

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

Registered number 06279732

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AirTanker Finance Limited

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AirTanker Finance Limited

Directors and advisors

Directors

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

Alternate directors

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

Company secretary

Elizabeth Jane Barry

Registered office

6th Floor
One London Wall
London
EC2Y 5EB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

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

AirTanker Finance Limited

Report of the directors for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities

The principal activity of the company during the financial year was that of a financing company whereby third party debt raised by the company was transferred to AirTanker Limited (a fellow subsidiary company) to support its activities in delivering the Future Strategic Transport Aircraft (FSTA) project for the UK Ministry of Defence. The FSTA project consists of the acquisition, conversion and maintenance of 14 aircraft with air to air refuelling and air transport capabilities. The contract for FSTA commenced on 27 March 2008 and is scheduled to end in 2035.

Business review and future developments

Additional senior debt drawdowns amounting to £383,136,000 (2010: £415,512,000) were made during the current financial year to fund further construction and development activities.

Results and dividends

The company's profit for the financial year was £14,000 (2010: £10,000). The directors do not propose a final dividend for the year ended 31 December 2011 (2010: £nil).

Directors

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

Directors

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

Alternate directors

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

AirTanker Finance Limited

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

Going Concern

The company has net assets as at 31 December 2011, however, the company's receivables due from AirTanker Limited are dependent on the performance and position of AirTanker Limited. The directors have prepared the company financial statements on the going concern basis. In line with the current contractual circumstances of the AirTanker Holdings Limited group, a financial model covering the period up to the end of the FSTA contract with the MoD (27 years) has been produced. From a review of this model and the financial obligations of the company and AirTanker Holdings Limited group in the foreseeable future, the directors have a reasonable expectation that the company and the AirTanker Holdings Limited group will generate positive cash flows and profits over the life of the contract and that the company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure of information to auditors

In the case of each director in office at the date the report of the directors is approved under Section 418 of the Companies Act 2006, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AirTanker Finance Limited

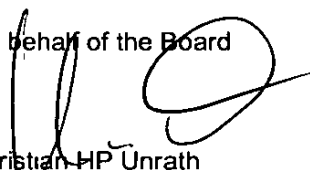
Report of the directors for the year ended 31 December 2011 (continued)

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

On behalf of the Board



Christian HP Ünraht
Director
13 March 2012

Independent auditors' report to the members of AirTanker Finance Limited

We have audited the financial statements of AirTanker Finance Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report of the directors and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

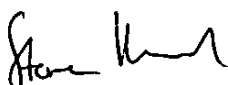
In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies' exemption in preparing the report of the directors



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

16 March 2012

AirTanker Finance Limited

Profit and loss account for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Operating profit	2	-	-
Interest receivable and similar income	3	35,574	24,963
Interest payable and similar charges	4	(35,560)	(24,953)
Profit on ordinary activities before taxation		14	10
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	11	14	10

All of the company's results are derived from continuing operations in the United Kingdom

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

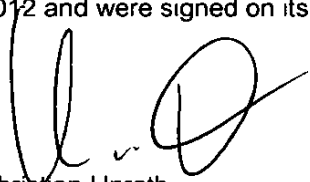
There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

AirTanker Finance Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Current assets			
Debtors including £1,652,417,000 (2010 £1,259,934,000) due after more than one year	6, 7	1,660,004	1,264,610
Cash at bank and in hand		56	56
		1,660,060	1,264,666
Creditors amounts falling due within one year	8	(7,587)	(4,676)
Net current assets		1,652,473	1,259,990
Creditors: amounts falling due after more than one year	9	(1,652,385)	(1,259,916)
Net assets		88	74
Capital and reserves			
Called up share capital	10	50	50
Profit and loss account	11	38	24
Total shareholders' funds	12	88	74

The financial statements on pages 7 to 15 were approved by the Board of directors on 13 March 2012 and were signed on its behalf by


Christian Unrath
Director


Phillip Blundell
Director

AirTanker Finance Limited

Registered number 06279732

AirTanker Finance Limited

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

1 Accounting policies

Basis of preparation

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

Transactions and balances entitled "fellow group undertakings" relates to AirTanker Holdings Limited, and transactions and balances entitled "group undertakings" relates to AirTanker Limited.

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

Going Concern

The company has net assets as at 31 December 2011, however, the company's receivables due from AirTanker Limited are dependent on the performance and position of AirTanker Limited. The directors have prepared the company financial statements on the going concern basis. In line with the current contractual circumstances of the AirTanker Holdings Limited group, a financial model covering the period up to the end of the FSTA contract with the MoD (27 years) has been produced. From a review of this model and the financial obligations of the company and AirTanker Holdings Limited group in the foreseeable future, the directors have a reasonable expectation that the company and the AirTanker Holdings Limited group will generate positive cash flows and profits over the life of the contract and that the company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) – Cash flow statements the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company qualifies as a small entity as defined in section 382 of the Companies Act 2006.

Finance and issue costs

All finance and issue costs (excluding interest costs) which are directly attributable to the debt facilities have been borne by a fellow subsidiary company, AirTanker Limited and not recharged to the company.

