Draken Leasing Limited
Annual report and financial statements
for the year ended 31 December 2021

Registered number 02941915

Draken Leasing Limited

Annual report and financial statements

for the year ended 31 December 2021

Contents

Draken Leasing Limited
Directors' report for the year ended 31 December 2021

The directors submit their report, together with the strategic report and audited financial statements of Draken Leasing Limited ("the Company") for the year ended 31 December 2021.

The Company trades under the name "Draken Europe" (formerly "Cobham Aviation Services"). The Company is a wholly owned subsidiary of Draken UK Bidco Limited which together with its subsidiaries forms the Draken Europe Group ("the Group"). Draken UK Bidco Limited is owned by Draken International LLC, and the wider group, being Draken International LLC and its subsidiaries (including Draken Europe) are referred to as the "Draken US Group" in this annual report and financial statements.

The Company is a private company limited by shares and is registered, incorporated and domiciled in England, number 02941915. The address of the registered office of the Company is Bournemouth Airport, Hurn, Christchurch, Dorset, BH23 6NE.

Results and dividends

The Company's results for the year are set out in the income statement on page 8 showing a loss for the financial year after tax of £30,000 (2020: profit £544,000). At 31 December 2021, the Company has net current assets of £86,000 (2020: net current liabilities of £164,000) and net assets of £854,000 (2020: £884,000).

A review of the Company's business during the year and future developments, risks and uncertainties and financial risk management are provided in the strategic report on page 4.

No dividends (2020: £6,500,000) were paid during the year as set out in note 8.

Directors

The following directors held office during the year and up to the date of signing these financial statements:

P Armstrong

R Stoate

S Harrison

The directors benefited from a Directors' and Officers' liability insurance policy which was in place during the financial year and at the date of this report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) 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 year.

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 101, 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 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.

Statement of directors' responsibilities (continued)

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.

Going concern

In considering the going concern status of the Company, the directors have also considered the going concern position of the Draken Europe Group, as it controls the resources of the entire Group (with banking cross guarantees in place) as well as the Draken US Group to the extent it applies to guarantee arrangements in place impacting the Company.

There is currently a high degree of uncertainty regarding the conflict between Russia and Ukraine and its economic repercussions. Further political or regulatory measures could have an indirect or direct impact on business operations in individual countries. The directors will continue to monitor the situation closely as it evolves, but it has had no material adverse impact to the Group at this time.

The Group continues to monitor the impact of the COVID-19 pandemic. To date, the Group has managed to maintain operational output and has not had to rely on Government support schemes, such as furloughing of employees. COVID-19 reinforces uncertainties in the global economic context and markets; the long-term impact for the Group is difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic and extent to which Government authorities decide to make budgetary changes to aid economic recovery.

When assessing the going concern status of the Group, the directors have:

- Considered the cash position of the Group, being £16.0 million as at the year-end date and £16.3 million as at May 2022;
- Reviewed the Group's cash reserves and forward-looking cashflow forecast, considering the revenues already secured by long-term contracts, the strategic forward-looking plan, including capital commitments, and applying stress tests on its cash position. Management have also considered the possible mitigations available, such as accelerated sale of superfluous aircraft and reducing capital expenditure. These have also included assuming the most severe but plausible scenarios, such as significantly reduced flying hours on contracts with variable revenue, the likely loss of a key customer contract and the impact of a further delay in securing a new contract for which committed capital expenditures are underway. In these cases, the directors have confirmed that the Group would be able to continue to operate and settle liabilities as they fall due for a period of at least 12 months through to 30 June 2023 (the "going concern period"). For cash reserves to be depleted, the Group would need to see its most significant contract terminated early, without securing utilisation of asset flying capacity with alternative customers, and failure to secure the new contract for which capital expenditures have been committed, without securing funding through an alternative external source, a combination of events which the irectors consider to be highly remote;
- Considered long-term debt. While the Group has debt obligations in the form of long-term financing from a fellow Draken entity, that funding is not due for repayment until December 2025;
- Considered the likelihood of guarantees in place of the broader Draken US Group's banking and credit facilities (note 14), to which the Company and certain subsidiaries are guarantors, being called in the going concern period. The directors are satisfied that the likelihood of these guarantees being called during this period are remote based on their understanding of the cashflow projections of the Draken US Group and the continued support provided to the Draken US Group by its shareholders.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period and the Company will be provided financial support, if required. Accordingly, they continue to adopt the going concern basis in preparing the Company's annual report and financial statements.

