenter (appointed 15 October 2013)

Going concern

The directors have prepared the financial statements on the going concern basis. The Airtanker Holdings Limited group has been operational since January 2012 and generated profit on ordinary activities before taxation of £133,040,000 (2012: £90,160,000). In line with the current contractual circumstances of the company and group, a long term forecast has been produced and illustrates 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 in the future 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.

The directors have reviewed the relevant financial covenant relating to the company and group and are satisfied that, based on the financial model this is expected to be met for a period of at least twelve months from the date of the directors' approval of the company and group financial statements.

Charitable and political contributions

Payments for charitable purposes in 2013 amounted to £10,000 (2012: £10,000), all of which was paid in the United Kingdom. AirTanker donate to the 'Combined Services Winter Sports Association' and to employees' charitable activities. No donation (2012: £nil) was made to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000.

Report of the directors for the year ended 31 December 2013 (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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

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.

On behalf of the board



Phillip Blundell
Director
11 March 2014

Independent auditors' report to the members of AirTanker Holdings Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group and of the company's affairs as at 31 December 2013 and of the group's profit and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statement") for the year ended 31 December 2013, which are prepared by AirTanker Holdings Limited, comprise:

- the group's Profit and Loss Account;
- the group and company Balance Sheets;
- the group Cash Flow Statement; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 group's and 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 Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

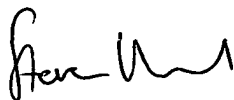
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement on page 6, 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 ISAs (UK & 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.



Steven Kentish (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
13 March 2014

AirTanker Holdings Limited

Group profit and loss account for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Turnover	1,2	344,392	221,464
Cost of sales		(124,611)	(81,439)
Gross profit		219,781	140,025
Administrative expenses	3,4,24	(5,914)	(8,130)
Operating profit	4	213,867	131,895
Interest receivable and similar income	5	687	804
Interest payable and similar charges	6	(81,514)	(42,539)
Profit on ordinary activities before taxation		133,040	90,160
Tax on profit on ordinary activities	8	(23,566)	(22,689)
Profit for the financial year	17	109,474	67,471

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 profit 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 profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

AirTanker Holdings Limited

Group and company balance sheets as at 31 December 2013

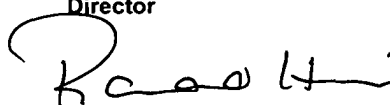
	Note	Group		Company	
		2013	2012	2013	2012
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9	2,313,950	2,059,810	-	-
Investments	10	-	-	45,679	45,679
		2,313,950	2,059,810	45,679	45,679
Current assets					
Debtors: amounts falling due within one year	11	72,963	53,213	-	-
Debtors: amounts falling due after more than one year	12	40,637	42,652	144,957	134,422
Cash at bank and in hand		77,711	41,992	249	213
		191,311	137,857	145,206	134,635
Creditors : amounts falling due within one year	13	(90,405)	(290,609)	-	(180,054)
Net current assets / (liabilities)		100,906	(152,752)	145,206	(45,419)
Total assets less current liabilities		2,414,856	1,907,058	190,885	260
Creditors: amounts falling due after more than one year	14	(2,278,916)	(1,956,621)	(144,940)	-
Provisions for liabilities	15	(76,584)	(46,094)	-	-
Net assets / (liabilities)		59,356	(95,657)	45,945	260
Capital and reserves					
Called up share capital	16	45,629	90	45,629	90
Profit and loss account	17	13,727	(95,747)	316	170
Total shareholders' funds / (deficit)	18	59,356	(95,657)	45,945	260

The financial statements on pages 9 to 29 were approved by the board of directors on 11 March 2014 and were signed on its behalf by:

Phillip Scott Blundell
Director

AirTanker Holdings Limited
Registered number: 06279650

Richard Henry Hine
Director

AirTanker Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2013

	Notes	2013	2012
		£'000	£'000
		£'000	£'000
Net cash flow from operating activities	19	226,939	139,247
Returns on investments and servicing of finance			
Interest received		687	804
Interest paid		(120,624)	(103,041)
Net cash outflow from returns on investment and servicing of finance		(119,937)	(102,237)
Taxation		17,151	5,130
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(264,049)	(499,579)
Net cash outflow for capital expenditure and financial investments		(264,049)	(499,579)
Net cash outflow before financing		(139,896)	(457,439)
Financing			
Increase in loans		312,467	452,827
Repayment of loans		(182,391)	-
Issue of ordinary shares		45,539	-
Net cash inflow from financing		175,615	452,827
Increase / (decrease) in cash in the year		35,719	(4,612)
Reconciliation to net debt			
(Increase) / decrease in cash		(35,719)	4,612
Movement in borrowings		130,076	452,827
Other non-cash borrowings		11,618	12,432
		105,975	469,871
Opening net debt		2,101,830	1,631,959
Closing net debt	20	2,207,805	2,101,830

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013

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 related 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 2013 and uniform accounting policies.

