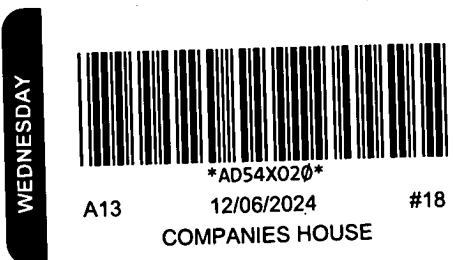


FR Aviation Limited

Annual report and financial statements
for the year ended 31 December 2023

Registered number 00845310



FR Aviation Limited

Annual report and financial statements for the year ended 31 December 2023

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FR Aviation Limited

Directors' report for the year ended 31 December 2023

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 2023.

The Company trades under the name "Draken Europe" 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 13 showing a loss for the financial year after tax of £8,105,000 (2022: profit of £13,175,000). At 31 December 2023, the Company had net assets of £47,556,000 (2022: £55,661,000). 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 7.

No dividends were paid in the year (2022: £nil).

Directors

The following directors held office during the year:

N Anderson	Appointed 11 December 2023
P Armstrong	Resigned 31 October 2023
S Harrison	
R Stoate	
S Partridge	Appointed 31 October 2023

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 2023

(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 Group, as the Company effectively controls the resources of the trading Group (as well as there being banking cross guarantees in place across the Group) as well as the Draken US Group to the extent it applies to guarantee arrangements in place impacting the Company (note 21).

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

- Considered the cash position of the Group, being £74.9 million as at the year-end date and £60.4 million as at April 2024.
- 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 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 or the likely loss of key customer contracts. 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 31 May 2025 (the "going concern period"). For cash reserves to be depleted, the Group would need to see multiple significant contracts terminated early, without securing utilisation of asset flying capacity with alternative customers, a combination of events which the directors consider to be highly remote.
- Considered long-term debt. While the Company 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 21), to which the Company and certain subsidiaries are guarantors, being called in the going concern period. The directors are satisfied that the likelihood of these guarantees being called during this period are remote based on their understanding of the cashflow projections of the Draken US Group and the continued support provided to the Draken US Group by its shareholders.

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

FR Aviation Limited

Directors' report for the year ended 31 December 2023

(continued)

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	2023	2022 (Restated)
Energy consumption used to calculate emissions (Scope 1) (tCO ₂ e)	1,797.9	965.0
Energy consumption used to calculate emissions (Scope 2) (tCO ₂ e)	256.4	250.1
Total energy consumption (Scope 1 & 2) (tCO₂e)	2,054.3	1,215.1
Energy consumption used to calculate emissions (Scope 3) tCO ₂ e	19,937.4	17,698.4
Total energy use (Scope 1, 2 and 3)	21,991.7	18,913.5
Intensity ratio (tCO ₂ e/employee)	44.2	42.3
Total quantity of electricity consumed (kWh) (000's)	1,238.5	1,296.1

The energy reported covers electricity, gas, aviation fuel and car fleet fuel as purchased by the Company. The Scope 3 figures include aviation fuel (customer controlled), private and hire car mileage, and waste. The prior year figures have been restated to include customer-controlled aviation fuel which was not previously required to be reported. Waste is incinerated and used as recovered energy. Collected data is converted to greenhouse gas emissions by using annual Government-published conversion figures.

A new aircraft hangar was installed and brought into operation in 2023 and is included in the figures. Aviation fuel (Scope 1) has increased significantly due to the introduction of a new customer contract which includes the flying of additional aircraft, which were undergoing maintenance and test flights in 2022 and commenced active flying in 2023. There was minimal change in car mileage for 2023 compared to the previous year, despite a new contract commencing on one of the sites.

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 number of employees.

Energy savings

The Company will always consider emission reduction when fleets are renewed with purchases of new aircraft or vehicles, or there are other changes to operational requirements. The largest expected carbon reduction will be the use of Sustainable Aviation Fuel when this becomes readily available in the UK. In addition, remote meeting facilities have been invested in and continue to be used in preference to unnecessary travel where possible, but there are some instances where this is not operationally feasible.

FR Aviation Limited

Directors' report for the year ended 31 December 2023

(continued)

Climate impacts

There is an increasing global regulatory focus on greenhouse gas (GHG) emissions and their potential impacts relating to climate change. Future laws, regulations, or policies in response to concerns over GHG emissions could significantly impact our direct and indirect operations and increase cost. These laws, regulations or policies could include carbon taxes, increased efficiency standards, GHG reduction commitments, incentives, or mandates for particular types of energy or changes in procurement laws.

Changes in government procurement laws that mandate or allow for climate change considerations, such as subcontractor GHG emissions, GHG emission reduction targets, lower emission products or other climate risks in evaluating bids could result in costly changes to our operations or affect our competitiveness on future bids. We may also see an increase in indirect costs resulting from policies affecting other sectors of the economy. Non-compliance with legislative and regulatory requirements could also negatively impact our reputation and ability to do business.