Related party disclosures

As the company is a wholly owned subsidiary of AirTanker Holdings Limited, the Company has taken advantage of the exemptions contained within Financial Reporting Standard 8, Related Party Disclosures, and has therefore not disclosed any transactions with 100% owned subsidiary undertakings within the AirTanker Holdings Limited group of companies.

AirTanker Finance Limited

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

2 Operating profit

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

None of the directors received any emoluments paid directly from the company in either the current or previous year. The secondment costs recharged from EADS for services performed by Phillip Blundell and Christian Unrath in their capacity as directors are disclosed in the AirTanker Limited financial statements. No amounts were recharged to AirTanker Finance Limited on the basis of the limited time spent undertaking these roles.

The company audit fee of £5,000 (2010: £5,000) was borne by AirTanker Limited and not recharged. There were no non-audit services provided to the company in the financial year (2010: £nil).

3 Interest receivable and similar income

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interest receivable from group undertakings	35,574	24,963

4 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Bank interest	(26,226)	(16,320)
Interest payable to fellow group undertakings	(9,334)	(8,633)
	(35,560)	(24,953)

Finance costs (excluding interest costs) relating to the senior debt facility and mezzanine debt facility have been incurred by AirTanker Limited and not recharged to the company.

AirTanker Finance Limited

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

5 Tax on profit on ordinary activities

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Current tax - UK corporation tax	-	-
Deferred tax	-	-
Tax on profit on ordinary activities	-	-

The corporation tax payable for the financial year has been reduced by £4,000 (2010 £3,000) because of group relief received from a fellow group undertaking, AirTanker Holdings Limited

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

Factors affecting the tax charge for the financial year

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Profit on ordinary activities before taxation	14	10
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	4	3
Effects of		
Group relief to be claimed from fellow group subsidiary for £nil consideration	(4)	(3)
Total current tax charge for the year	-	-

There is no recognised or unrecognised deferred tax in both the current financial year and prior financial year

During the year, the UK main corporation tax rate was reduced to 26% and which was substantively enacted on 29 March 2011 and that will be effective from 1 April 2011, and a reduction to 25% was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012. There is no impact on the financial statements of AirTanker Finance Limited.

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

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

AirTanker Finance Limited

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

6 Debtors: amounts falling due within one year

	2011	2010
	£'000	£'000
Amounts owed by group undertakings	7,587	4,676

Amounts owed by group undertakings represent accrued loan interest due from AirTanker Limited, are unsecured and have fixed dates of repayment (Note 7)

7 Debtors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Amounts owed by group undertakings	1,652,417	1,259,934

Amounts due from group undertakings at 31 December 2011 consists of an intercompany loan of £124,306,000 (2010 £114,971,000) including £2,445,000 (2010 £2,262,000) rolled up interest and a senior debt loan of £1,535,698,000 (2010 £1,149,639,000) including £7,587,000 (2010 £4,676,000) accrued interest included within "debtors falling due within one year", both due from AirTanker Limited. Amounts owed by group undertakings are unsecured. The intercompany loan is due for repayment by March 2035 and the senior debt has fixed dates of repayment commencing in 2017 and terminating in 2033 and attract interest at 7.961% per annum (intercompany loan) and LIBOR plus 1.001% plus mandatory costs per annum (senior debt).

Interest on the intercompany loan is rolled onto the principal every six months on 31 March and 30 September respectively.

8 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Accruals and deferred income	(7,587)	(4,676)

AirTanker Finance Limited

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

9 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Bank loans	(1,528,083)	(1,144,948)
Amounts owed to fellow group undertakings	(124,302)	(114,968)
	(1,652,385)	(1,259,916)

Maturity of financial liabilities

	2011	2010
	£'000	£'000
In one year or less, or on demand	-	-
In more than one but less than five years	(124,302)	(114,968)
In more than five years	(1,528,083)	(1,144,948)
	(1,652,385)	(1,259,916)

Bank loans at 31 December 2011 consist of senior debt totalling £1,535,670,000 (2010 £1,149,624,000) including £7,587,000 (2010 £4,676,000) interest accrued within one year which is secured via fixed and floating charges over the assets and shares of the company, AirTanker Limited and AirTanker Holdings Limited, and attracts interest at LIBOR plus 1.0% plus mandatory costs per annum. Senior debt is subject to repayment on fixed dates commencing in 2017 and terminating in 2033.

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

AirTanker Finance Limited

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

10 Called up share capital

	2011	2010
	£'000	£'000
Authorised		
50,000 ordinary shares of £1 each (2010 50,000 ordinary shares of £1 each)	50	50
Allotted and fully paid		
50,000 ordinary shares of £1 each (2010 50,000 ordinary shares of £1 each)	50	50

11 Profit and loss account

	£'000
At 1 January 2011	24
Profit for the financial year	14
At 31 December 2011	38

12 Reconciliation of movement in total shareholders' funds

	2011	2010
	£'000	£'000
Profit for the financial year	14	10
Net increase to total shareholders' funds	14	10
Opening total shareholders' funds	74	64
Closing total shareholders' funds	88	74

AirTanker Finance Limited

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

13 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is AirTanker Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. AirTanker Holdings Limited is the smallest and largest group to consolidate the results of the company. Copies of AirTanker Holdings Limited consolidated financial statements can be obtained from the company secretary at 6th Floor, 1 London Wall, London EC2Y 5EB.

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