Going concern

The directors have prepared the financial statements on the going concern basis. Airtanker Holdings Limited group is now operational and contributed profit before tax of £133,040,000 (2012: £90,160,000). In line with the current contractual circumstances of the company and group, a long term forecast has been produced and illustrates 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 in the future 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.

The directors have reviewed the relevant financial covenant relating to the company and group and are satisfied that, based on the financial model this is expected to be met for a period of at least twelve months from the date of the directors' approval of the company and group financial statements.

Turnover

Revenue is received for operating the aircraft and is based on availability and operating charges. 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. These are recognised following delivery of the service. Funding for the expansion of the service are deferred on the balance sheet to match the associated costs.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Accounting policies (continued)

Bid costs

Bid costs 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 bid 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.

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. 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 asset.

Training establishment and associated assets – straight line over the life of the asset.

Aircraft & Associated Assets – straight line over the life of the asset, commencing the month after delivery. The basis for the estimate is on a total cost basis with 1/14th of the total value of all aircraft being depreciated from the month after delivery date for each aircraft. Residual value is considered to be 5% of cost.

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) are used to hedge the group's exposure to movements on interest rates. The interest payable/ receivable on interest rate swaps is accrued in the same way as interest arising on the related borrowings. The RPI swap arrangement finished in the year, the impact of the RPI swaps on amounts paid has been recorded in fixed assets as this activity relates exclusively to capital expenditure activity.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Accounting policies (continued)

Interest rate swaps and RPI swaps (continued)

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

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 group in the year was derived from revenue for operating the aircraft, revenue for expansion of the service, and from engineering studies and hangar rental undertaken in the United Kingdom. The revenues that relate to flying the delivered aircraft and related services are amounted to £341,446,000 (2012: £216,926,000), the revenues that relate to service expansion amounted to £29,000 (2012: £Nil), and revenues relating to other ancillary services amounted to £2,917,000 (2012: £4,538,000).

3 Administrative expenses

Bid costs totalling £54,269,000 (2012: £54,269,000) have been deferred as a prepayment and are being amortised over the contract (27 years). Amortisation of £2,015,000 (2012: £2,015,000) has been charged in the year, whilst a balance of £42,652,000 (2012: £44,667,000) remains unamortised at the year end.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

4 Operating profit

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

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Operating lease rentals – buildings	195	196
Depreciation of tangible fixed assets (Note 9)	48,188	15,322
Amortisation of deferred bid costs (Note 3)	2,015	2,015
Foreign exchange gains	(2,752)	(1,494)
Services provided by the company's auditors and its associates:		
Fees payable to company auditors 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	68	62
Tax services	36	60
Other services-group reporting requirements	25	25

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

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Bank interest and similar income	687	804

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Interest payable and similar charges

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Bank interest	(120,119)	(105,058)
Bank and other charges	(2,377)	(3,882)
Amortisation of debt issue costs	(1,718)	(1,448)
Interest payable to fellow group undertakings	(10,391)	(9,684)
Less: Interest capitalised in fixed assets	53,091	77,533
	(81,514)	(42,539)

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 14).

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 fees totalling £609,000 (2012: £667,000) to EADS CASA and Rolls Royce reflecting the secondment costs recharged to the company in relation to two directors (2012: two directors) for services performed.

The highest secondment recharge relating to a director amounted to £345,000 (2012: £333,000). 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 2013 (continued)

8 Tax on profit on ordinary activities

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current year tax		
UK Corporation tax in respect of the year	(6,924)	(8,803)
Adjustment in respect of prior years	-	4
Total current tax credit	(6,924)	(8,799)
Deferred Tax		
Origination and reversal of timing differences	29,387	31,488
Adjustment in respect of prior years	1,103	-
Total deferred tax (Note 15)	30,490	
Tax charge on profit on ordinary activities	23,566	22,689

UK corporation tax credit in respect of the year and prior year relates to consortium relief receivable from Cobham plc, Babcock International Group plc and Rolls Royce plc groups.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting the tax credit for the year

The tax charge for the year for the company and group is lower (2012: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012: 24.5%) as explained below.

