

**AirTanker Holdings Limited**  
**Annual report and financial statements for the**  
**year ended 31 December 2021**

Registered number: 06279650

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## **AirTanker Holdings Limited**

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## **AirTanker Holdings Limited**

### **Directors and advisors**

#### **Directors**

Phillip Scott Blundell  
Richard Henry Hine  
Francisco de Borja Segovia Jaquete  
Paul Kimberley  
Gordon Francis De Courcy Page  
Paul Andrew Jayne  
Rodrigo Caminero Garcia  
Kashif Rahuf

#### **Alternate directors**

Stephen Francis McCann  
Stephan Andreas Miegel  
Jordan Elliott Field

#### **Company secretary**

Christopher Adam Brice

#### **Registered office**

AirTanker Hub  
RAF Brize Norton  
Carterton  
Oxfordshire  
United Kingdom  
OX18 3LX

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
One Chamberlain Square  
Birmingham  
B3 3AX

#### **Bankers**

Lloyds Bank plc  
10 Gresham Street  
London  
EC2V 7AE

## **AirTanker Holdings Limited**

### **Strategic report**

### **for the year ended 31 December 2021**

The directors present the Strategic report of AirTanker Holdings Limited ("the Company") and the AirTanker Holdings Limited consolidated Group ("the Group") for the year ended 31 December 2021.

#### **Principal activities**

The principal activity of the Group is to provide air-to-air refuelling, transport, training and ancillary services to the UK Ministry of Defence ("MoD") under the Future Strategic Tanker Aircraft contract. The Company works in co-operation with a sub-contractor, AirTanker Services Limited ("ATrS"), to provide these services.

The Group also makes available the aircraft to the civil market and other partners where available, in co-operation with ATrS.

The Company has acted as a holding company during the year.

#### **Review of business and future developments**

The Group has provided through its fleet of 14 Voyager A330-MRTT aircraft, and will continue to provide, air-to-air refuelling, transport, training and ancillary services to the MoD and other customers.

At 31 December 2021, the Group has £2.5bn of assets on the balance sheet, including cash of £415m, and £2bn of external borrowings as part of a structured financing strategy that includes the use of interest rate swaps. The Group has a deficit in retained earnings at 31 December 2021 due to significant deferred tax charges recognised in the year. The Directors and the Audit Committee have reviewed the current position of the Group and consider the business to be a going concern.

Usage of the aircraft in the core fleet was reduced due to a number of factors including the Covid-19 pandemic. This is expected to recover in 2022.

Civil fleet usage has continued to be significantly impacted by Covid-19. This has not impacted solvency. The Group has adjusted its operations to deal with these challenges, and continues to actively pursue a range of opportunities in the civil leasing market.

The Group has completed the Mode V and FRS aircraft upgrade projects in year. The Group is working with partners to tender for new upgrade opportunities.

Throughout the Covid-19 outbreak, the Group has monitored closely the impact on operations and the cash and liquidity position. Prudent liquidity analysis confirms that the Company remains solvent in plausible downside case scenarios.

The Group has recognised significant deferred tax charges in year due to increased Corporation Tax rates announced during the year which has increased the deferred tax liability in comparison to prior years.

#### **Post balance sheet events**

In the year, Rolls-Royce plc and Babcock Southern Holdings Limited agreed to sell their shareholdings in the Company to Equitix Jupiter BidCo Limited. This sale of shareholdings completed on 9 February, 2022. In the opinion of the Directors, there remains no controlling party of the business.

## **AirTanker Holdings Limited**

### **Strategic report**

#### **for the year ended 31 December 2021 (continued)**

##### **Key performance indicators**

Given the nature of the business, the Group's key performance indicators are predominantly non-financial and relate to service provision as determined by the MoD. The performance indicators are based on aircraft availability in line with MoD requirements, maintenance of aircraft, delivery of training and other ancillary services. The Group works in conjunction with ATRs to deliver this.

The operating service is managed through a subcontractor, ATRs. The Group monitors the performance of the subcontractor to ensure that aircraft, service provision and support infrastructure are delivered to specification.

The Group's results are below initial expectations for the year due to usage of the aircraft as described above. The Group will continue to support the fleet of aircraft, support infrastructure and operating capability.

##### **Commercial risk**

The Group charges its primary 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 also take account of inflation, and therefore the directors do not consider operating cost variation to be a significant risk.

The Group takes revenue 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 are maintained. Inadequate aircraft availability and/or service provision is penalised, which is managed through the Group's subcontractors who in turn are penalised for any shortfalls. However, the Group retains a significant margin risk if aircraft were unable to fly. Reduced usage of the aircraft though is mitigated through reduced cost incurred from the sub-contractor due to the terms of the Contract.

The Group's subcontractors held extra inventory at the start of the year to mitigate unforeseen risks from Brexit. There was minimal disruption of the operation at RAF Brize Norton as a result. ATRs has taken other longer-term measures to adapt its operations. Additionally, there have not been any aircraft on ground events as a direct consequence of Brexit.

##### **Financial risk management and financial instruments**

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 arises 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 3<sup>rd</sup> 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 a department of the UK Government, and is a sovereign nation with a rating of AA (S&P) and Aa3 (Moody's), and therefore the directors do not consider there to be a significant customer credit risk.

## **AirTanker Holdings Limited**

### **Strategic report**

**for the year ended 31 December 2021 (continued)**

#### **Financial risk management**

##### *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 by only investing in financial institutions that are investment grade ("AA" rated and higher).

The Group uses derivatives to manage cash flow exposures of borrowings. 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 Company and AirTanker Finance Limited, a fellow subsidiary undertaking, have been in discussions with external swap and debt counterparties as regards the impacts of IBOR reform on borrowing agreements. Revised terms have been agreed with the counterparties and new rates based on compound SONIA will be effective for the March 2022 interest payments, as detailed further in note 15. The interest rate swap used to mitigate the Group's exposure to interest rate risk has been re-negotiated such that critical terms match the revised lending arrangements. Hedge accounting therefore continues to be available to the Group and no changes have been made to the Group's risk management strategy as a result of these reforms. The effective date of transition from LIBOR to SONIA was February 21, 2022 and therefore at the year end advantage has been taken of the reliefs offered by the Phase 1 amendments to FRS102 as outlined in Note 1.

#### **Section 172**

The Directors are fully aware of their responsibilities to promote the success of the Group in accordance with s172 of the Companies Act. Further information can be found in the Company's Governance Statement in the Directors' Report on page 5.

#### **Results and dividends**

The loss for the Group for the year ended 31 December 2021 was £27,856,000 after tax (2020: loss after tax of £20,176,000) and is shown on page 14. Interim dividends were paid in April 2021 totalling £15,000,000 (2020: final dividend of £76,657,000). The directors do not propose a further dividend.

The directors consider that the operating performance of the business was satisfactory; the 2021 Group results were affected by the changes in corporation tax rates.

