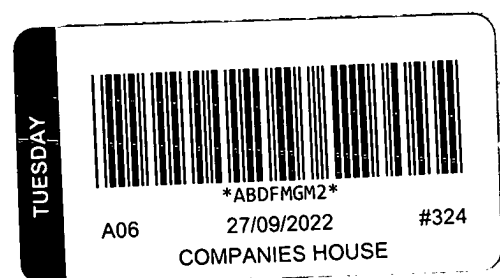


FR Aviation Limited
Annual report and financial statements
for the year ended 31 December 2021

Registered number 00845310



FR Aviation Limited

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

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FR Aviation Limited

Directors' report for the year ended 31 December 2021

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

The Company trades under the name "Draken Europe" (formerly "Cobham Aviation Services") and has a branch in the Royal Kingdom of Saudi Arabia. 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 00845310. 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 12 showing a loss for the financial year after tax of £31,409,000 (2020: loss of £30,102,000). At 31 December 2021, the Company had net assets of £30,016,000 (2020: £60,579,000). A review of the Company's business during the year and future developments, together with information on risks and uncertainties and financial risk management are provided in the strategic report on page 6.

No dividends were paid in the year (2020: dividend in specie of €6,400,000 (£5,853,000)).

Directors

The following directors held office during the year:

P Armstrong

R Stoaate

S Harrison

Lord Houghton of Richmond

Resigned 1 September 2021

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 Annual 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.

FR Aviation Limited

Directors' report for the year ended 31 December 2021

(continued)

Statement of directors' responsibilities (continued)

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.

The directors 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 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 (note 23).

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 23), 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.

FR Aviation Limited

Directors' report for the year ended 31 December 2021

(continued)

Going concern (continued)

On this basis, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Streamlined energy and carbon reporting

In compliance with UK reporting requirements (Streamlined energy and carbon reporting), the directors provide the Company's UK energy and greenhouse ("GHG") emissions data in the table below:

GHC Reporting and energy use data	2021	2020
Energy consumption used to calculate emissions (Scope 1) (tCO ₂ e)	1,389.0	976.5
Energy consumption used to calculate emissions (Scope 2) (tCO ₂ e)	283.9	314.6
Total energy consumption (Scope 1 & 2) (tCO ₂ e)	1,672.9	1,291.1
Intensity ratio (tCO ₂ e/employee)	4.4	3.5

The energy reported covers electricity, gas, aviation fuel and car fleet fuel as purchased by the Company. Most of the Company's flying activities are paid for by customers and therefore not included in this report (classed as Scope 3). Collected data is converted to greenhouse gas emissions by using annual Government-published conversion figures.

Energy consumption in 2021 has been impacted by COVID-19 restrictions which required office workers to work from home for most of the year. Aviation fuel usage has increased due to support aircraft being used from another base during a fault condition; in addition, there was a rise in mandatory post-maintenance checks in the depth maintenance cycle in the year.

Activity	Source of information
Electricity	Total kilowatt hours recorded on meter
Gas	Total used from invoice
Aircraft fuel	Fuel used as recorded from meter
Company vehicles	Mileage from vehicle journey logbook

The methodology used is The Greenhouse Gas Reporting Protocol – Corporate Standard. Intensity measurement ratio is total gross emissions in metric tonnes CO₂e per total £m turnover.

Energy savings

FR Aviation will always consider emission reduction when fleets are renewed with purchases of new aircraft or vehicles. A new aircraft has been bought in the year which demonstrates this, as it is more fuel efficient than the current older fleet.

Travel was very limited in 2020 and 2021 due to COVID-19 and the Company has invested in remote meeting facilities to reduce travel between sites for future use.

FR Aviation 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.

Engagement with our stakeholders plays a vital role throughout our business. By understanding our stakeholders, we can factor into the boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

The Company seeks to maintain a reputation for high standards of business conduct across its whole stakeholder population to ensure that the Company enhances its reputation as an employer and supplier of choice in air defence training and aircraft engineering.

Employees

Our employees are our most valuable asset. The Company recognises the importance of regularly engaging with employees. This supports the cultural change within the Company and helps attract and retain talented employees, which is critical to future growth.

Engagement occurs in different ways and at different levels. The Company holds regular 'all hands' meetings hosted by the Chief Executive Officer (CEO) for all employees. These meetings instil a sense of common purpose, provide an update on relevant news and developments and provide a forum for employees to ask questions. The CEO and other members of the senior leadership team also conduct update meetings when visiting the Company sites where there isn't a day-to-day senior leadership presence.

All employees have access to the Company intranet site, where they can find news, policies and procedures and a range of other materials of interest.

The Company's corporate communications department compiles and distributes various materials to employees including a quarterly employee magazine, online news items and senior management 'blogs'. Dovetailing with this, certain functions undertake more specialist engagement relevant to specific functions such as engineering or procurement.

The Company is committed to providing all its employees with equal opportunities in a workplace free from discrimination and last year established an Equity, Diversity and Inclusion committee. Applications for employment from persons with a disability are welcomed and given full and fair consideration. With regard to employees who become disabled during their employment, the Company takes all reasonable steps, including retraining, to enable them to continue their employment and career development within the Company.

Care has been taken to ensure the safety, health and well-being of the Company's employees during the COVID-19 pandemic.

Customers

The Company provides services to Governments and prime defence contractors on a worldwide basis. Our customers are important as they play vital roles in protecting national defences.

The Company engages with customers through structured senior management reviews on a regular basis and at a service delivery team level on a working basis. This level of engagement has resulted in the establishment of a better collaborative discussion and quicker route to resolving any issues arising. This provides increased opportunities for revenue generation.

FR Aviation Limited

Directors' report for the year ended 31 December 2021

(continued)

Stakeholder engagement and Section 172 statement (continued)

Suppliers

The Company relies on an extensive supply chain of local and international suppliers to maintain aircraft and provide services to its customers. The Company engages with suppliers through short and long-term contracts and through ongoing dialogue designed to ensure aircraft availability, to assure that parts and spares are secured to manage obsolescence risks on aging platforms. The Company undertakes to pay suppliers in line with government payment practice guidelines and contractual requirements.