Draken Leasing Limited
Directors' report for the year ended 31 December 2021 (continued)

Stakeholder engagement and Section 172 Statement

The directors of a company must act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors as listed in Section 172 of the Companies Act 2006.

The principal activity of the Company is the leasing of aircraft to other group companies. As such it has no customers external to the Draken Europe Group and only a small number of external suppliers. The Company has no employees.

As a consequence, during the year, the directors have therefore had regard to the best interests of the Group as a whole when making decisions regarding the Company, as well as the rights of, and obligations to external suppliers.

Independent auditors

Ernst & Young LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

P Armstrong

Director

27 June 2022

Draken Leasing Limited
Strategic report for the year ended 31 December 2021

Business review

The results for the year and financial position at the year end are set out in the Directors' report on page 1. The principal activity of the Company was the leasing of aircraft to other group companies. As such it has no customers external to the Draken Europe Group and only a small number of external suppliers.

Future developments

The directors are confident that next year will show a satisfactory performance in line with the ordinary activities of the business. The COVID-19 pandemic which affected the UK and global economy during the year has had minimal impact on the position of the Company itself.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company only has contracts with other group companies, the principal risks relate to financial risk management set out below.

Financial risk management

The Company's operations, which continue to be the holding of assets for leasing to group companies, expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate cash flow risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

Price risk

The Company is exposed to price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The Company also monitors existing customer accounts, all of which are with other group companies, on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has available funds for operations. The Company also has access to longer term funding from its parent undertaking if required.

Interest rate cash flow risk

The Company has interest-bearing assets, which include lease assets which earn interest at a fixed rate. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to interest-free borrowings from its parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs.

On behalf of the board

P Armstrong

Director

27 June 2022

Draken Leasing Limited
Independent auditors' report to the members of Draken Leasing Limited

Opinion

We have audited the financial statements of Draken Leasing Limited for the year ended 31 December 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 Company's ability to continue as a going concern for a period until 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Draken Leasing Limited
Independent auditors' report to the members of Draken Leasing Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 1 and 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Draken Leasing Limited
Independent auditors' report to the members of Draken Leasing Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud **(continued)**

Due to the simplicity of the Company's activities, our procedures are focused as below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those relating to the reporting framework (United Kingdom Generally Accepted Accounting Practice and Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its customers, including aviation regulations, health and safety, data protection, anti-bribery and corruption.

- We understood how Draken Leasing Limited is complying with those frameworks by making enquiries with management to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing board minutes, verifying the employee policies, employee handbooks and communications with employees. We also reviewed correspondence with HMRC regarding tax compliance and legal counsel, where relevant.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering management override. Our procedures to address management override involved testing journals identified by specific risk criteria as this impacts all accounts rather than just Revenue: DLL has no Revenue for the year.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation including tax computations and returns.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ryan Squires (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
29 *June 2022*

Draken Leasing Limited
Income statement and statement of comprehensive income for the year ended 31 December 2021

	Note	2021	2020
		£000	£000
Revenue	2	**-**	1,462
Cost of sales		**(84)**	(709)
Gross (loss) / profit		**(84)**	753
Administrative expenses		**(30)**	(51)
Operating (loss) / profit		**(114)**	702
Finance income	4	**30**	49
(Loss) / profit on ordinary activities before taxation		**(84)**	751
Tax on (loss) / profit on ordinary activities	5	**54**	(207)
(Loss) / profit after taxation for the year and total comprehensive (expense) / income		**(30)**	544

All the Company's activities are classed as continuing in the current and comparative year.