This report was signed on behalf of the Board by:



**Francisco De Borja Segovia Jaquete**  
**Director**  
23 March 2022

## **AirTanker Holdings Limited**

### **Report of the directors for the year ended 31 December 2021**

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2021. The following sections which are required in the Report of the directors can be found in the Strategic Report on pages 2-4: Principal activities, Results and dividends, Post balance sheet events, Future developments and Financial risk management and financial instruments.

#### **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  
Richard Henry Hine  
Francisco de Borja Segovia Jaquete  
Paul Kimberley  
Paul Andrew Jayne  
Gordon Francis De Courcy Page  
Kevin John Garvey (resigned 9 February 2022)  
Rodrigo Caminero Garcia  
Ben Palmer (appointed 25 February 2021, resigned 9 February 2022)  
Kashif Rahuf (appointed 9 February 2022)

#### **Alternate directors**

Stephan Andreas Miegel  
Paul Anthony Craig (resigned 30 June 2021)  
Louise Anne Donaghey (appointed 30 June 2021, resigned 9 February 2022)  
Neal Gregory Misell (resigned 9 February 2022)  
Stephen Francis McCann  
Jordan Elliott Field (appointed 9 February 2022)

#### **Company secretary**

Christopher Adam Brice

All directors during the year and up until the date of signing were covered by directors' and officers' liability insurance.

#### **Corporate Governance Statement**

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to demonstrate how the Board promotes the long-term success of the Group and its stakeholders, and complies with section 172 of the Companies Act 2016. Throughout 2022 the Board will continue to consider how best to address its engagement with stakeholders over both the long and short term.

**Purpose** - The Group's purpose to provide safe and trusted air-to-air refuelling, air transport and ancillary services to enable its customers' success, be it for the UK MoD through the FSTA and related contracts, or for military allies. AirTanker seeks to exploit its skills and capabilities to deliver safe, trusted and world leading aviation services to support our customers' strategic and tactical capabilities.

## **AirTanker Holdings Limited**

### **Report of the directors**

#### **for the year ended 31 December 2021 (continued)**

##### **Corporate Governance Statement (continued)**

*Composition* - The Board comprises an independent non-executive Chairman, four executive directors as well as up to three non-executive directors nominated by shareholders. This composition provides a range of understanding and experience of the different elements supporting the Group's operations which ensures a focus on not only financial and business performance, but operational excellence, safety and the underlying complexity of AirTanker's business. In addition, the presence of directors nominated by shareholders on the Board of Directors, and the provisions of the Shareholders Agreement ensure that members of the company are treated fairly.

*Responsibilities* - The Board meet regularly throughout the year, and in addition has standing committees to provide additional focus on financial matters, audit (including internal audit and internal controls) and remuneration. The board receives regular updates on financial performance, risk, compliance with laws and regulations, customer engagement, staff engagement, and corporate social responsibility. The Shareholder Agreement defines certain limits of the Board, and the Board delegates a defined list of authority to the Executive management.

*Opportunity & Risk* - The role of the Board is to promote the long-term success of the Group. Management proactively considers, and discusses with the Board, opportunities to enhance value over time of its services and its product, as well as presenting on future risks. Furthermore, the Group has to report to its lenders on covenant performance which does include long term projections. Should covenant performance of the Group be insufficient, the Group is unable to make distributions to shareholders.

*Remuneration* - The Group does not have any employees. The Group does pay secondment fees in relation to services performed by certain directors, and their remuneration is set by the Remuneration Committee which is comprised of non-Executive directors who do not benefit from the decisions of the Committee.

*Stakeholders* - The Board has a responsibility to oversee meaningful engagement with stakeholders, and to conduct constructive relationships in pursuit of the Group's purpose. The board receives regular updates on financial performance, risk, compliance with laws and regulations, customer engagement, seconded engagement, and corporate social responsibility.

The Executive Management is the same for both the Group as for its subcontractor, ATrS. Furthermore, each of the shareholder's nominate a director which provides an insight into shareholder concerns, but also the interests of the Group's suppliers.

The Company works constructively with its customer and its subcontractors to ensure that charitable causes are supported. Furthermore, the Company engages with its customer and subcontractors to explore ways to minimise the environmental impact of its operations.



## AirTanker Holdings Limited

### Report of the directors

### for the year ended 31 December 2021 (continued)

#### Environmental impact

In line with the Streamlined Energy and Carbon Reporting (SECR) obligations, the Company presents its report on emissions.

The Company has collected data in year in line with the Streamlined Energy and Carbon Reporting (SECR) obligations to present the environmental impact of the business.

The data has been collected over a full year from October 2020-September 2021 (2020: October 2019-September 2020).

**Calculation methodology** - The emissions were calculated in accordance with the HM Government document "Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting guidance". The source of specific data is described along with the key environmental impacts above, in common with the methodology used for the ESOS report. Data was converted to tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) using the UK Government Conversion factors for Company Reporting 2019 (version 1.0).

The Company has reviewed all aspects of its operations and energy consumption:

- Private transport: the Company is based in London with regular travel to RAF Brize Norton. Most transport is via train but individuals also travel by private car. Total mileage has been collected through the year and the average CO<sub>2</sub> emissions per vehicle to calculate the total. There are no company car schemes or cars leased on behalf of sub-contractors;
- Gas and electricity usage at the London office: the Company leases fully serviced office space. An assumption of the usage based on the numbers of office users has been taken;
- Gas and electricity usage at Brize Norton: the Company uses office space at the ATrS office and has the right to use assets at the RAF Brize Norton military base. All of these assets are formally operated by ATrS. Therefore, the energy consumption is deemed to be the responsibility of ATrS.
- The aircraft owned by the Company are used by the UK MoD and operated by the sub-contractor, ATrS. The usage therefore is deemed to be the responsibility of those two parties.

Energy / Activity	Unit	Used for	Consumption (original unit)	Conversion Factor <sup>2</sup>	Carbon (tCO <sub>2</sub> e) - 2021	Carbon (tCO <sub>2</sub> e) - 2020
Electricity	kWh	Lighting, equipment	-	-	-	-
Gas	kWh	Heating	-	-	-	-
Other fuels	litres	n/a	-	-	-	-
Company vehicles	miles	n/a	-	-	-	-
Gray fleet	miles	Business travel	1,154	0.27459 x 10 <sup>-3</sup>	0.12	1.54
<b>Total emissions</b>					<b>0.12</b>	<b>1.54</b>
<b>Intensity ratio metric (total emissions / secondees)</b>					<b>0.02</b>	<b>0.26</b>

**AirTanker Holdings Limited**  
**Report of the directors**  
**for the year ended 31 December 2021 (continued)**

**Going concern**

The directors have prepared the financial statements of the Company and the Group on the going concern basis. The AirTanker Holdings Limited Group has been operational since January 2012 and during the year ended 31 December 2021 generated a profit before taxation of £9,370,000 (2020: loss of 7,812,000). In line with the current contractual circumstances of the Company and Group, a long-term forecast has been produced, including plausible downside case scenarios, which illustrates the financial obligations of the Company and Group in the foreseeable future. At the year-end the Group has strong cash reserves, with guaranteed receipts due from the MoD under the FSTA contract. 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 their 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 covenants relating to the Company and Group and are satisfied that, based on the financial model, these are 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.