The Ministry of Defence (MOD) issued its *Climate Change and Sustainability Strategic Approach* in March 2021 in which it recognises that "The UK's commitment [to climate change] requires Defence's full involvement" for "the achievement of the UK legal commitment to reach net zero emissions by 2050". In May 2022, the Civil Aviation Authority (CAA) published its *Environmental Sustainability Strategy* which set out how it will work with the whole aviation system, both domestically and globally, to address environmental performance in aviation.

We are working to identify opportunities to utilise alternatives to fossil-based energy sources, to decrease our GHGs, to reduce our consumption of water and generation of waste and to ensure our compliance with environmental regulations where we operate, to enhance our record of environmental sustainability. We are also looking at carbon reduction locally that can be beneficial to the community - for example, 100% of our waste that would normally go to landfill is now being utilised to generate power.

Management monitors developments in climate-change related regulation for their potential effect on the Group; however, we are currently unable to predict whether the impact of any potential cost increases associated with such developments would have a material impact on the Group. As at 31 December 2023, to the best of Management's judgement, there is no material impact on the Group's assets and liabilities.

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 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.

FR Aviation Limited

Directors' report for the year ended 31 December 2023

(continued)

Stakeholder engagement and Section 172 statement (continued)

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 half-yearly 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 maintains 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.

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 better collaborative discussions and a quicker route to resolving any issues arising. This engagement also provides an opportunity to innovate on existing and technologies and develop future capabilities to further enhance the service offering, providing increased opportunities for revenue generation.

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 23). 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 typically on a quarterly basis. 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.

FR Aviation Limited
Directors' report for the year ended 31 December 2023
(continued)

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



N Anderson

Director

22 May 2024

FR Aviation Limited

Strategic report for the year ended 31 December 2023

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 for both customer-owned fleets and utilisation of our own assets, both in the United Kingdom and worldwide.

The key performance indicators of the Company are:

	2023	2022
	£000	£000
Revenue	86,559	62,860
Adjusted EBITDA (page 13)	11,091	6,161
Cash	70,205	20,109

The Company generated revenue of £86,559,000 (2022: £62,860,000). The increase is primarily due to service delivery commencing on the Company's new operational services contract (signed and mobilised during 2022). In addition, on 30 June 2023, a contract for the repair and maintenance of aircraft was transferred to the Company from a direct subsidiary, FB Heliservices Limited. Revenue on other contracts is consistent with the prior year.

The increase in revenues from contracts resulted in a gross profit of £20,117,000 (2022: £15,429,000).

Dividend income of £4,000,000 (2022: £9,137,000) was received from a subsidiary company and a previously impaired intercompany loan was partially repaid resulting in an impairment write back of £5,340,000 (2022: impairment write back of £6,876,000). A non-cash impairment of investments in subsidiaries of £22,608,000 was recognised in the year related to FB Heliservices Limited ("FBH") and FB Leasing Limited (2022: £4,900,000 relating to FB Heliservices Limited), both of which were largely dormant by the year end having sold all remaining assets. Both investments are now held at nil value. As a result, the Company recorded an operating loss of £6,063,000 (2022: profit of £15,010,000).

Adjusted EBITDA, which is used by Management to monitor the underlying performance of the business and which excludes the impact of capital and financing items as well as any exceptional items (see note 1.2), increased to £11,091,000 (2022: £6,161,000), driven by improved gross margin.

Closing cash at bank was £70,205,000 (2022: £20,109,000). The increase in cash was primarily due to the receipt of recent contract award payments.

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

FR Aviation Limited

Strategic report for the year ended 31 December 2023

(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.

In December 2023, the Company signed a three-year contract (37 months) to deliver operational readiness training to an international Air Force customer. Training services on this contract commenced in early 2024.

In March 2024, following a competitive procurement process, the Company secured a new seven-year contract providing operational services, with services commencing during the Summer of 2024.

The directors are not aware of any programmes on which the Company 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 created by the pandemic and to respond to ongoing regional conflicts, such as 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 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 changes 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 ageing platforms and global supply chain fragility (general and sector specific); and
- Mobilisation of services on newly secured contracts including new platform types being operated for the first time and recruiting sufficiently skilled and qualified employees; 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 2023

(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.

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



N Anderson

Director

22 May 2024

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 2023 which comprise Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting. 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 2023 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 31 May 2025.

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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.

- 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 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 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 communication 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 with governance. We considered the risk of management override and assessed revenue as a fraud risk which could be perpetrated through the manipulation of cost to complete and estimation of profit margin on long term contracts. Our procedures to address this involved:
 - Understanding the revenue recognition process, policy and how it is applied, including relevant controls;
 - Selecting a sample of key contracts to test based on various risk criteria and testing a sample of costs incurred to supporting documentation to assess their accuracy and that they were recorded to the

Independent auditors' report to the members of FR Aviation Limited (continued)

appropriate contract. For the same contracts we performed detailed contract reviews and challenged management assumptions on costs to complete and estimated profit margins on contracts.