Regulators

The Company operates in a heavily regulated environment, focussed primarily on aviation safety. The Company maintains a proactive, open and regular dialogue with all regulators and fully supports all independent audit activities conducted.

Investors

The Company's investors are the parent entity and its ultimate shareholders (note 25). Group management engages in a weekly dialogue with Draken International LLC management through a structured senior leadership team review. Formal Board meetings are held with the investors at least quarterly. Consolidated Group results are reported on a regular monthly basis with a particular focus on safety, customer and supplier relationships and financial performance.

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.

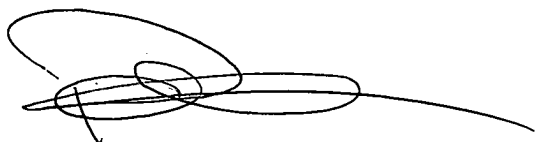
Disclosure of information to auditors

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

FR Aviation 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 is the provision of air defence training and aircraft engineering for military and governmental operations both in the United Kingdom and worldwide.

The key performance indicators of the Company are:

	2021	2020
	£000	£000
Revenue	50,646	47,722
Adjusted EBITDA (page 12)	4,968	7,043
Cash	3,339	9,901

The Company generated revenue of £50,646,000 (2020: £47,722,000). The increase in revenue is primarily due to revenue on a five-year contract for the provision of operational readiness training with the UK Ministry of Defence which commenced on 1 January 2020. Revenue on other contracts is consistent with the prior year.

Adjusted EBITDA was £4,968,000 (2020: £7,043,000). During the year the Company incurred costs in relation to the separation from the previous shareholder Cobham following the sale in September 2020. Costs incurred include the rebranding of the business to Draken Europe, as well as migrating the I.T. away from the Cobham umbrella to create a standalone infrastructure. In addition, the Company incurred significantly higher bid costs during the year, see note 3, compared to the prior in pursuit of new contract opportunities.

Closing cash at bank was £3,339,000 (2020: £9,901,000).

The Company recorded an operating loss of £31,247,000 (2020: £29,293,000) driven by two notable non-cash transactions in connection with its subsidiaries. During the year, the performance of FB Heliservices Limited ("FBH") suffered due to the impact of COVID-19, resulting in the closure of its international defence training Helicopter Academy. In addition, during 2021, two of FBH's customers made the decision not to extend three contracts, with the contracts ending in September 2022, October 2022 and March 2023.

As a result, the Company has recognised an impairment of its investments in subsidiaries of £16,615,000 (2020: £39,300,000) and has impaired intercompany loan balances due from FBH and Draken International Limited totalling £17,520,000. During 2020, in addition to the non-cash impairment of investment in subsidiaries, the Company incurred a charge arising from the cessation of the Company's obligations in connection with the defined benefit pension plan. These charges were partly offset by dividend income from subsidiaries of £6,500,000.

In September 2021, following a competitive procurement process, the Company secured a new three-year contract providing operational services, with services commencing during the Summer of 2022.

During the year, the Company invested in a new aircraft for modification to further enhance its strategic offering in anticipation of future contracts.

The result for the year was in line with the directors' expectations. The directors continue to take steps to controls costs, safeguard cash and manage working capital.

FR Aviation Limited

Strategic report for the year ended 31 December 2021

(continued)

Future developments

The directors are confident that the Company will continue to show a strong and profitable underlying performance consistent with that of the year under review.

Since the year end, in March 2022, the Group also signed a three-year contract (plus three one-year options) to deliver a medium-to-fast-speed Operational Readiness Training aerial support service to the UK MOD that will enable Interim Red Air Aggressor Training for the Royal Air Force. Customer training services are due to commence from July 2022.

The COVID-19 pandemic continues to affect the UK and global economy, although it has had no material impact on the position of the operations of the Company itself to date, nor is it expected to in the short term as the Company's core activities remain of strategic importance to its key defence customers.

The directors are not aware of any other programmes on which Group has a significant position which are expected to be impacted in the short term although they remain alert to the possibility of future changes in defence spending as Governments determine how to fund the financial burden the pandemic has created and to respond to the current conflict between Russia and Ukraine.

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 key business risks and uncertainties affecting the Company are considered to relate to:

- Managing a complex regulatory and legal environment, in multiple jurisdictions, including aviation safety and health and safety requirements;
- Government intentions regarding the likelihood and extent of reductions in budgeted defence spending along with their decisions made regarding key contract awards;
- Meeting contracted aircraft availability requirements under customer contracts which can be impacted by unplanned maintenance events, challenges managing obsolescence risk on aging platforms and global supply chain fragility (general and sector specific); and
- Renewal of existing contracts or successfully securing new long-term contracts.

The Company mitigates these risks through a dedicated safety and compliance function and regular, open engagement with regulators and aviation authorities, regular engagement with its customer base, monitoring its contractual performance and asset management plans. It also monitors contract renewals regularly and maintains a dedicated business development function to assist in its drive for growth.

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate 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 not naturally exposed to price risk as a result of its operations due to the nature of its trading operations and contract arrangements. 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 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.

FR Aviation Limited

Strategic report for the year ended 31 December 2021

(continued)

Financial risk management (continued)

Liquidity risk

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

Interest rate cash flow risk

The Group has interest-bearing liabilities in the form of finance leases and intercompany long-term payables. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs.

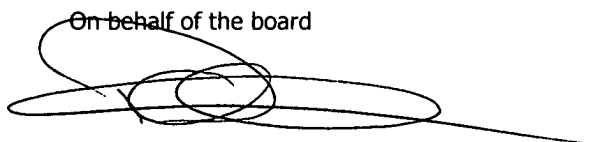
Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts. At the year end, the Company did not have any forward currency exchange rate contracts in place.