Management prepares a going concern assessment for review by the Audit Committee each year. The Audit Committee has reviewed the assessment and are satisfied with the conclusions.

**Branches outside of the UK**

There are no branches of the business that operate outside of the UK.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## **AirTanker Holdings Limited**

### **Report of the directors for the year ended 31 December 2021 (continued)**

#### **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.

This report was signed on behalf of the Board by:



**Francisco De Borja Segovia Jaquete**  
**Director**  
**23 March 2022**

# Independent auditors' report to the members of AirTanker Holdings Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, AirTanker Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Consolidated and company balance sheets as at 31 December 2021; consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Report of the directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the directors.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulations, health and safety legislation and other legislation specific to the industry in which the Group operates such as those governed by the Civil Aviation Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to recognition of false revenue to overstate the performance of the business of the Group and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of meeting minutes with the board and those charged with governance;
- Consideration of any changes to the control environment, including as a result of the impact of the Covid-19 pandemic;
- Identifying and testing unusual journal entries posted to cash (using a risk based audit approach);
- Considerations of the policies of revenue recognition of the Group and obtaining supporting evidence to ensure compliance with those policies and agreements with customers on fulfilment of obligations before revenue is recognised;
- Assessment of key estimates and judgements made by management for evidence of inappropriate bias. Our procedures include the review of management's assumptions against industry benchmarks, confirmations from third parties, look-back testing and sensitivity analysis for its reasonableness.
- performing appropriate unpredictable audit procedures

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

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.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

A handwritten signature in black ink, appearing to read 'Neil Philpott', followed by a horizontal line and a stylized flourish.

Neil Philpott (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
24 March 2022

## AirTanker Holdings Limited

### Consolidated profit and loss account for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Turnover	5	453,458	447,405
Cost of sales		(302,428)	(306,955)
Gross profit		151,030	140,450
Administrative expenses	6	(11,561)	(12,850)
Operating profit	7	139,469	127,600
Interest receivable and similar income	8	-	774
Interest payable and similar expenses	8	(130,099)	(136,186)
Profit / (loss) before taxation		9,370	(7,812)
Tax on profit / (loss)	9	(37,226)	(12,364)
Loss for the financial year		(27,856)	(20,176)

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



**AirTanker Holdings Limited**

**Consolidated statement of comprehensive income  
for the year ended 31 December 2021**

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Loss for the financial year</b>		<b>(27,856)</b>	<b>(20,176)</b>
<b>Other comprehensive income / (expense):</b>			
<b>Items that have been reclassified to the profit and loss account</b>			
Fair value movements in respect of cash flow hedges	19	115,499	(127,462)
Amounts reclassified to the profit and loss account – cash flow hedges	19	91,262	85,811
Tax on components of other comprehensive income / (expense) that may have been or may be reclassified	9	(39,284)	7,914
Impact of change in tax rates in respect of deferred tax recognised on cash flow hedges	9	21,310	12,042
<b>Other comprehensive income / (expense) for the year net of tax</b>		<b>188,787</b>	<b>(21,695)</b>
<b>Total comprehensive income / (expense) for the year</b>		<b>160,931</b>	<b>(41,871)</b>


# AirTanker Holdings Limited

## Consolidated and company balance sheets as at 31 December 2021

	Note	Group		Company	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	12	26,532	28,547	-	-
Tangible assets	11	1,875,244	2,008,541	-	-
Investments	13	-	-	45,679	45,679
Deferred tax asset	9	91,202	96,862	-	-
		<b>1,992,978</b>	<b>2,133,950</b>	<b>45,679</b>	<b>45,679</b>
<b>Current assets</b>					
Debtors: amounts falling due within one year	14	46,509	46,697	-	-
Debtors: amounts falling due after more than one year	15	-	-	197,105	197,918
Cash at bank and in hand		415,333	375,062	258	258
		<b>461,842</b>	<b>421,759</b>	<b>197,363</b>	<b>198,176</b>
Creditors: amounts falling due within one year	16	(182,414)	(170,657)	-	-
<b>Net current assets</b>		<b>279,428</b>	<b>251,102</b>	<b>197,363</b>	<b>198,176</b>
<b>Total assets less current liabilities</b>		<b>2,272,406</b>	<b>2,385,052</b>	<b>243,042</b>	<b>243,855</b>
Creditors: amounts falling due after more than one year	17	(1,963,187)	(2,057,048)	(196,880)	(197,727)
Derivative financial liabilities	19	(459,254)	(667,438)	-	-
Provisions for liabilities	9	(140,056)	(96,588)	-	-
<b>Net (liabilities) / assets</b>		<b>(290,091)</b>	<b>(436,022)</b>	<b>46,162</b>	<b>46,128</b>
<b>Capital and reserves</b>					
Called up share capital	21	45,629	45,629	45,629	45,629
Cash flow hedge reserve		(332,667)	(521,454)	-	-
(Accumulated losses) / retained earnings		(3,053)	39,803	533	499
<b>Total shareholders' (deficit) / funds</b>		<b>(290,091)</b>	<b>(436,022)</b>	<b>46,162</b>	<b>46,128</b>

The company profit of AirTanker Holdings Limited for the year was £15,034,000 (2020: £76,689,000).

The notes on pages 20 to 44 are an integral part of these financial statements. The financial statements on pages 14 to 44 were approved by a duly appointed and authorised committee of the Board on 23 March 2022 and signed on its behalf by:

  
Francisco De Borja Segovia Jaqueto  
Director

AirTanker Holdings Limited  
Registered number: 06279650

# AirTanker Holdings Limited

## Consolidated statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Retained earnings / (accumulated losses)	Cash flow hedge reserve	Total shareholders' deficit
	£'000	£'000	£'000	£'000
<b>Balance as at 1 January 2020</b>	45,829	136,636	(499,759)	(317,494)
Loss for the financial year	-	(20,176)	-	(20,176)
Other comprehensive expense for the year	-	-	(21,695)	(21,695)
<b>Total comprehensive expense for year</b>	-	(20,176)	(21,695)	(41,871)
Dividend paid in the year (note 20)	-	(76,657)	-	(76,657)
<b>Total transactions with owners, recognised directly in equity</b>	-	(76,657)	-	(76,657)
<b>Balance as at 31 December 2020</b>	45,829	39,803	(521,454)	(436,022)
Loss for the financial year	-	(27,856)	-	(27,856)
Other comprehensive income for the year	-	-	188,787	188,787
<b>Total comprehensive income</b>	-	(27,856)	188,787	160,931
Dividend paid in the year (note 20)	-	(15,000)	-	(15,000)
<b>Total transactions with owners, recognised directly in equity</b>	-	(15,000)	-	(15,000)
<b>Balance as at 31 December 2021</b>	45,829	(3,053)	(332,667)	(290,091)