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before taxation	133,040	90,160
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	30,932	22,089
Effects of		
Adjustment in respect of prior years	-	4
Capitalised interest	(12,344)	(18,996)
Capital allowances in excess of depreciation	(39,345)	(49,556)
Consortium relief surrendered at discount	2,693	3,423
Losses not utilised	10,991	33,623
Disallowable expenses	149	614
Total current tax credit for the year	(6,924)	(8,799)

During the year, as a result of the changes in the UK main corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 which were substantively enacted on 2 July 2013, the relevant deferred tax balances have been re-measured.

Each percentage point reduction in corporation tax is expected to reduce the deferred tax liability by approximately £3,876,000 (2012: £2,004,000). These impacts will be recognised in the period in which substantive enactment occurs.

AirTanker Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

9 Tangible fixed assets

	Land & buildings	Training establishment and associated assets	Aircraft & associated assets	Assets in the course of construction	Total tangible fixed assets
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2013	89,942	100,280	582,489	1,302,421	2,075,132
Additions	-	1,640	-	300,688	302,328
Transfer	1,593	2,124	589,022	(592,739)	-
At 31 December 2013	91,535	104,044	1,171,511	1,010,370	2,377,460
Accumulated Depreciation					
At 1 January 2013	4,119	3,829	7,374	-	15,322
Charge for the financial year	3,895	4,423	39,870	-	48,188
At 31 December 2013	8,014	8,252	47,244	-	63,510
Net Book Value					
At 31 December 2013	83,521	95,792	1,124,267	1,010,370	2,313,950
At 31 December 2012	85,823	96,451	575,115	1,302,421	2,059,810

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

9 Tangible fixed assets (continued)

Included within the fixed asset additions is £53,091,000 (2012: £77,533,000) 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 £273,942,000 (2012: £220,851,000).

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 (2012: nil).

10 Investments

Company	£'000
At 1 January 2013 and 31 December 2013	45,679

The subsidiary undertakings at 31 December 2013 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 2013 (continued)

11 Debtors: Amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	-	4,489	-	-
Other debtors	5,329	4,625	-	-
Deferred bid costs (Note 3)	2,015	2,015	-	-
Consortium relief receivable	22,230	32,457	-	-
Prepayments and accrued income	43,389	9,627	-	-
	72,963	53,213	-	-

Included within trade debtors and accrued income is £141,000 inclusive of VAT (2012: £75,000) relating to receivables due from related parties as outlined in Note 24.

12 Debtors: Amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Deferred bid costs (Note 3)	40,637	42,652	-	-
Amounts owed by subsidiary undertakings	-	-	144,957	134,422
	40,637	42,652	144,957	134,422

Amounts owed by subsidiary undertakings consists of an intercompany loan balance of £144,957,000 (2012: £134,422,000) including £2,725,000 (2012: £2,701,000) rolled up interest due from AirTanker Finance Limited which is unsecured and attracts interest at LIBOR plus 7.01% per annum. Interest is rolled onto the principal every six months on 31 March and 30 September respectively. The intercompany loan will be fully repaid by March 2035.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loans and accrued interest	(6,600)	(7,147)	-	-
Trade creditors	(39,200)	(31,225)	-	-
Amounts owed to fellow related undertakings	-	(180,054)	-	(180,054)
Accruals and deferred income	(44,605)	(72,183)	-	-
	(90,405)	(290,609)	-	(180,054)

Included in trade creditors and accruals is £51,521,000 inclusive of VAT (2012: £82,487,000) relating to payments due to related parties as outlined in Note 24.

Bank loans and accrued interest included within creditors falling due within one year relate to accrued interest on a senior debt loan amounting to £8,388,000 (2012: £8,887,000) net of unamortised issue costs of £1,797,000 (2012: £1,740,000) and a mezzanine debt loan amounting to £9,000 (2012: £Nil). The loans are included within creditors falling due after one year and have fixed dates of repayment (Note 14).

There are no amounts owed to fellow related undertakings (AirTanker Equity Bridge Loan Limited) at 31 December 2013 (2012: £180,054,000) which was unsecured, and attracted interest at 5.59% per annum and was repaid as planned on 27 March 2013. Interest is rolled up onto the principal every six months on 31 March and 30 September.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank Loans and accrued interest	(2,133,976)	(1,956,621)	-	-
Shareholder Loan Notes	(144,940)	-	(144,940)	-
	(2,278,916)	(1,956,621)	(144,940)	-

Bank loans and accrued interest at 31 December 2013 consist of a senior debt loan totalling £2,147,596,000 (2012: £1,980,910,000) net of unamortised issue costs amounting to £22,515,000 (2012: £24,289,000) 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

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

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

dates commencing in 2017 and terminating in 2033. The senior debt loan attracts interest LIBOR plus 1.0%, plus mandatory costs on the senior debt net of the impact of the interest rate swap.