Draken Leasing Limited
Balance sheet as at 31 December 2021

	Note	**2021**	2020
		£000	£000
Assets			
Non-current assets			
Property, plant and equipment	9	**-**	-
Finance lease and other receivables	10	**610**	902
Deferred tax asset	11	**158**	146
		768	1,048
Current assets			
Finance lease and other receivables	10	**334**	286
Cash and cash equivalents		**167**	1,241
		501	1,527
Liabilities			
Current liabilities			
Trade and other payables	12	**(415)**	(1,691)
Net assets		**854**	884
Equity			
Share capital	13	**-**	-
Retained earnings		**854**	884
Total equity		**854**	884

The financial statements on pages 8 to 21 were approved by the board on 27 June 2022 and were signed on its behalf by:

S Harrison

Director

27 June 2022

Draken Leasing Limited
Statement of changes in equity
for the year ended 31 December 2021

	Share capital	Retained earnings	Total equity
	£000	£000	£000
Total equity at 1 January 2020	-	6,840	6,840
Profit and total comprehensive income for the year	-	544	544
Dividends (note 8)	-	(6,500)	(6,500)
Total equity at 31 December 2020	-	**884**	**884**
Loss and total comprehensive expense for the year	-	**(30)**	**(30)**
Total equity at 31 December 2021	-	**854**	**854**

Draken Leasing Limited
Notes to the financial statements
for the year ended 31 December 2021

1. Statement of accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

During the prior year, the Company changed its name to Draken Leasing Limited.

The financial statements have been prepared on the going concern basis, under the historical cost convention unless as otherwise stated and in accordance with the Companies Act 2006 as applicable to companies applying FRS101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's 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 below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraph 10(d) and 111 of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of:
    - i. paragraph 79(a)(iv) of IAS 1 (number of shares outstanding);
    - ii. paragraph 73(e) of IAS 16, Property, plant and equipment;
- additional comparative information as required by paragraphs 38A to 38D of IAS 1, Presentation of Financial Statements;
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraph 10(f) and 40A-D of IAS 1 (prior period balance sheet following a restatement);
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a)–(c), 120–127 and 129 of IFRS 15, Revenue from Contracts with Customers;
- details of compensation of key management personnel required by paragraph 17 and 18A of IAS 24, Related Party Disclosures;
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group; and
- the requirements of paragraphs 52 and 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

In addition, as the consolidated financial statements of Draken UK Bidco Limited include the equivalent disclosures, the following exemption under FRS 101 has also been taken:

- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value are and neither held as part of a trading portfolio or derivatives.

1. Statement of accounting policies (continued)

1.2 Going concern

In considering the going concern status of the Company, the directors have also considered the going concern position of the Draken Europe Group, as it controls the resources of the entire Group (with banking cross guarantees in place) as well as the Draken US Group to the extent it applies to guarantee arrangements in place impacting the Company.

There is currently a high degree of uncertainty regarding the conflict between Russia and Ukraine and its economic repercussions. Further political or regulatory measures could have an indirect or direct impact on business operations in individual countries. The directors will continue to monitor the situation closely as it evolves, but it has had no material adverse impact to the Group at this time.

The Group continues to monitor the impact of the COVID-19 pandemic. To date, the Group has managed to maintain operational output and has not had to rely on Government support schemes, such as furloughing of employees. COVID-19 reinforces uncertainties in the global economic context and markets; the long-term impact for the Group is difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic and extent to which Government authorities decide to make budgetary changes to aid economic recovery.

When assessing the going concern status of the Group, the directors have:

- Considered the cash position of the Group, being £16.0 million as at the year-end date and £16.3 million as at May 2022;
- Reviewed the Group's cash reserves and forward-looking cashflow forecast, considering the revenues already secured by long-term contracts, the strategic forward-looking plan, including capital commitments, and applying stress tests on its cash position. Management have also considered the possible mitigations available, such as accelerated sale of superfluous aircraft and reducing capital expenditure. These have also included assuming the most severe but plausible scenarios, such as significantly reduced flying hours on contracts with variable revenue, the likely loss of a key customer contract and the impact of a further delay in securing a new contract for which committed capital expenditures are underway. In these cases, the directors have confirmed that the Group would be able to continue to operate and settle liabilities as they fall due for a period of at least 12 months through to 30 June 2023 (the "going concern period"). For cash reserves to be depleted, the Group would need to see its most significant contract terminated early, without securing utilisation of asset flying capacity with alternative customers, and failure to secure the new contract for which capital expenditures have been committed, without securing funding through an alternative external source, a combination of events which the directors consider to be highly remote;
- Considered long-term debt. While the Group has debt obligations in the form of long-term financing from a fellow Draken entity, that funding is not due for repayment until December 2025;
- Considered the likelihood of guarantees in place of the broader Draken US Group's banking and credit facilities (note 14), to which the Company and certain subsidiaries are guarantors, being called in the going concern period. The directors are satisfied that the likelihood of these guarantees being called during this period are remote based on their understanding of the cashflow projections of the Draken US Group and the continued support provided to the Draken US Group by its shareholders.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period and the Company will be provided financial support, if required. Accordingly, they continue to adopt the going concern basis in preparing the Company's annual report and financial statements.