**AirTanker Holdings Limited**

**Company statement of changes in equity  
for the year ended 31 December 2021**

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
<b>Balance as at 1 January 2020</b>	<b>45,829</b>	<b>467</b>	<b>46,096</b>
Profit for the financial year	-	76,689	76,689
<b>Total comprehensive income</b>	<b>-</b>	<b>76,689</b>	<b>76,689</b>
Dividends paid in the financial year (note 20)	-	(76,657)	(76,657)
<b>Total transactions with owners, recognised directly as equity</b>	<b>-</b>	<b>(76,657)</b>	<b>(76,657)</b>
<b>Balance as at 31 December 2020</b>	<b>45,629</b>	<b>499</b>	<b>46,128</b>
Profit for the financial year	-	15,034	15,034
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>15,034</b>	<b>15,034</b>
Dividends paid in the financial year (note 20)	-	(15,000)	(15,000)
<b>Total transactions with owners, recognised directly as equity</b>	<b>-</b>	<b>(15,000)</b>	<b>(15,000)</b>
<b>Balance as at 31 December 2021</b>	<b>45,629</b>	<b>533</b>	<b>46,162</b>

**AirTanker Holdings Limited**  
**Consolidated cash flow statement**  
**for the year ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
<b>Net cash inflow from operating activities</b>	22	280,803	280,013
Taxation		(6,544)	(2,354)
<b>Net cash generated from operating activities</b>		<b>274,259</b>	<b>277,659</b>
<b>Cash flow from investing activities</b>			
Interest received		-	774
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>774</b>
<b>Cash flow from financing activities</b>			
Repayment of bank borrowings		(86,737)	(81,068)
Dividends paid		(15,000)	(76,657)
Interest paid		(132,251)	(147,556)
<b>Net cash used in financing activities</b>		<b>(233,988)</b>	<b>(305,281)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>40,271</b>	<b>(26,848)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>375,062</b>	<b>401,910</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>415,333</b>	<b>375,062</b>

Included within cash and cash equivalents as at 31 December 2021 is £100,190,000 (2020: £97,948,000) held in a reserve account to be utilised for future repayments of debt interest, debt principal and interest rate swap settlements. Use of this cash for purposes other than those listed above is not permitted.

## **AirTanker Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2021**

#### **1 General information**

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its register office is AirTanker Hub, RAF Brize Norton, Carterton, Oxfordshire, United Kingdom, OX18 3LX.

#### **2 Statement of compliance**

The Group and Company financial statements of AirTanker Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company initially recognised the project under UK GAAP in the periods prior to FRS 102 being implemented. Treatment of a number of areas, including revenue in the financial information has been retained on adoption of FRS 102 from UK GAAP.

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

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account and statement of comprehensive income.

The Company has taken advantage of the exemption in FRS 102 (1.12 (c)) from disclosing its individual cash flow statement.

##### **Going concern**

The directors have prepared the financial statements of the Company and the Group on the going concern basis. The AirTanker Holdings Limited Group has been operational since January 2012 and during the year ended 31 December 2021 generated a profit before taxation of £9,370,000 (2020: loss of 7,812,000). In line with the current contractual circumstances of the Company and Group, a long-term forecast has been produced, including plausible downside case scenarios, and illustrates the financial obligations of the Company and Group in the foreseeable future. At the year-end the Group has strong cash reserves, with guaranteed receipts due from the MoD under the FSTA contract. 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 their 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 covenants relating to the Company and Group and are satisfied that, based on the financial model, these are 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.

Management prepares a going concern assessment for review by the Audit Committee each year. The Audit Committee has reviewed the assessment and are satisfied with the conclusions.

## **AirTanker Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings up to the year end of 31 December 2021.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

All subsidiaries have a year-end date of 31 December 2021 and uniform accounting policies.

##### **Foreign currency**

Functional and presentation currency - the Group financial statements are presented in pound sterling and rounded to thousands. The Group and Company's functional and presentational currency is the pound sterling.

Transactions and balances - Foreign currency transactions are translated in the functional currency using the spot exchange rates at the date of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement from the transaction and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

##### **Revenue recognition**

Revenue is received for operating the aircraft and is based on availability and operating charges. Revenue is recognised at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns discounts and rebates allowed by the company and value added taxes.

Revenue is recognised in the accounting period in which the services are rendered. The company bases consideration on the usage of the service in the period. Funding for the expansion of the service is deferred on the balance sheet and released to match the associated costs.

Amounts received from the customer for additional costs incurred on their behalf are not disclosed as revenue but netted off against those costs. These amounts are disclosed in Note 5 of these financial statements.

Project revenues are recognised based on stage of completion at the effective margin of the contract. As costs are incurred revenues are recognised with a mark-up with and cash payments in excess of recognised revenues are deferred on the balance. Contract profitability is reviewed at inception, and then reviewed annually thereafter.

##### **Intangible assets**

Bid costs incurred prior to the point 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 an intangible asset and amortised over the life of the contract.

## **AirTanker Holdings Limited**

### **Notes to the financial statements**

#### **for the year ended 31 December 2021 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **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. 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. The life of the asset, except where otherwise stated, is expected to be the life of the FSTA contract, which is 27 years long with 13 ½ years remaining:

Buildings – straight line over the life of the asset.

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

Aircraft and 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 1/14<sup>th</sup> 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. Included within this asset class are cabin reconfiguration assets which have been fully depreciated.

#### **Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, have been added to the cost of the asset, until such time as the asset was substantially ready for use.

All other borrowing costs are recognised in the profit or loss account in the period in which they are incurred using the effective interest method.

#### **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**

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.

#### **Provisions and contingencies**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Contingent Liabilities arise as a result of past events when it is not probable that there will not be an outflow of resources, cannot be reliably measured, or existence will be confirmed by events not within the group's control. Contingents liabilities are not disclosed if the probability of an outflow of resources is remote.



## **AirTanker Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Financial instruments**

The Group and Company have chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *Financial assets*

Basic financial assets including trade and other receivables, cash and cash equivalents, and loans due from group companies that are classified as debt are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss account.

##### *Financial liabilities*

Basic financial liabilities, including trade and other payables, and bank loans, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method (see below for the impacts of IBOR reform).

Fees paid on the establishment of loan facilities are recognised as transaction costs and amortised over the life of the loan.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### *Derivative financial instruments*

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value, including adjustment for own credit risk.