Climate change

There is a risk of failure to address and anticipate the strategic, regulatory and reputational impact of climate change and environmental matters along with the governmental and customer action in response to it. The directors have considered the risks posed by climate change and determined that these were not material to the current year financial statements. This conclusion will be reassessed annually as legal or customer requirements and social expectations change. The impact, if any, on future cash flows will be factored into the conclusions reached on impairment assessments, going concern and any related liabilities.

On behalf of the board



P Armstrong

Director

27 June 2022

FR Aviation Limited

Independent auditors' report to the members of

FR Aviation Limited

Opinion

We have audited the financial statements of FR Aviation Limited for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27, 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 on pages 1 to 5, 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.

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.

FR Aviation Limited

Independent auditors' report to the members of

FR Aviation Limited (continued)

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.

Our approach was as follows:

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 FR Aviation 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 through internal team discussions and enquiry of management and those charged

FR Aviation Limited

Independent auditors' report to the members of

FR Aviation Limited (continued)

with governance. We considered the risk of management override and assessed revenue as a fraud risk which could be perpetrated through the misallocation of costs to contracts (where revenue is recognised on a cost-plus basis/percentage of completion) or by revenue transactions at or near to the year end ('cut-off').

- To address our fraud risk around allocation of costs to contracts, we tested revenue contracts identified as key items by size or risk. For those contracts selected, we tested that costs were allocated to the appropriate contracts and performance obligation.
- To address our fraud risk on revenue cut off, we selected samples of revenue transactions around the year-end date and performed detailed testing, including understanding the nature of the revenue transactions and agreeing to source documentation to validate that the revenue had been recognised in the appropriate period.
- We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing work, with focus on transactions recorded at or close to the year-end date.
- 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

FR Aviation Limited

Income statement for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	2	50,646	47,722
Cost of sales		(37,471)	(34,709)
Gross profit		13,175	13,013
Selling and distribution costs		(2,949)	(1,110)
Administrative expenses		(7,338)	(5,953)
Income from subsidiary undertakings	3	-	6,500
Impairment of investments	11	(16,615)	(39,300)
Exceptional item	8	(17,520)	(2,443)
Operating loss	3	(31,247)	(29,293)
Finance income	4	580	791
Finance expense	4	(398)	(685)
Loss on activities before taxation		(31,065)	(29,187)
Tax on loss on activities	5	(344)	(915)
Loss after taxation for the year		(31,409)	(30,102)

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

Non-GAAP information

Adjusted EBITDA, a non-GAAP measure (see note 1.2), is calculated as follows:

		2021 £000	2020 £000
Operating loss		(31,247)	(29,293)
Depreciation – owned assets	10	1,354	559
Depreciation – right of use assets	10	717	459
Amortisation	9	9	75
Dividend income		-	(6,500)
Impairment of investments	11	16,615	39,300
Exceptional item	8	17,520	2,443
Adjusted EBITDA		4,968	7,043

FR Aviation Limited
Statement of comprehensive income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Loss after taxation for the year		(31,409)	(30,102)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit retirement benefit obligations	21	-	4,372
Tax effects thereon	5	-	(936)
Other comprehensive income for the year		-	3,436
Total comprehensive expense for the year		(31,409)	(26,666)

FR Aviation Limited
Balance sheet as at 31 December 2021

		2021	2020
	Note	£000	£000
Assets			
Non-current assets			
Intangibles	9	733	1
Property, plant and equipment	10	15,687	10,985
Investments	11	30,483	47,098
Trade and other receivables	14	-	20,281
Deferred tax asset	20	445	836
		47,348	79,201
Current assets			
Inventories	12	3,405	3,141
Contract assets	13	599	566
Trade and other receivables	14	9,204	4,850
Cash and cash equivalents	15	3,339	9,901
		16,547	18,458
Liabilities			
Current liabilities			
Contract liabilities	16	(5,291)	(9,404)
Trade and other payables	18	(10,921)	(16,319)
Lease obligations	17	(810)	(522)
		(17,022)	(26,245)
Non-current liabilities			
Contract liabilities	16	(7,169)	(6,285)
Trade and other payables	18	(5,200)	-
Lease obligations	17	(4,488)	(4,464)
Provisions	19	-	(86)
		(16,857)	(10,835)
Net assets		30,016	60,579

FR Aviation Limited
Balance sheet as at 31 December 2021 (continued)

		2021	2020
	Note	£000	£000
Equity			
Share capital	22	309	301
Share premium	22	30,538	29,700
Other reserve	22	-	-
Retained earnings		(831)	30,578
Total equity		30,016	60,579

The financial statements on pages 12 to 45 were approved by the board on 27 June 2022 and were signed on its behalf by:



S Harrison

Director

27 June 2022

FR Aviation Limited
Statement of changes in equity
for the year ended 31 December 2021

	Share capital	Share premium	Other reserve (note 25)	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Total equity at 31 December 2019	1	-	4,818	58,279	63,098
Loss for the year	-	-	-	(30,102)	(30,102)
Other comprehensive income	-	-	-	3,436	3,436
Total comprehensive loss for the year (restated)	-	-	-	(26,666)	(26,666)
Transfer from other reserves re share based payments			(4,818)	4,818	-
Issue of shares (note 22)	300	29,700	-	-	30,000
Dividends paid (note 7)	-	-	-	(5,853)	(5,853)
Total equity at 31 December 2020 and 1 January 2021	301	29,700	-	30,578	60,579
Loss and total comprehensive expense for the year	-	-	-	(31,409)	(31,409)
Issue of shares (note 22)	8	838	-	-	846
Total equity at 31 December 2021	309	30,538	-	(831)	30,016

FR Aviation 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).