1. Statement of accounting policies (continued)

1.3 Accounting developments

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2021. None of these had a material impact on the Company. There were no changes to previously published accounting policies or other adjustments required on the adoption of these standards, amendments and interpretations.

1.4 Management judgement and estimation uncertainty

The preparation of financial statements requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Significant judgements in applying accounting policies

There were no significant judgements that the directors made in the process of applying the Company's accounting policies which require separate disclosure in these financial statements.

Assumptions and estimation uncertainties

At the balance sheet date there were no key assumptions concerning the future or other major sources of estimation uncertainty which had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

1.5 Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year are set out below.

1.6 Revenue

Revenue is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. A five-step process must be applied before revenue can be recognised:

1. identify contracts with customers;
2. identify the separate performance obligations;
3. determine the transaction price of the contract;
4. allocate the transaction price to each of the separate performance obligations; and
5. recognise the revenue as each performance obligation is satisfied.

The company generates income through the leasing of assets to other Group companies. Accounting for lessor lease arrangements is set out in note 1.7.

1.7 Lease accounting

Where the Company acts as lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At the commencement date, the Company (as lessor) recognises assets held under a finance lease in the Balance Sheet as a receivable at an amount equal to the net investment in the lease. The net investment in the lease represents the sum of lease payments receivable by the Company under the lease contract discounted at the interest rate implicit in the lease. This is recorded as revenue at lease inception.

1. Statement of accounting policies (continued)

1.7 Lease accounting (continued)

Subsequently, finance income is recognised over the lease term so as to reflect a constant periodic rate of return on the Company's net investment in the finance lease. This is achieved by allocating the rentals received between finance income and repayment of the receivable balance.

The total gross earnings under finance leases are allocated to accounting periods so as to give a constant periodic rate of return on the net investment. Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease.

Balance sheet carrying values of finance lease receivables include amounts in respect of residual values of the leased assets. Unguaranteed residual values are subject to regular review to identify potential impairments. Provisions are made for impairment in the period they arise.

1.8 Property, plant and equipment and depreciation

Property, plant and equipment is stated at historic cost, less accumulated depreciation and any recognised impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Aircraft assets are leased (under a finance lease) to the Company's parent undertaking and were derecognised from property, plant and equipment on lease inception and recorded within cost of sales.

1.9 Current and deferred taxation

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the income statement except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also recognised in OCI or directly in equity respectively.

Current tax is provided at the amounts expected to be paid using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the periods in which the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

1.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and where the amount can be reliably measured.

No provision is recognised where the existence of an obligation is possible but will only be confirmed by uncertain future events.

1. Statement of accounting policies (continued)

1.11 Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, Financial Instruments and are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date. All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments. Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the Company's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the Company changes its business model for managing financial assets.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect - where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell - where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold-to-collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets held within a hold-to-collect-and-sell business model.

All other financial assets are held at fair value though profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment of financial assets

The Company recognises the lifetime expected credit losses at the point of initial recognition for trade receivables and contract assets (under IFRS 9). These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions and a provision matrix where appropriate.

For other financial assets, a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairments are charged to administrative expenses in the Income Statement.

Financial liabilities

Subsequent to initial recognition, financial liabilities are classified as measured at fair value through profit or loss, or at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are stated at their amortised cost, reduced when there is evidence that the Company may not be able to collect the amount due. All trade receivables which are more than six months overdue are provided for by reference to past default experience. The balance may be written off in full, generally where receivables are in excess of 12 months old. Impairments are charged to operating costs in the income statement.