Changes in the fair value of derivatives are recognised in the profit or loss account in finance costs or finance income as appropriate, unless they are included as a hedging arrangement.

##### *Hedging arrangements*

The Group has adopted 'Amendments to FRS 102 - Interest rate benchmark reform (phase 1)' issued in September 2019 and will adopt from the effective transition date (February 21, 2022) 'Amendments to FRS 102 - Interest rate benchmark reform (phase 2)' issued in December 2020 with effect from 1 January 2021. These amendments enable the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as risk free rates or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

## **AirTanker Holdings Limited**

### **Notes to the financial statements**

#### **for the year ended 31 December 2021 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### *Hedging arrangements (continued)*

In accordance with the transition provisions, the amendments have been adopted retrospectively for hedging relationships that existed at the start of the reporting period or were designated thereafter. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

The phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have had the effect that IBOR reform did not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continued to be recorded in the profit and loss account. Furthermore, the amendments set out triggers for when the reliefs would end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The phase 2 amendments will apply from 21 February, 2022, and address issues arising during interest rate benchmark reform, including specifying when the phase 1 amendments ceased to apply, when hedge designations and documentation were to be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

AirTanker will update its hedge documentation to reflect a new hedge designation: to redefine the hedged risk to reference Sterling Overnight Indexed Average (SONIA) and likewise redefine the description of the hedging instruments and the hedged items. These amendments to the hedge documentation do not require AirTanker to discontinue its hedge relationships due to the hedge accounting reliefs under phase 2.

As the change impacts the hedged item and risk in a cash flow hedge, the hypothetical derivative has also been amended at this point to reflect the RFR. The hedged items and instrument were revalued to fair value calculated by reference to the new benchmark rate and the cash flow hedge reserve was also re-measured to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. Any ineffectiveness would be recognised in the income statement however as the amendments have been made on an economically equivalent basis, no ineffectiveness has arisen.

##### *Long term debt*

The phase 2 amendments require that, for financial instruments measured using amortised cost, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. This practical expedient will be applied (from the effective date of transition, 21 February 2022) only in relation to changes that were required by interest rate benchmark reform, where the changes were necessary as a direct consequence of those reforms and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

##### **Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current risk-free market rate and the risks inherent in the asset.

## **AirTanker Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Impairment of non-financial assets (continued)**

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable are shown within borrowings in current liabilities.

Where conditions exist over the future use of cash and cash equivalents, this is disclosed in the cash flow statement.

##### **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.

##### **Related party disclosures**

The Company has taken advantage of the exemptions available under section 33.1(a) of FRS 102 and has therefore not disclosed any transactions with 100% owned subsidiary undertakings within the AirTanker Holdings Limited Group of companies.

##### **Dividends**

Dividends are recorded in the Company's financial statements in the periods in which they are paid and received.

##### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax from the proceeds.

## **AirTanker Holdings Limited**

### **Notes to the financial statements**

#### **for the year ended 31 December 2021 (continued)**

#### **4 Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on experience of the sector and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **(a) Key accounting estimates and assumptions**

###### **(i) Impairment of tangible assets**

The Group considers whether tangible assets are impaired. Where an indication of impairment is identified the estimation of the recoverable value requires estimation. Under the current situation of a long term revenue contract in place, there is not considered to be a risk of recovery of the value of the asset.

###### **(ii) Derivative valuations**

Valuations of the interest rate swaps including an adjustment for own credit risk. These valuations are made based on management's best estimate of the fair value, as derived from market data as applied to the agreed upon hedging programme.

###### **(iii) Residual value of assets**

Depreciation is charged at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life. Residual value is assessed to be 5% of cost, and reflects management's best estimate of the value of these assets at the end of the Concession Contract.

###### **(iv) Margin on project revenues**

Revenue on long term projects is recognised on a cost plus percentage margin basis. The project modelling is reviewed at the beginning and on an annual basis to reflect changes in the profitability and recognised if any changes are necessary.

#### **5 Turnover**

The turnover of the company in the year was derived from revenue for operating the aircraft, revenue for expanding the service, and revenue from engineering studies undertaken in the United Kingdom. The revenues that relate to operating the delivered aircraft and related services amounted to £430,667,000 (2020: £419,745,000), the revenues that relate to service expansion amounted to £9,936,000 (2020: £16,121,000), and revenues relating to other ancillary services amounted to £1,435,000 (2020: £3,216,000). During the year AirTanker Limited has collected additional services revenue of £11,420,000 (2020: £8,323,000).

During the year, the Company has collected recharged expenses on behalf of ATrS of £3,740,000 (2020: £6,039,000) from the Ministry of Defence for which the company does not hold the risks and rewards. These revenues have been passed directly onto related parties with no margin applied.

#### **6 Administrative expenses**

Bid costs totalling £54,269,000 (2020: £54,269,000) have been deferred as an intangible asset and are being amortised over the contract (26 years). Amortisation of £2,015,000 (2020: £2,015,000) has been charged to administrative expenses in the year, whilst a balance of £26,532,000 (2020: £28,547,000) remains unamortised at the year end.

**AirTanker Holdings Limited****Notes to the financial statements  
for the year ended 31 December 2021 (continued)****7 Operating profit**

The operating profit is stated after charging:

	<b>Year ended 31 December 2021 £'000</b>	<b>Group Year ended 31 December 2020 £'000</b>
Operating lease rentals	110	167
Depreciation of tangible fixed assets (Note 11)	133,297	133,297
Amortisation of deferred bid costs (Note 6)	2,015	2,015
Exchange losses	3	14
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	81	74
Tax services - compliance	-	45
Tax services – advisory	-	20
Other services - advisory fees	-	25
Other services - Group reporting requirements	38	30

# AirTanker Holdings Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 8 Net interest expense

#### (a) Interest receivable and similar income

	Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
Bank interest and similar income	-	774

#### (b) Interest payable and similar expenses

	Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
Bank interest	(114,352)	(119,631)
Bank and other charges	(10)	(10)
Amortisation of debt issue costs	(1,584)	(1,648)
Interest payable on loans from shareholders	(14,153)	(14,899)
	(130,099)	(136,186)

#### (c) Net interest expense

	Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
Interest receivable and similar income	-	774
Interest payable and similar expenses	(130,099)	(136,186)
Net interest expense	(130,099)	(135,412)

**AirTanker Holdings Limited****Notes to the financial statements****for the year ended 31 December 2021 (continued)****9 Tax on profit / (loss)****(a) Tax on profit / (loss)**

		Group
	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
<b>Current year tax</b>		
UK Corporation tax in respect of the year	6,227	3,267
Adjustments in respect of prior years	(154)	-
<b>Total current tax charge</b>	<b>6,073</b>	<b>3,267</b>
<b>Deferred tax</b>		
Impact of change in deferred tax rate	35,321	13,322
Origination and reversal of timing differences	(4,195)	(4,225)
Adjustments in respect of prior years	27	-
<b>Total deferred tax charge</b>	<b>31,153</b>	<b>9,097</b>
<b>Tax charge on profit / (loss)</b>	<b>37,226</b>	<b>12,364</b>

## AirTanker Holdings Limited

### Notes to the financial statements

#### for the year ended 31 December 2021 (continued)

#### 9 Tax on profit / (loss) (continued)

##### (b) Reconciliation of tax charge

Tax assessed in the year is higher (2020: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19.00% (2020: 19.00%). The differences are explained below:

	Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
Profit / (loss) before taxation	9,370	(7,812)
Profit / (loss) multiplied by the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,780	(1,484)
Effects of		
Change in deferred tax rates	35,360	13,322
Adjustments in respect of prior years	(127)	144
Disallowable expenses	213	382
Total tax charge for the financial year	37,226	12,364

On 10 June 2021, the UK Government enacted the 2021 Budget, increasing the Corporation Tax rate to 25% from 1 April 2023.