Mezzanine debt loan totalling £8,895,000 (2012: £Nil) is unsecured. The mezzanine debt is subject to repayments commencing in 2017 and terminating in 2034, and attracts interest at LIBOR plus 4%.

During the year the company issued loan notes to its shareholders amounting to £136,887,000 (2012: £Nil) plus £8,053,000 (2012: £Nil) of rolled up interest which is unsecured. The loan note attracts interest at LIBOR plus 7% and is repayable by 31 March 2035. Interest is rolled up into the principal every six months on 31 March and 30 September.

The group incurred issue costs totalling £29,763,000 in 2008 which are being amortised over the life of the loan.

Maturity of financial liabilities

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
In one year or less, or on demand	(8,397)	(188,941)	-	(180,054)
In more than one but less than five years	(79,864)	(15,463)	-	-
In more than five years	(2,221,567)	(1,965,447)	(144,940)	-
	(2,309,828)	(2,169,851)	(144,940)	(180,054)
Unamortised issue costs	24,312	26,029	-	-
	(2,285,516)	(2,143,822)	(144,940)	(180,054)

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

15 Provisions for liabilities

	Group	
	2013	2012
	£'000	£'000
Deferred Tax		
Analysis of deferred tax liability:		
Accelerated capital allowances	249,428	233,989
Losses	(172,844)	(187,895)
	76,584	46,094
Deferred tax liability:		
At the beginning of the year		46,094
Charge in the year (note 8)		30,490
At the end of the year		76,584

There is no deferred tax held in the company (2012: £Nil).

16 Called up share capital

	Group and Company	
	2013	2012
	£'000	£'000
Authorised		
45,629,001 ordinary shares of £1 each (2012: 475,000 ordinary shares of £1 each)	45,629	475
Allotted, called up and fully paid		
45,629,001 ordinary shares of £1 each (2012: 90,000 ordinary shares of £1 each)	45,629	90

During the year, the shareholders passed a resolution to increase the authorised share capital from £475,000 to £45,629,001. Subsequently, the Company issued 45,539,001 shares at par for a consideration of £45,539,001.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

17 Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 2013	(95,747)	170
Profit for the financial year	109,474	146
At 31 December 2013	13,727	316

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.

18 Reconciliation of movements in total shareholders' funds / (deficit)

	Group	
	2013	2012
	£'000	£'000
Profit for the financial year	109,474	67,471
Issue of new share capital	45,539	-
Net movement in shareholders' funds / (deficit)	155,013	67,471
Opening total shareholders' (deficit)	(95,657)	(163,128)
Closing total shareholders' funds / (deficit)	59,356	(95,657)

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

19 Cash flow from operating activities

	2013 £'000	2012 £'000
Operating Profit	213,867	131,895
Amortisation of bid costs	2,015	2,015
Depreciation	48,188	15,322
Increase in debtors	(29,976)	(213)
Decrease in creditors	(7,155)	(9,772)
Increase in cash from operating activities	226,939	139,247

20 Analysis of net debt

	At 1 January 2013 £'000	Cash flow £'000	Non-cash movements £'000	At 31 December 2013 £'000
Cash at bank and in hand	41,992	35,719	-	77,711
Debt due within 1 year	(187,201)	180,053	548	(6,600)
Debt due after 1 year	(1,956,621)	(310,129)	(12,166)	(2,278,916)
Net debt	(2,101,830)	(94,357)	(11,618)	(2,207,805)

21 Financial commitments

At 31 December 2013, the group has annual commitments under non-cancellable operating leases expiring as follows:

	Buildings	
	2013 £'000	2012 £'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 2013 (continued)

22 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 converts the borrowings from rates linked to LIBOR to the fixed rate above. The fair value of the swaps at 31 December 2013 is £430,500,000 out of the money (2012: £705,500,000 out of the money).

Retail Price Index swaps were 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 arrangement finished on 31 December 2013, and therefore there is no fair value of the swaps at 31 December 2013 (2012: £60,000 out of the money).

The group has entered into US Dollar and Euro foreign exchange contracts expiring in 2016. The fair value of the contracts at 31 December 2013 is £1,300,000 in the money (2012: £3,900,000 in the money).

The group 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.

23 Capital commitments

The group has contracts placed for future capital expenditure not provided for in the financial statements totalling £473,000,000 (2012: £700,000,000).