2. Revenue

All sales are made in the United Kingdom and are attributable to the provision of services and the leasing of assets to fellow group undertakings.

Revenue can be analysed as follows:

	2021 **£000**	2020 £000
Lessor income	-	1,462
	-	1,462

Revenue in the prior year relates to the transfer of assets to a fellow subsidiary undertaking under a finance lease arrangement whereby the Company acts as a lessor, in accordance with IFRS 16. There are no revenues to be recognised in the current year.

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2021 **£000**	2020 £000
Auditors' remuneration for the audit of the Company's financial statements	**13**	12

Fees paid to the Company's auditors, Ernst & Young LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the non-audit fees are disclosed on a consolidated basis in the consolidated group financial statements of Draken UK Bidco Limited for the year ended 31 December 2021.

4. Finance income

	2021 **£000**	2020 £000
Bank interest receivable	-	11
Finance lease interest	**30**	38
	30	49

5. Tax on (loss) / profit on ordinary activities

Tax (credited) / charged in the income statement:

	2021	2020
	£000	£000
Current tax:		
UK corporation tax (credit) / charge on (loss) / profit for the year	**(42)**	228
Adjustment in respect of previous years	**-**	15
Total current tax (credit) / charge	**(42)**	243
Deferred tax:		
Credit for the year	**(12)**	(25)
Adjustment in respect of previous years	**-**	(11)
Total deferred tax (note 11)	**(12)**	(36)
Tax (credit) / charge on (loss) / profit on ordinary activities	**(54)**	207

The tax on (loss) / profit on ordinary activities can be reconciled to the accounting result as follows:

	2021	2020
	£000	£000
(Loss) / profit on ordinary activities before taxation	**(84)**	751
(Loss) / profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2020: 19.00%)	**(16)**	143
Effects of:		
Impact of change of corporation tax rate	**(38)**	-
Disposal of non-qualifying assets	**-**	60
Adjustment in respect of previous years	**-**	4
Total tax (credit) / charge on (loss) / profit on ordinary activities	**(54)**	207

The main rate of corporation tax has been 19% since 1 April 2017. The closing deferred tax balances have been valued at 25%. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. To help strengthen the public finances there will be an increase in the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the year end.

6. Directors' emoluments

The directors are employed by and receive emoluments from FR Aviation Limited, and act as directors for a number of legal entities within the Group. Where the individual acts as director for a number of other legal entities within the Group, no specific amounts are payable in the current or prior year in respect of directors' services supplied to the Company. Accordingly, the financial statements do not include any emoluments in respect of those directors.

7. Employee costs

The Company had no employees during the year ended 31 December 2021 (2020: none) and the Company utilises staff employed by FR Aviation Limited. These costs are not disclosed as employment costs of this Company as they are disclosed as employment costs of the employing company. The average monthly number of employees (including executive directors) employed by the Company during the year was nil (2020: nil).

8. Dividends

	2021	2020
	£000	£000
Final dividend for prior year of £nil (2020: £3,250,000) per share	-	6,500

9. Property, plant and equipment

	Aircraft, plant, and machinery
	£000
Cost	
At 31 December 2020 and 31 December 2021	3,250
Accumulated depreciation	
At 31 December 2020 and 31 December 2021	3,250
Carrying amount	
At 31 December 2020 and 31 December 2021	-

10. Finance lease and other receivables

Non-current assets:

	2021	2020
	£000	£000
Finance leases	**610**	902

Current assets:

	2021	2020
	£000	£000
Finance leases	**292**	284
Corporation tax receivable	**42**	-
Other receivables	**-**	2
	334	286

10. Finance lease and other receivables (continued)

The net investment in finance leases and hire purchase contracts comprises:

	2021	2020
	£000	£000
Total amounts receivable	**942**	1,256
Less: Interest allocated to future years	**(40)**	(70)
Total finance leases	**902**	1,186

Rentals receivable during the year under finance leases contracts amounted to £314,000 (2020: £314,000).