The financial statements have been prepared on the going concern basis, under the historical cost convention unless otherwise stated and as modified to include the revaluation of certain derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006 as applicable to companies applying FRS 101. The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

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 paragraphs 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;
 - iii. paragraph 118(e) of IAS 38, Intangible assets; and
 - iv. paragraphs 76 and 79(d) of IAS 40, Investment property.
- 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;
- the requirements of paragraphs 52 and 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, Leases;
- details of compensation of key management personnel required by paragraph 17 and 18A of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.1 Basis of preparation (continued)

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

- share based payment disclosures under paragraphs 45(b) and 46 to 52 of IFRS 2, Share Based Payment in respect of group settled share based payments;
- details of assumptions as required by paragraphs 134 (d) to (f) and 135 (c) to (e) of IAS 36, Impairment of Assets; additional details where recoverable amount is fair value less costs of disposal as required by s 130(f)(ii) and 130(f)(iii) of IAS 36, Impairment of Assets;
- the cash flow disclosure requirements of paragraph 33 (c) of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations; and
- 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.

The financial statements contain information about FR Aviation Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of Draken UK Bidco Limited, which are publicly available (see note 25).

1.2 Adjusted EBITDA

In addition to the information required by IFRS and to assist with the understanding of earnings trends, the Company has included within its financial statements a non-IFRS measure referred to as Adjusted EBITDA. The Directors consider that Adjusted EBITDA reflects the trading performance of the Company's operations as it focuses on the underlying trading activity of the Company by excluding the impact of financing and capital expenditure. Adjusted EBITDA is Operating Profit / (Loss) before depreciation, amortisation, non-cash charges such as asset impairments, acquisition related expenditure and exceptional costs. Exceptional costs are defined as those material either by size or nature or non-recurring. Adjusted EBITDA is reconciled to Operating Loss on page 12. Comparatives for the prior year have also been presented.

1.3 Going concern

When assessing the going concern status of the Company, the directors have also considered the going concern position of the 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.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.3 Going concern (continued)

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 23), 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 Company and Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.4 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.

1.5 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.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.5 Management judgement and estimation uncertainty (continued)

Significant judgements in applying accounting policies

There were no significant judgements, apart from those involving estimations, 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

The directors consider that there are a number of assumptions concerning the future and other major sources of estimation uncertainty at the balance sheet date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The key assumptions and estimation uncertainties are as follows:

- Revenue recognition (note 2) (refer to Revenue policy below);
- Valuation of investments (note 11) (assumptions are made in assessing the carrying value of investments by reference to future discounted estimated cash flows);
- Inventory provisions (note 12) (recognition and measurement of provisions for obsolete, slow moving and defective items of inventory);
- Valuation of pension assets and liabilities (note 21) (assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates, up to the date that the Company ceased to be a participating employer following its sale to Draken UK Bidco Limited in the prior year); and
- Deferred tax (note 20) (determination of the periods over which deferred tax balances are expected to unwind, with reference to useful economic lives for the assets on which these balances have arisen).

1.6 Significant accounting policies

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

1.7 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.

Contracts are assessed to identify each promise to transfer either a distinct service or a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

The transaction price is measured based on the consideration specified in a contract with a customer other than when variable consideration is relevant, as referred to in the table below. Where a transaction price has to be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each using estimated costs plus a margin methodology.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.7 Revenue (continued)

Where revenue is recognised in advance of customer billings, this is reported as a contract asset (described as unbilled amounts). Where cash is received from the customer in advance of recognising revenue under a contract, a contract liability is recorded (advance payments from customers).

In practice, the Group has the following categories of contracts (where further details are given below for step 2 and 5 for each category):

Performance obligations	Recognition method	Level of estimation / judgement
Provision of flight operation and engineering services (including single-sourced contracts) (2021 revenue c£50.6m) Performance obligations can include: - Provision of aircraft availability (stand-ready obligation); and - Customer-funded mobilisation activities (during the early stages of new contracts) such as aircrew recruitment and training; and - Delivery of flying services (aircraft operated by the customer or Draken employees).	Revenue for the provision of aircraft availability or mobilisation activities is recorded over time as the customer simultaneously receives and consumes the benefits provided by Draken's performance (for example by the aircraft being maintained and kept available, the customer can use the aircraft as and when required). Revenue recognised over time is measured in accordance with the output method (i.e. based on value provided to the customer). On these contracts, the pre-agreed billing schedule has been formulated to mirror the projected value provided to the customer. As such, revenue is largely recognised as billed (applying the right to invoice practical expedient) other than where there are certain deliverables that have not yet been delivered to the customer but are considered linked to the provision of aircraft availability performance obligations (not distinct) and are a cost of fulfilling the contract under IFRS 15. These costs (and related billings) are deferred until the related deliverable is delivered to the customer and then the revenue is taken straight line over the remaining term of the provision of aircraft availability performance obligations. Where there is a distinct performance obligation which is not linked to the performance obligation in the first column. In this case, the input method may be used when the value to the customer is better measured by the costs incurred rather than the amounts invoiced. Variable revenue for flying services (where Draken are operating the aircraft) is recorded as the services are performed. These flying hours are normally billed separately to the customer in the month following the services, therefore the relevant amounts based on the hours flown are included in accrued revenue at period end. Some of these contracts have allowable costs and a profit rate agreed with the customer at inception, with gain share mechanisms whereby excess profits (or losses) at the end of the contract are shared with the customer in line with contractually agreed levels. Some also have KPI regimes which can result in deductions being applied to customer billings. Revenue is constrained to the extent required to take these into account with revenue recognised based on the expected value method.	The key judgements in recognising revenue on these contracts are appropriate allocation and recording of allowable costs, and likelihood of gain share mechanisms being triggered. Measuring the value provided to the customer involves minimal judgement as contractual performance is closely monitored by both the Company and the customer. Likewise, there is minimal judgement for variable flying revenue or KPI deductions as they are agreed with the customer monthly (for the preceding month) and billed (or adjusted for as a deduction) in the month following service delivery.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.8 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 period 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.

1.9 Intangible assets

Intangible assets such as licences, patents and know-how are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs have been amortised over their estimated useful lives of three to five years, with this amortisation included within administrative expenses in the income statement. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.10 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.