24 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 (2012: £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 NV received £392,001 (2012: £457,000) from the company for their Liquidity Facility Fee which came into effect at ITS and is provided to support the banking facilities of AirTanker Services Limited. Cumulatively, £Nil (2012: £Nil) was unpaid at 31 December 2013.

EADS Group seconded senior staff to AirTanker Limited in the financial year under review amounting to £703,000 (2012: £1,048,000). Cumulatively, £405,000 (2012: £427,000) was unpaid at 31 December 2013.

In the year under review EADS CASA completed milestones, in relation to the delivery of the converted A330-200 aircraft, amounting to £196,668,000 (2012: £307,784,000) of which £3,244,000 (2012: £48,556,000) remains unpaid at year end.

£552,000 (2012: £4,262,000) 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 £Nil (2012: £3,730,000) remain unpaid at 31 December 2013. A further £1,311,000 (2012: £1,225,000) has been incurred in respect of Aircraft insurance of which £Nil (2012: £ Nil) remains unpaid.

£Nil (2012: £339,000) was recharged to EADS CASA for costs incurred on their behalf in respect of this programme of which £89,000 (2012: £56,000) remains unpaid at 31 December 2013.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

24 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 £63,000 (2012: £51,000) of which £Nil (2012: £Nil) was unpaid at 31 December 2013.

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 both for operating the aircraft, as well as 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 £125,315,000 (2012: £90,996,000) for the year under review net of recharges. Cumulatively, £46,784,000 inclusive of VAT (2012: £29,211,000) was unpaid at year end. During the year £51,274,000 (2012: £29,259,000) was capitalised on the Balance Sheet. Furthermore, £52,000 (2012: £19,000) 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 £373,000 (2012: £497,000). Cumulatively, £373,000 (2012: £510,000) was unpaid at 31 December 2013.

Rolls Royce plc received £313,000 (2012: £365,000) from the company for their Liquidity Facility Fee which came into effect at ITS and is provided to support the banking facilities of AirTanker Services Limited. Rolls Royce plc group has claimed consortium relief from the group. The amount payable for this claim for the year is £2,967,000 (2012: £Nil) and the amount outstanding in respect of such payments as at the year end is £2,967,000 (2012: £Nil).

Transactions with Cobham plc

Cobham plc received £70,000 (2012: £82,000) from the company for their Liquidity Facility Fee which came into effect at ITS and is provided to support the banking facilities of AirTanker Services Limited. Cumulatively, £Nil (2012: £Nil) was unpaid at 31 December 2013.

Cobham plc received £1,203,000 (2012: £Nil) from the company in respect of additional testing services in the year. Cumulatively, £610,000 (2012: £Nil) was unpaid at 31 December 2013. Cobham plc group has claimed consortium relief from the group. The amount payable for this claim for the year is £1,978,000 (2012: £4,401,000) and the amount outstanding in respect of such payments as at the year end is £6,380,000 (2012: £13,034,000).

Transactions with Babcock International Group plc

Babcock Southern Holdings Limited is a related party as it is a 100% (indirect) subsidiary of Babcock International Group plc which is a substantial shareholder of AirTanker Holdings Limited and its subsidiary undertakings in the financial year under review. Babcock Southern Holdings Limited received £313,000 (2012: £365,000) from the company for their Liquidity Facility Fee which came into effect at ITS and is provided to support the banking facilities of AirTanker Services Limited.

AirTanker Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

24 Related party disclosures (continued)

Cumulatively, £52,000 (2012: £Nil) was unpaid at 31 December 2013. Babcock International Group plc group has claimed consortium relief from the group. The amount payable for this claim for the year is £1,978,000 (2012: £4,401,000) and the amount outstanding in respect of such payments as at the year end is £12,883,000 (2012: £19,423,000).

Transactions with Thales SA

Thales SA is a related party as it is the parent company of Thales UK Limited which is a substantial shareholder of AirTanker Holdings Limited and its subsidiary undertakings in the financial year under review. Thales SA received £313,000 (2012: £365,000) from the company for their Liquidity Facility Fee which came into effect at ITS and is provided to support the banking facilities of AirTanker Services Limited. Cumulatively, £52,000 (2012: £52,000) was unpaid at 31 December 2013.

Loan Notes

During the year, the company issued loan notes to shareholders, in proportion to their shareholdings, of £136,887,000. These are unsecured and attract interest at LIBOR plus 7%. These are due for repayment by 31 March 2035. Interest is rolled up into principal every six months on 31 March and 30 September.

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

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