11. Deferred taxation

The following are the deferred tax assets recognised by the Company, and the movements thereon:

	Property, plant and equipment
	£000
At 1 January 2020	110
Credited to the income statement	36
At 31 December 2020	146
Credited to the income statement	12
At 31 December 2021	**158**

12. Trade and other payables

	2021	2020
	£000	£000
Amounts owed to fellow subsidiary undertakings	**229**	156
Corporation tax	**-**	1,436
Accruals	**186**	99
	415	1,691

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

13. Share capital

	2021	2020
	£	£
2 Ordinary shares of £1 each	**2**	2

14. Contingent liabilities

The Company is a participant in the Draken Europe group banking arrangement which includes a Bond, Guarantee and Indemnity credit facility.

The Company has issued an unlimited guarantee to support these group facilities.

On December 30, 2020, the Company's Intermediate Parent, Draken International LLC ("Draken International") secured a $140.6 million term loan (consisting of a USD loan of $84.0 million and GBP loan of £41.4 million) as well as $50.0 million Revolving Credit Facility ("RCF") with a group of lenders led by Bank of America, N.A. (the "Credit Agreement").

On 18 March 2021, the Company's parent FR Aviation Limited became a co-borrower of Draken International's $50.0 million RCF under the Credit Agreement. In addition, certain subsidiaries of FR Aviation Limited, including the Company, FR Aviation Limited, FR Aviation Services Limited, FB Leasing Limited, FB Heliservices Limited, and Draken International Limited together with FR Aviation Limited's parent entity Draken UK Bidco Limited (collectively the "UK Parties"), joined as guarantors of FR Aviation Limited's obligations under the Credit Agreement. In connection with this event, each of the UK Parties granted a first-ranking security deed over substantially all of its assets dated 18 March 2021 governed by English law in favour of Bank of America, N.A. to secure its obligations under the Credit Agreement. Certain assets, including aircraft, were excluded from the security granted. The UK Parties only guarantee the RCF to the extent it has been incurred by FR Aviation Limited. At the year end and time of approval of these financial statements, no amounts had been drawn down by FR Aviation Limited.

At the year end, Draken UK Bidco Limited (the Company's intermediate parent entity) had a promissory note with Draken Cayman, a fellow group subsidiary of the Draken US group. On 18 March 2021, the promissory note was amended and restated (now referred to as the "Note") to add certain subsidiaries of Draken UK Bidco, including of FR Aviation and the other UK Parties as guarantors. Each of the UK Parties also entered into a second-ranking security deed dated 19 March 2021 governed by English law in favour of Draken Cayman to secure their obligations under the Note. Draken Cayman's interest in this Note is pledged by it to secure certain of its intercompany debt owed by Draken International, which is turn is pledged as security by Draken International under the Credit Agreement. As such, in the event that Draken International were to default on its obligations under the Credit Agreement, the lenders may exercise rights and remedies against the UK Parties through the Note.

15. Capital commitments

The Company had no capital commitments outstanding at 31 December 2021 or 31 December 2020.

16. Immediate and ultimate parent undertakings

The Company's immediate parent undertaking at the year end was FR Aviation Limited.

At the balance sheet date, the Company's intermediate parent company Draken UK Bidco Limited was the smallest and largest group to consolidate these financial statements where consolidated financial statements are publicly available. Copies of the Draken UK Bidco Limited consolidated financial statements can be obtained from the Company Secretary at Draken UK Bidco Limited, Bournemouth International Airport, Hurn, Christchurch, Dorset BH23 6NE.

At the date of approval of these accounts, the ultimate holding company is BTO Draken Holdings III – NQ L.L.C and the ultimate controlling party is Grannus Holdings Manager – NQ L.L.C (both incorporated in the United States).

17. Events after the balance sheet date

Conflict in Ukraine

On February 24, 2022, Russia launched a military attack on Ukraine. There is currently a high degree of uncertainty surrounding the conflict between Russia and Ukraine and what the economic repercussions will be. Political or regulatory measures may have a direct or indirect impact on business activities in individual countries. The directors will continue to monitor the situation closely as it evolves, but it has had no material adverse impact to the Group at this time.