All property, plant and equipment, is depreciated on a straight-line basis to the estimated residual values over estimated useful lives. These lives are as follows:

- Leasehold properties (long lease) - 50 years
- Aircraft, plant; and machinery – 3 to 10 years (up to 20 years for newly acquired aircraft)
- Fixtures, fittings, tools, and equipment – 3 to 8 years

Estimated residual values and the estimated useful lives are reviewed annually and adjusted where necessary.

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.

1.11 Right-of-use assets

Right-of-use assets are reported within property, plant and equipment on the balance sheet.

The initial cost of right-of-use assets includes the amounts of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful economic life of the asset (typically between three years up to 75 years)

1.12 Investments

Investments are stated at cost, less any provision for impairment in value.

The carrying amounts of the investments are reviewed at least annually to determine whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount is estimated. This is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This is prepared with reference to cash flow forecasts prepared by management and reviewed by Board. The growth rates used after this period are based on long term GDP projections of the primary market for each investment.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

1.14 Pension costs

The Company contributes to and operates a defined contribution scheme. Contributions are charged to the income statement as they fall due.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.15 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.

1.16 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, including derivative financial instruments, are held at fair value through 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 15). 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.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.16 Financial instruments (continued)

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.

Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and foreign exchange contracts are used to reduce these exposures. The Company does not use derivative financial instruments for speculative purposes.

Foreign exchange contracts entered into to mitigate foreign exchange impacts of trading in non-functional currencies are not accounted for using hedge accounting principles. These derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. Movements in fair value of the derivative financial instruments are included in the income statement within operating costs.

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates.

The fair value is classified as a current or non-current asset or liability dependent upon the maturity date of the financial instrument.

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.

Trade payables

Trade payables do not carry any interest and are stated at their nominal value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of direct issue costs and subsequently held at amortised cost. Borrowing costs, net of amounts capitalised, are accounted for on an accruals basis in the Income Statement. Premiums payable on settlement or redemption and direct issue costs are capitalised and amortised over the period to which the facility relates.

1.17 Foreign currencies

The presentational and functional currency of the Company is sterling. Transactions denominated in currencies other than the functional currency are translated at the rate of exchange on the day the transaction occurs.

Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date. Exchange differences in the period are dealt with in administrative expenses in the income statement. The Company uses a translation reserve for exchange differences arising on the translation of non-monetary assets and liabilities belonging to its overseas subsidiaries.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

1. Statement of accounting policies (continued)

1.18 Lease obligations

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Company. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The option not to apply IFRS 16 to leases with a term of 12 months or fewer and low value leases has been taken.

2. Revenue

All revenue is derived from the Company's principal activities.

An analysis by geographical destination is given below:

	2021	2020
	£000	£000
United Kingdom	49,119	46,225
EU countries	1,014	834
Rest of the world	513	663
	50,646	47,722

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

3. Operating loss

Operating loss is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation		
- owned assets	1,354	559
- right-of-use assets	731	459
Amortisation of intangible assets	9	75
Dividend received from subsidiary undertaking	-	(6,500)
Impairment of investments in subsidiaries (note 11)	16,615	39,300
Employee costs (note 6)	27,420	26,565
Bid costs	1,829	197
Material cost included in cost of sales	1,753	2,105
Exchange differences	106	(227)
Auditors' remuneration for the audit of the Company's financial statements	237	192

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 and expense

Finance income

	2021 £000	2020 £000
Interest on net pension scheme liabilities	-	11
Bank interest receivable	-	94
Amounts received from former parent undertaking	-	378
Amounts received from subsidiary undertakings	580	308
	580	791

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

4. Finance income and expense (continued)

Finance expense

	2021	2020
	£000	£000
Bank interest	-	60
Interest payable to group undertakings	6	-
Interest payable to former group undertakings	-	290
Interest on lease obligations	392	335
	398	685

5. Tax on loss on activities

Tax charged/(credited) in the income statement:

	2021	2020
	£000	£000
Current tax:		
UK corporation tax on profit / (loss) for the year	253	896
Adjustment in respect of previous years	(300)	(77)
Total current tax (credit)/charge	(47)	819
Deferred tax:		
Charge for the year	352	96
Adjustment in respect of previous years	145	-
Impact of change in corporation tax rate	(106)	-
Total deferred tax charge (note 20)	391	96
Tax charge on loss on ordinary activities	344	915

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

5. Tax on loss on ordinary activities (continued)

Tax expense included in OCI:

	2021	2020
	£000	£000
Deferred tax:		
Actuarial gain / (loss) on defined benefit retirement obligations	-	936
The tax on profit / (loss) on ordinary activities can be reconciled to the accounting result as follows:		
	2021	2020
	£000	£000
Loss on ordinary activities before taxation	(31,065)	(29,187)
Loss on ordinary activities multiplied by the standard rate in the UK of 19.00% (2020: 19.00%)	(5,902)	(5,545)
<i>Tax effect:</i>		
Disallowable items	6,480	-
Other items	23	(6)
Impact of change in corporation tax rate	(107)	-
Impairment of investment in subsidiary undertakings	-	7,467
Income from subsidiary undertaking	-	(1,235)
Share based payments	-	311
Adjustment in respect of previous years	(150)	(77)
Total tax charge on loss on ordinary activities	344	915

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.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Employee costs

	2021	2020
	£000	£000
Wages and salaries	21,786	19,021
Social security costs	2,173	2,177
Pension costs (note 21)	3,461	5,367
	27,420	26,565

The average monthly number of employees (including executive directors) employed by the Company during the year was:

By activity	2021	2020
	Number	Number
Operations and engineering	285	248
Marketing	14	12
Management and administration	110	92
	409	352

Directors' emoluments

The emoluments of the directors employed by the Company are:

	2021	2020
	£000	£000
Aggregate emoluments	813	4,042
Aggregate amounts paid in respect of money purchase pension schemes	35	43
	848	4,085

During the year three of the directors were employed by and received remuneration from the Company (2020: three). The other director, who resigned in the year, was engaged under a non-executive basis. During the prior year, three directors received long-term incentive plan emoluments following the closure of the arrangement after Cobham Limited's acquisition by Advent International. Of the emoluments disclosed above in 2020, £2,777,000 was paid to the Directors by the Company's former shareholder Cobham Limited and is not recorded as an expense in the Company's financial statements.