The majority of deferred tax assets and liabilities of the Group have been calculated based on these assets and liabilities reversing at 25% as this rate has been substantively enacted at the Balance Sheet date. Comparatives include deferred tax recognised at 19%.



**AirTanker Holdings Limited**

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**9 Tax on (loss) / profit (continued)**

**(c) Deferred tax**

	2021	2020
Deferred tax	£'000	£'000
Deferred tax liability:		
Accelerated capital allowances	(371,635)	(298,038)
	(371,635)	(298,038)
Deferred tax assets:		
Cash flow hedge reserve	104,342	122,316
Losses	218,440	175,996
	322,782	298,312

Disclosed in the balance sheet as:

Deferred tax liabilities	(140,056)	(96,588)
Deferred tax assets	91,202	96,862

The deferred tax expense / (income) in the Group profit and loss account and cash flow hedge reserve is as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Accelerated capital allowances	73,597	23,815
Losses	(42,444)	(14,718)
Deferred tax charge taken to profit and loss account	31,153	9,097
Deferred tax (credit) relating to change in deferred tax rate	(21,310)	(12,042)
Deferred tax debit / (credit) from movements in current year	39,284	(7,914)
Deferred tax debit / (credit) to the statement of comprehensive income	17,974	(19,956)

## **AirTanker Holdings Limited**

### **Notes to the financial statements**

#### **for the year ended 31 December 2021 (continued)**

#### **9 Tax on (loss) / profit (continued)**

##### **(c) Deferred tax**

The deferred tax assets recognised by the Group are expected to be fully utilised by 2035. A large proportion of the deferred tax assets are recognised based on them being offset against the deferred tax liability in respect of accelerated capital allowances on the basis that these deferred tax assets will be utilised as the deferred tax liability unwinds. This proportion of the deferred tax asset has been offset against the deferred tax liability on the face of the balance sheet.

The remaining portion of the deferred tax asset is being recognised on the basis that these losses will be consumed by future taxable profits. This has therefore not been offset against the deferred tax liability and has been recognised separately on the face of the balance sheet.

#### **10 Employees 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 £1,080,000 (2020: £1,016,000) to related parties reflecting secondment recharges in relation to the services performed by certain directors.

The highest secondment recharge relating to a director amounted to £675,000 (2020: £520,000). 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 2021 (continued)**

**11 Group tangible fixed assets**

	<b>Buildings</b>	<b>Training establishment &amp; associated assets</b>	<b>Aircraft &amp; associated assets</b>	<b>Total tangible fixed assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 January 2021	94,759	108,089	2,719,704	2,920,552
At 31 December 2021	94,768	108,089	2,719,704	2,920,562
<b>Accumulated Depreciation</b>				
At 1 January 2021	36,492	40,427	835,092	912,011
Charge for the financial year	4,089	4,608	124,600	133,297
At 31 December 2021	40,581	45,035	959,692	1,045,308
<b>Net Book Value</b>				
At 31 December 2021	54,178	61,054	1,760,012	1,875,244
At 31 December 2020	58,267	65,662	1,884,612	2,008,541

## AirTanker Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 11 Tangible fixed assets (continued)

Interest costs have been capitalised based on the actual net rate of interest incurred on capital funding of 5.9435%, representing LIBOR plus 1.00% on the senior debt net of the impact of the interest rate swap. Total interest capitalised within tangible fixed assets amounts to £325,060,000 (2020: £325,060,000). All fixed assets have been pledged as security against the senior debt obtained from the syndicate of banks.

##### Company

The Company held no tangible fixed assets (2020: £nil).

#### 12 Intangible assets

	Group £'000	Company £'000
<b>Cost at 1 January and 31 December 2021</b>	<b>54,269</b>	<b>-</b>
<b>Accumulated amortisation</b>		
At 1 January 2021	(25,722)	-
Charge for the year	(2,015)	-
<b>At 31 December 2021</b>	<b>(27,737)</b>	<b>-</b>
<b>Net book value</b>		
<b>At 31 December 2021</b>	<b>26,532</b>	<b>-</b>
<b>At 31 December 2020</b>	<b>28,547</b>	<b>-</b>

#### 13 Investments

Company	£'000
<b>At 1 January 2021 and 31 December 2021</b>	<b>45,679</b>

The subsidiary undertakings at 31 December 2021 in which the Company had a direct holding 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

Both subsidiaries share the same registered office as AirTanker Holdings Limited. The directors believe that the carrying value of investments is supported by their underlying net assets and future cash flows.

## AirTanker Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 14 Debtors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	87	1,475	-	-
Other debtors	135	175	-	-
Corporation tax	340	-	-	-
Prepayments and accrued income	45,947	45,047	-	-
	46,509	46,697	-	-

There is no balance (2020: £12,000) relating to receivables due from related parties as disclosed in Note 24.

#### 15 Debtors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts owed by Group undertakings	-	-	197,105	197,918

Amounts owed by Group undertakings consists of an intercompany loan balance of £197,105,000 (2020: £197,918,000) including £3,595,000 (2020: £3,478,000) accrued interest due from AirTanker Finance Limited. This loan is unsecured and attracts interest at LIBOR plus 7.01% per annum to 31 March 2022. The intercompany loan will be repaid in full by March 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 2021 (continued)

#### 16 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans	98,931	92,536	-	-
Trade creditors	28,645	15,667	-	-
Corporation tax creditor	-	130	-	-
Accruals and deferred income	54,838	62,324	-	-
	182,414	170,657	-	-

Included in trade creditors and accruals is £52,520,000 inclusive of VAT (2020: £37,834,000) relating to payments due to related parties as disclosed in Note 24.

Bank loans included within creditors falling due within one year relate to accrued interest, the current portion of unamortised issue costs and current debt repayments.