Two directors contributed to the Company's money purchase pension schemes during the year (2020: two).

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Employee costs (continued)

Highest paid director

	2021	2020
	£000	£000
Total emoluments including amounts accruing under long-term incentive schemes	304	3,277
Company contributions paid to money purchase pension schemes	20	-
	324	3,277

The highest paid director in 2020 received cash under long term incentive plans during the current year, as noted above.

7. Dividends

	2021	2020
	£000	£000
Dividend in specie of £nil per share (2020: £5,853,000)	-	5,853
Final dividend for year of £nil (2020: £nil per share)	-	-
	-	5,853

In July 2020 the Company acquired Précision Aviation Industries from another Cobham Limited entity for consideration of €6,400,000 (£5,853,000). This entity was subsequently distributed back to FR Aviation Group Limited (the Company's former immediate parent undertaking) in the form of a dividend in specie of an equivalent value prior to the Company's acquisition by Draken UK Bidco Limited. No other dividends were paid in the year (2020: none).

8. Exceptional (income)/expense

	2021	2020
	£000	£000
Impairment of intercompany loans	17,520	-
Loss on exit from pension scheme – note 21	-	2,443
	17,520	2,443

Impairment of intercompany loans represents £206,000 owed by Draken International Ltd and £17,314,000 owed by FB Heliservices Ltd; both are direct subsidiaries of the Company.

Loss on exit of the pension scheme results from the prior year, following the Company's acquisition by Draken UK Bidco Limited on 25 September 2020, the Company ceased to be a participating employer of the Cobham Pension Plan (CPP) resulting in a charge to the income statement disclosed as an exceptional expense. Further details are contained in note 21.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

9. Intangible assets

	Software & Licences
Cost	£'000
At 1 January 2021	1,301
Additions	707
Reclass from PPE	34
At 31 December 2021	2,042
Accumulated amortisation	
At 1 January 2021	1,300
Charge for the year	9
At 31 December 2021	1,309
Carrying amount	
At 31 December 2021	733
At 31 December 2020	1

10. Property, plant and equipment

	2021	2020
	£000	£000
Owned property, plant and equipment	11,671	7,234
Right-of-use assets	4,016	3,751
	15,687	10,985

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

10. Property, plant and equipment (continued)

Owned property, plant and equipment

	Leasehold land and buildings (long lease) £000	Aircraft, plant, and machinery £000	Fixtures, fittings, tools, and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2021	7,717	14,922	4,212	246	27,097
Additions	-	791	119	4,915 ¹	5,825
Disposals	-	(3)	-	-	(3)
Reclass to intangibles	-	-	-	(34)	(34)
Transfer to PPE on completion	-	212	-	(212)	-
At 31 December 2021	7,717	15,922	4,331	4,915	32,885
Accumulated depreciation					
At 1 January 2021	4,463	11,746	3,654	-	19,863
Charged in the year	118	1,085	151	-	1,354
Disposals	-	(3)	-	-	(3)
At 31 December 2021	4,581	12,828	3,805	-	21,214
Carrying amount					
At 31 December 2021	3,136	3,094	526	4,915	11,671
At 31 December 2020	3,254	3,176	558	246	7,234

¹ New aircraft purchased in the year

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

10. Property, plant and equipment (continued)

Right-of-use assets

	Land and buildings	Plant and machinery (incl. vehicles)	TOTAL
	£000	£000	£000
Cost			
At 1 January 2021	3,479	2,133	5,612
Additions	368	614	982
Disposals	-	-	-
At 31 December 2021	3,847	2,747	6,594
Accumulated depreciation and impairment			
At 1 January 2021	1,454	407	1,861
Charge for the year	102	615	717
Disposals	-	-	-
At 31 December 2021	1,556	1,022	2,578
Carrying amount			
At 31 December 2021	2,291	1,725	4,016
At 31 December 2020	2,025	1,726	3,751

11. Investments

	Shares at cost
	£000
Cost	
At 1 January 2021	88,155
At 31 December 2021	88,155
Impairment	
At 1 January 2021	41,057
Charged in the year	16,615
At 31 December 2021	57,672
Net book amount	
At 31 December 2021	30,483
At 31 December 2020	47,098

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

11. Investments (continued)

During the year, the performance of FB Heliservices Limited ("FBH") suffered due to the impact of COVID-19, resulting in the closure of its international defence training Helicopter Academy. In addition, during 2021, two of FBH's customers made the decision not to extend three contracts, with the contracts ending in September 2022, October 2022 and March 2023. As a result, the Company has recorded an impairment to its investment of £16,615,000 (2020: £39,300,000). No other impairments of investments have been identified.

The Companies subsidiaries are:

Company name	Registered office address	Principal activity	Shareholding %
F R Aviation Services Limited ¹	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Defence activities	100
Draken Leasing Limited (formerly Cobham Leasing Limited) ¹	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Leasing	100
FB Heliservices Limited ¹	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Defence activities	100
FB Leasing Limited ¹	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Leasing	100
Draken Aviation Services International Limited (formerly Cobham Aviation Services International Limited) ^{1,2}	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Non-trading	100
Draken International Limited (Formerly Cobham Flight Inspection Limited) ¹	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Non-trading	100
FBS Limited ^{1,2}	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Non-trading	100
Draken Helicopters Cyprus Limited (formerly FBH Cyprus Limited) ¹	12 Kennedy Avenue, Kennedy Business Centre, 2 nd Floor, Office 203, P.C. 1087, Nicosia, Cyprus	Provision of manpower	100
FB Heliservices Curacao N.V (formerly Cobham Helicopters Curacao N.V) ¹	Kaya W.F.G. (Jombi), Mensing 36 Curacao	Administrative services	100
Cobham Helicopter Services Trinidad Limited ¹	5-7 Sweet Briar Road, St Clair, Port of Spain, Trinidad	Non-trading	100
FB Heliservices B.V	Strawinskylaan 411, WTC, Tower A, 4 th Floor, 107XX Amsterdam, Netherlands	Non-trading	100
AFI Flight Inspection Holding GmbH	Hermann-Blenk-Straße 8, 30108 Braunschweig, Germany	Non-trading	100
AFI Flight Inspection GmbH	Hermann-Blenk-Straße 8, 30108 Braunschweig, Germany	Non-trading	100

¹ Investments are held directly

² Company commenced a solvent liquidation process on 16 September 2021

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

12. Inventories

	2021	2020
	£000	£000
Raw materials and consumables	1,756	1,647
Work in progress	1,649	1,494
	3,405	3,141

There is no significant difference between the replacement cost and the value of inventories shown. Included in raw materials and consumables is a provision of £2,501,000 (2020: £2,284,000).

13. Contract assets

	2021	2020
	£000	£000
Unbilled amounts	599	566

Unbilled amounts relating to goods and services transferred are included in contract balances until they become unconditional, at which point they are transferred to trade receivables. Unbilled amounts arise when revenue is recognised prior to an invoice being raised to the customer; typically, this arises when revenue is recognised over time as payments often have milestone payments conditional on customer acceptances on progress. Of the amounts existing at the start of the year, £566,000 (2020: £3,524,000) was transferred to trade receivables and a further £599,000 recognised as a contract asset where invoices were not raised by the year end.

14. Trade and other receivables

Current assets:

	2021	2020
	£000	£000
Trade receivables	2,240	831
Amounts owed by fellow subsidiary undertakings	5,592	1,885
Corporation tax	47	271
Other receivables	43	15
Prepayments	1,282	1,848
	9,204	4,850

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

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

14. Trade and other receivables (continued)

Non-current assets:

	2021	2020
	£000	£000
Amounts owed by fellow subsidiary undertakings	-	20,281
Deferred tax (Note 20)	-	836
	-	21,117

Amounts owed by fellow subsidiary undertakings comprised two loans of £6,280,750 and £14,000,000 given to FB Heliservices Limited which carry interest at 2.86% until 31 December 2021. These balances are repayable on or after 30 June 2022 and 31 August 2022 respectively. The total loan balance outstanding was impaired during 2021.

15. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	3,339	9,901

Part of the cash balance is restricted in order to fulfil collateral requirements for the Company's bank guarantees. The fair value of the amounts pledged at 31 December 2021 was £701,000 (2020: £56,000). There are no other significant terms and conditions associated with the use of collateral.

16. Contract liabilities

Contract liabilities of £12,460,000 (2020: £15,689,000) reflect advance payments from customers of which £7,169,000 (2020: £6,285,000) is non-current and not expected to be recognised as revenue for more than one year. These are amounts received prior to delivering services to the customer. Of the contract liabilities in place on 1 January 2021, £6,978,000 (2020: £1,676,000) has been recognised in revenue during the year ended 31 December 2021. Advanced payments of £3,748,000 (2020: £2,774,000) have been received from customers in the year.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

17. Lease obligations

At 31 December 2021, as a lessee, the Company had the following lease obligations:

	2021	2020
	£000	£000
Current	810	522
Non-current	4,488	4,464
	5,298	4,986

Contractual undiscounted cash flows:

	2021	2020
	£000	£000
Within one year	1,178	871
In the second to fifth years inclusive	2,445	2,516
After more than five years	10,090	9,942
	13,713	13,329
Less: future finance charges	(8,415)	(8,343)
	5,298	4,986

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

18. Trade and other payables

Current liabilities

	2021	2020
	£000	£000
Trade payables	1,727	1,585
Amounts owed to fellow subsidiary undertakings	949	5,487
Other taxes and social security	1,162	951
Accruals	7,083	8,296
	10,921	16,319

Non-current liabilities

	2021	2020
	£000	£000
Amounts owed to fellow subsidiary undertakings	5,200	-
	5,200	-

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

19. Provisions

	Staff & operating cost provisions	Total
	£000	£000
At 1 January 2021	86	86
Utilised during the year	(86)	(86)
At 31 December 2021	-	-

The Company had provided for certain costs likely to be incurred in meeting updated safety, operational and organisational requirements. Staff cost provisions include provisions which occur where certain employees and directors are offered relocation benefits on commencement of their positions, whereby the amounts recognised in the provision in the balance sheet represent the contracted allowances, less amounts claimed by the individuals, previously charged to profit and loss. All the amounts recognised were fully utilised during 2021.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

20. Deferred taxation

The following are the major deferred tax assets/(liabilities) recognised by the Company, and the movements thereon:

	Property, plant, and equipment	Retirement benefit obligations	Revaluation of derivative financial instruments	Other	Total
	£000	£000	£000	£000	£000
At 31 December 2019	1,108	473	(24)	311	1,868
Credited/(charged) to the income statement	(281)	463	24	(302)	(96)
Credited/(charged) to OCI	-	(936)	-	-	(936)
At 31 December 2020	827	-	-	9	836
Credited/(charged) to the income statement	(393)	-	-	2	(391)
At 31 December 2021	434	-	-	11	445

Other deferred tax balances comprise amounts relating to share-based payments and other short term timing differences.

21. Retirement benefit obligations

Pension costs included in employment costs in note 6 are as follows:

	2021	2020
	£000	£000
Defined contribution scheme	3,461	2,881
Defined benefit scheme (note 8)	-	2,443
	3,461	5,324

Defined contribution scheme

During the prior year, the Company participated in the Cobham Personal Pension Plan until September 2020, a defined contribution scheme operated for companies within the Cobham group. By 31 December 2020, the Company had set up its own separate defined contribution scheme, with the same providers and on consistent terms with that operated historically by Cobham. The pension cost charged represents contributions payable by the Company to the fund(s) and amounted to £3,461,000 (2020: £2,881,000). At 31 December 2021 there were no contributions outstanding (2020: £nil).