#### 17 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans	1,766,307	1,859,321	-	-
Shareholder loan notes	196,880	197,727	196,880	197,727
	1,963,187	2,057,048	196,880	197,727

The amounts owed to shareholder undertakings at 31 December 2021 consists of loan notes of £196,880,000 (2020: £197,727,000) including £3,586,000 (2020: £3,470,000) of accrued interest which is unsecured, 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 respectively.

The Group incurred issue costs totalling £29,763,000 in 2008 which are being amortised over the life of the loan. The unamortised issue costs relating to the senior debt loans are netted off the liability and amount to £8,928,000 (2020: £10,438,000) in Note 17, and £1,510,000 (2020: £1,584,000) in Note 16.

## AirTanker Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

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

##### Maturity of financial liabilities

The balances below are bank loans and shareholder loan notes only; all other balances are due in less than one year.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
In one year or less, or on demand	100,515	94,119	-	-
In more than one but less than five years	479,276	433,776	-	-
In more than five years	1,492,766	1,633,710	196,880	197,727
	2,072,557	2,161,605	196,880	197,727
Unamortised issue costs	(10,439)	(12,022)	-	-
	2,062,118	2,149,583	196,880	197,727

##### IBOR reform

Following the global financial crisis of 2007-08 and the resulting reform and replacement of benchmark rates such as IBOR, including LIBOR, the UK Financial Conduct Authority advised market participants that they needed to have removed dependencies on LIBOR in existing contracts by 31 December 2021.

During 2019 the Board established a GBP LIBOR transition project plan. This transition project considered changes to the lender and swap agreements, processes, risk management and valuation models, as well as managing any related tax and accounting implications. As noted in the Strategic Report on page 2, at 31 December 2021, revised terms have been agreed between AirTanker Finance Limited, AirTanker Holdings Limited and the external swap and debt counterparties, and new rates will be effective for the September 2022 interest payments. The terms of the on-loans from AirTanker Holdings Limited to AirTanker Finance Limited reference the relevant external agreements and hence changes to rates are mirrored in the inter-company on-loans.

For the debt, the LIBOR limb of the interest rate calculation will be replaced by SONIA, compounded in arrears plus a credit adjustment spread of +0.2766%. This follows the Loan Markets Association's Recommended Form as published in June 2021, with the credit adjustment spread being calculated as the historical 5-year median of the observed spread between LIBOR and risk free rates calculated on 5 March 2021. This is designed to provide equivalence between the two bases.

To ensure that the interest rate swaps continue provide a highly effective hedge relationship, the floating rate limb under the interest rate swaps has been amended to match the revised terms of the Senior Loans.

# AirTanker Holdings Limited

## Notes to the financial statements

### for the year ended 31 December 2021 (continued)

#### 18 Loans and other borrowings

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loan - Senior loans	1,855,865	1,938,808	-	-
Bank loan - Mezzanine loans	19,812	25,070	-	-
Shareholder loan notes	196,880	197,727	196,880	197,727
	2,072,557	2,161,605	196,880	197,727

#### Senior loans

Senior debt totals £1,855,865,000 (2020: £1,938,808,000) including £5,710,000 (2020: £5,543,000) 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, which commenced in 2017 and terminate in 2033. To 31 March 2022, senior debt attracts interest at 5.9435% representing LIBOR plus 1.05% on the senior debt, net of the impact of the interest rate swap. For the next and following six monthly interest periods the interest rate is amended to compound SONIA plus margin of 1.05% plus a credit adjustment spread of 0.2766% with the impact of the interest rate swap unchanged.

#### Mezzanine loans

Mezzanine debt totals £19,812,000 (2020: £25,070,000) including £206,000 (2020: £256,000) of interest accrued due within one year which is unsecured. The mezzanine debt is subject to repayments which commenced in 2018 and terminating in 2035. Mezzanine debt attracts interest at LIBOR plus 4% to 31 March 2022 and at compound SONIA plus margin of 4% plus a credit adjustment spread of 0.2766 % thereafter.



# AirTanker Holdings Limited

## Notes to the financial statements

### for the year ended 31 December 2021 (continued)

#### 19 Derivative financial instruments

	2021		Group 2020	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate swaps – cash flow hedge	-	459,254	-	667,438
	-	459,254	-	667,438
Current portion	-	-	-	-
Non - current portion	-	459,254	-	667,438
	-	459,254	-	667,438

#### Interest rate swap

The Group has entered into interest rate swap agreements to hedge the Group's exposure to interest rate movement on the senior debt loan which expires in 2033. A fixed rate of 5.9435% applies to all amounts drawn under the senior debt loan since its inception. The interest rate swaps convert the borrowings from variable rates to the fixed rate above. As detailed in note 17 above, a project completed on 21 February 2022 to amend the swap agreements as a direct consequence of the IBOR reforms. The new basis for the swaps is to be SONIA plus a credit adjustment spread of +0.2766% and is designed to be equivalent to the previous base.

The fair value of the swaps including accrued interest at the year-end is £459,254,000 liability (2020: £667,438,000 liability) including an adjustment for own credit risk. Fair value is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the interest rate swaps are the forward SONIA rates.

Cash flows on the senior debt are paid every six months in March and September until March 2033. During the year, a hedging gain of £115,499,000 (2020: loss of £127,462,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap. £91,262,000 (2020: £85,811,000) was re-classified from the hedge reserve to the profit and loss account.

#### Company

The company does not have any derivative financial instruments (2020: nil).

**AirTanker Holdings Limited****Notes to the financial statements****for the year ended 31 December 2021 (continued)****20 Dividends**

	Group and Company	
	2021	2020
	£'000	£'000
<b>Equity – Ordinary</b>		
Interim dividend paid	16,000	-
Final dividend paid	-	76,657
<b>Total dividends paid</b>	<b>15,000</b>	<b>76,657</b>

Dividend per share was 32.87p per share (2020: 168.00p per share). The interim dividend was paid on 27 April 2021.

There is no final dividend proposed for the year ended 31 December 2021.

**21 Called up share capital**

	Group and Company	
	2021	2020
	£'000	£'000
<b>Authorised</b>		
45,629,001 ordinary shares of £1 each (2020: 45,629,001 ordinary shares of £1 each)	45,629	45,629
<b>Issued, called up and fully paid</b>		
45,629,001 ordinary shares of £1 each (2020: 45,629,001 ordinary shares of £1 each)	45,629	45,629

There is a single class of ordinary shares. There are no constraints on the distribution of dividends and the repayment of capital associated with the ordinary share capital.