The Company also participated in the defined benefit section of the Cobham Pension Plan (CPP) operated by Cobham Limited until September 2020. The scheme was of the funded defined benefit type (where benefits are based on employees' length of service and average final salary) and its assets are held in a separate trustee-administered fund. It had been closed to new members since 2003 and closed to future accrual from 1 April 2016. Following the Company's acquisition by Draken UK Bidco Limited on 25 September 2020, the Company was released as a participating employer of the CPP and has no further obligations thereunder.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

21. Retirement benefit obligations (continued)

The Company continued paying deficit contributions into the CPP until its acquisition by Draken UK Bidco Limited in September 2020. There were no significant contributions outstanding at the end of 2020 or 2019.

A number of assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates. However, given the Company is no longer part of the defined benefit arrangement following its acquisition, there is no ongoing risk to the Company. Full details of the Scheme along with historic assumptions used can be found in the Company's 2019 financial statements.

Analysis of amount charged to the income statement within exceptional costs:

	2021	2020
	£000	£000
Past service cost	-	43
Transfer to income statement following cessation of Company liability	-	2,443
	-	2,486

Analysis of amount charged to other finance expense / (credited) to other finance income:

	2021	2020
	£000	£000
Net interest	-	(11)

Analysis of amount recognised in OCI:

	2021	2020
	£000	£000
Actual return less interest income on scheme assets	-	16,721
Actuarial losses arising from changes in financial assumptions	-	(12,496)
Actuarial gains arising from changes in demographic assumptions	-	147
Amounts recognised in OCI	-	4,372

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

21. Retirement benefit obligations (continued)

Changes in the fair value of scheme liabilities are as follows:

	2021	2020
	£000	£000
Fair value of scheme liabilities at the beginning of the year	-	101,646
Past service cost	-	43
Interest cost	-	1,535
Actuarial (gains) / losses arising from changes in financial assumptions	-	12,496
Actuarial (gains) / losses arising from changes in demographic assumptions	-	(147)
Benefits paid	-	(2,912)
Transfer to income statement following cessation of company liability	-	(112,661)
Fair value of scheme liabilities at the end of the year	-	-

The weighted average duration of the scheme liabilities is estimated to be 16 years.

Changes in the fair value of scheme assets are as follows:

	2021	2020
	£000	£000
Fair value of scheme assets at the beginning of the year	-	99,163
Interest	-	1,546
Actuarial gains	-	16,722
Contributions by employer	-	585
Benefits paid	-	(2,912)
Transfer to income statement following cessation of company liability	-	(115,104)
Fair value of scheme assets at the end of the year	-	-

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

22. Share capital and reserves

Share capital – allotted, called up, and fully paid

	Ordinary shares of £1 each			
	2021 No	2020 No	2021 £000	2020 £000
At 1 January	301,000	1,000	301	1
Issued for cash	8,460	300,000	8	300
At 31 December	309,460	301,000	309	301

In February 2021, the Board of Directors approved the issue of 8,460 ordinary £1 shares at a price of £100 per share (£846,000), converting an intercompany loan between Draken UK Bidco Limited and the Company into equity.

In December 2020, the issue of 300,000 ordinary £1 shares at a price of £100 per share was approved by the Board of Directors (£30,000,000), converting a substantial part of an intercompany loan between Draken UK Bidco Limited and the Company into equity.

Share premium

	2021 £000	2020 £000
At 1 January	29,700	-
Issue of share capital in year	838	29,700
At 31 December	30,538	29,700

Other reserve

The other reserve related to share-based payments awarded to certain employees of the Company by the previous ultimate parent undertaking, Cobham Limited. Following Cobham Limited's acquisition by Advent International in January 2020, all share awards were settled and the schemes ceased at that point. The remaining reserve balance was transferred into retained earnings in 2020.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2021 (continued)

23. 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 became a co-borrower and guarantor of Draken International's \$50.0 million RCF under the Credit Agreement. In addition, certain subsidiaries of the Company, including FR Aviation Services Limited, Draken International Limited, FB Heliservices Limited, FB Leasing Limited and Draken Leasing Limited together with Company's parent entity Draken UK Bidco Limited (collectively the "UK Parties"), joined as guarantors of the Company'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 the Company. At the year end and time of approval of these financial statements, no amounts had been drawn down by the Company.

At the year end, Draken UK Bidco Limited (the Company's 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 the Draken UK Bidco, including the Company 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.

24. Capital commitments

The Company had capital commitments for the purchase of property, plant and equipment contracted for but not provided of £64,000 at 31 December 2021 (2020: £90,000).

25. Immediate and ultimate parent undertakings

The Company's immediate parent undertaking at the year end was Draken UK Bidco Limited.

At the balance sheet date, the Company's 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).

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2021 (continued)

26. Related party disclosures

The Company has undertaken transactions with the following related party on an arm's length basis. Activity during the year and balances at the year-end were as follows:

	2021 Purchases in year	2021 Creditor balances	2020 Purchases in year	2020 Creditor balances
	£000	£000	£000	£000
Aviation Defense SA	152	-	156	-

	2021 Sales in year	2021 Debtor balances	2020 Sales in year	2020 Debtor balances
	£000	£000	£000	£000
Aviation Defense SA	21	1	-	-

At the beginning of the year, Aviation Defense SA was a joint venture company of a fellow subsidiary undertaking of Cobham Limited. On 9 February 2021, the Company's immediate parent entity, Draken UK Bidco Limited, acquired 100% of the share capital of Précision Aviation Industries, which holds the 45% shareholding in Aviation Defense Service SA (AvDef), from Cobham Limited.

27. 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.