**AirTanker Holdings Limited****Notes to the financial statements****for the year ended 31 December 2021 (continued)****22 Note to the cashflow statement**

	2021 £'000	2020 £'000
<b>Loss after tax for the financial year</b>	<b>(27,856)</b>	<b>(20,176)</b>
Tax on profit / (loss) before tax	37,226	12,364
Net interest expense (Note 8c)	130,099	135,412
<b>Operating profit</b>	<b>139,469</b>	<b>127,600</b>
Amortisation of bid costs (Note 6)	2,015	2,015
Depreciation (Note 11)	133,297	133,297
Decrease / (increase) in debtors	886	(387)
Increase in creditors	5,136	17,488
<b>Increase in cash from operating activities</b>	<b>280,803</b>	<b>280,013</b>

**23 Capital and other commitments**

At 31 December 2021, the Group has minimum lease payments under non-cancellable operating leases to be paid as follows:

	<b>Buildings</b>	
	2021 £'000	2020 £'000
Less than one year	121	128
Greater than one year	35	142

At 31 December 2021, the Company had no lease payments under non-cancellable operating leases outstanding.

## **AirTanker Holdings Limited**

### **Notes to the financial statements**

#### **for the year ended 31 December 2021 (continued)**

#### **24 Related party disclosures**

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

In the year, the UK MoD contracted the Group to carry out modifications to the aircraft. The Group consequently contracted both Airbus Defence and Space SAU, Thales SA and AirTanker Services Limited, directly and indirectly, to provide services and support relating to this. The direct value of work completed is included in the listing below.

##### **Transactions with Airbus SE and subsidiaries**

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

Airbus SE received £413,000 (2020: £413,000) from the Group for their Liquidity Facility Fee which came into effect at Introduction to Service ("ITS") and is provided to support the banking facilities of AirTanker Services Limited. Cumulatively, £nil (2020: £nil) was unpaid at the year end.

Airbus SE received £236,000 (2020: £236,000) from the Group for their Termination Facility Fee which came into effect at Full Service Date ("FSD") and is provided to support the replacement of AirTanker Services Limited in the event of default. Cumulatively, £nil (2020: £nil) was unpaid at the year end.

Entities within the Airbus SE seconded senior staff to the Group in the financial year under review amounting to £2,096,000 (2020: £1,460,000). Cumulatively, £863,000 (2020: £1,458,000) was unpaid at the year end.

Airbus Defence and Space SAU provided services in relation to aircraft modifications on behalf of the UK MoD's requirements of £2,447,000 (2020: £10,477,000), of which £2,000 (2020: £1,458,000) remains outstanding at the year end.

No recharges have been made (2020: £nil) to Airbus SE for costs incurred on their behalf in respect of this programme in the year. Nil (2020: £12,000) remains unpaid at the year end from the prior year.

##### **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 are based and maintained.

Billings to the Group for these services amounted to £155,965,000 (2020: £166,404,000) for the year under review. Cumulatively, £48,410,000 (2020: £35,902,000) was unpaid at the year end. Furthermore, recharged expenses of £nil (2020: £nil) were charged to AirTanker Services in the year, of which £nil (2020: £nil) was due to AirTanker Limited from AirTanker Services Limited at the balance sheet date. £5,000 (2020: £15,000) was recharged from AirTanker Services to AirTanker Limited and £nil (2020: £15,000) was outstanding at the balance sheet date.

## **AirTanker Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **24 Related party disclosures (continued)**

##### **Transactions with AirTanker Services Limited (continued)**

During the year, the Group leased aircraft to AirTanker Services Limited. In the year under review, £nil (2020: £2,958,000) of dry lease payments were due to AirTanker Limited from AirTanker Services Limited. Cumulatively, £nil (2020: £nil) was unpaid at the year end. This is to be returned to AirTanker Services Limited under the rebate mechanism. There was £nil unpaid at the year-end (2020: £3,994,000). The Group charged AirTanker Services Limited for aircraft maintenance related to leasing use. In the year, there was £402,000 (2020: £351,000) paid by AirTanker Services and £35,000 (2020: 81,000) unpaid at the year end. In the year, the Group returned to AirTanker Services Limited a total of £nil (2020: £nil) for maintenance services relating to commercially leased aircraft and there is £1,610,000 (2020: £1,328,000) to be returned to AirTanker Services.

In the year, the Group has paid AirTanker Services £3,249,000 (2020: £7,201,000) for project milestones with £458,000 (2020: £878,000) remaining outstanding at the year end. These payments relate to work completed directly by AirTanker Services Limited and other suppliers, via AirTanker Services Limited.

##### **Transactions with Rolls-Royce plc**

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

Rolls-Royce plc received £nil (2020: £329,000) from the Group for their Liquidity Facility Fee which came into effect at ITS and is provided to support the banking facilities of AirTanker Services Limited. Cumulatively, £55,000 (2020: £nil) was unpaid at the year end.

Rolls-Royce plc received £nil (2020: £188,000) from the Group for their Termination Facility Fee which came into effect at FSD and is provided to support the replacement of AirTanker Services Limited in the event of default. Cumulatively, £47,000 (2020: £nil) was unpaid at the year end.

##### **Transactions with Babcock Southern Holdings Limited**

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

Babcock Southern Holdings Limited received £329,000 (2020: £329,000) from the Group 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 (2020: £nil) was unpaid at the year end.

Babcock Southern Holdings Limited received £188,000 (2020: £179,000) from the Group for their Termination Facility Fee which came into effect at FSD and is provided to support the replacement of AirTanker Services Limited in the event of default. Cumulatively, £nil (2020: £nil) was unpaid at the year end.

##### **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 £346,000 (2020: £313,000) from the Group 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 (2020: £3,000) was unpaid at the year end.

Thales SA received £188,000 (2020: £188,000) from the Group for their Termination Facility Fee which came into effect at FSD and is provided to support the replacement of AirTanker Services Limited in the event of default. Cumulatively, £nil (2020: £nil) was unpaid at the year end.

## **AirTanker Holdings Limited**

### **Notes to the financial statements**

#### **for the year ended 31 December 2021 (continued)**

#### **24 Related party disclosures (continued)**

##### **Loan Notes**

In 2013, 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.

Shareholders in year received £15,000,000 (2020: £25,000,000) as a payment of interest on the outstanding loan notes.

The loan notes relating to Rolls-Royce plc and Babcock Southern Holdings Limited will be acquired by Equitix Jupiter BidCo Limited in proportion with their updated shareholding.

See Note 10 for disclosure of the directors' remuneration.

#### **25 Ultimate parent undertaking and controlling party**

At the year end, AirTanker Holdings Limited's ordinary share capital was jointly owned in the following proportions by Airbus Group SE (46.1%), Rolls-Royce plc (23.1%), Thales UK Limited (15.4%) and Babcock Southern Holdings Limited (15.4%).

Following completion of the sale of the shareholdings of Rolls-Royce plc and Babcock Southern Holdings Limited to Equitix Jupiter BidCo Limited on 9 February 2022, AirTanker Holdings Limited's ordinary share capital was jointly owned in the following proportions by Airbus Group SE (46.1%), Equitix Jupiter BidCo Limited (38.5%), and Thales UK Limited (15.4%). In the opinion of the directors there is no ultimate controlling party.