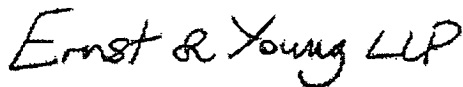
- We incorporated data analytics into our testing of manual journals, including segregation of duties and testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing work.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved 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 obtaining 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.



Ryan Squires (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Southampton

22 May 2024

FR Aviation Limited

Income statement and statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Revenue	2	86,559	62,860
Cost of sales		(66,442)	(47,431)
Gross profit		20,117	15,429
Selling and distribution costs		(1,388)	(1,488)
Administrative expenses		(11,685)	(9,838)
Income from subsidiary undertakings	3	4,000	9,137
Other income	15	64	-
Impairment of investments	10	(22,608)	(5,106)
Exceptional item	7	5,437	6,876
Operating (loss) / profit	3	(6,063)	15,010
Finance income	4	109	3
Finance expense	4	(417)	(386)
(Loss) / profit on activities before taxation		(6,371)	14,627
Tax on (loss) / profit on activities	5	(1,734)	(1,452)
(Loss) / profit after taxation for the year and total comprehensive income / (expense)		(8,105)	13,175

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:			
	Note	2023 £000	2022 £000
Operating (loss) / profit		(6,063)	15,010
Depreciation – owned assets	9	2,274	1,653
Depreciation – right of use assets	9	1,602	968
Amortisation	8	107	12
Dividend income	3	(4,000)	(9,137)
Impairment of investments	10	22,608	5,106
Exceptional items	7	(5,437)	(7,451)
Adjusted EBITDA		11,091	6,161

FR Aviation Limited
Balance sheet as at 31 December 2023

	Note	2023 £000	2022 £000
Assets			
Non-current assets			
Intangibles	8	1,268	923
Property, plant and equipment	9	36,108	29,742
Investments	10	11,200	25,583
Trade and other receivables	13	2,300	-
Contract assets and costs to fulfil a contract	12	3,260	5,361
		54,136	61,609
Current assets			
Inventories	11	4,338	2,234
Contract assets and costs to fulfil a contract	12	7,246	4,927
Trade and other receivables	13	25,287	13,024
Cash and cash equivalents	14	70,205	20,109
		107,076	40,294
Liabilities			
Current liabilities			
Contract liabilities	15	(21,858)	(8,680)
Lease obligations	16	(1,490)	(1,038)
Trade and other payables	17	(27,807)	(20,809)
		(51,155)	(30,527)
Non-current liabilities			
Contract liabilities	15	(56,568)	(9,996)
Lease obligations	16	(5,217)	(5,145)
Deferred taxation	18	(716)	(574)
		(62,501)	(15,715)
Net assets		47,556	55,661

FR Aviation Limited
Balance sheet as at 31 December 2023 (continued)

	Note	2023 £000	2022 £000
Equity			
Share capital	20	309	309
Share premium	20	-	-
Retained earnings		47,247	55,352
Total equity		47,556	55,661

The financial statements on pages 13 to 43 were approved by the board on 22 May 2024 and were signed on its behalf by:



S Harrison
Director

FR Aviation Limited
Statement of changes in equity
for the year ended 31 December 2023

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
Total equity at 31 December 2021	309	30,538	(831)	30,016
Profit and total comprehensive income for the year	-	-	13,175	13,175
Issue of shares (note 20)	-	12,470	-	12,470
Share capital reduction (note 20)	-	(43,008)	43,008	-
Total equity at 31 December 2022	309	-	55,352	55,661
Loss and total comprehensive expense for the year	-	-	(8,105)	(8,105)
Total equity at 31 December 2023	309	-	47,247	47,556

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023

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 2023 (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 24).

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 Profit on page 13.

1.3 Going concern

In considering the going concern status of the Company, the directors have considered the going concern position of the Group, as the Company effectively controls the resources of the trading group (as well as these being banking cross guarantees in place across the group) as well as the Draken US Group to the extent it applies to guarantee arrangements in place impacting the Company (note 21).

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

- Considered the cash position of the Group, being £74.9 million as at the year-end date and £60.4 million as at April 2024.
- 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 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 or the likely loss of key customer contracts.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

1.3 Going concern (continued)

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 31 May 2025 (the "going concern period"). For cash reserves to be depleted, the Group would need to see multiple significant contracts terminated early, without securing utilisation of asset flying capacity with alternative customers, a combination of events which the directors consider to be highly remote.

- Considered long-term debt. While the Company 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 21), to which the Company and certain subsidiaries are guarantors, being called in the going concern period. The directors are satisfied that the likelihood of these guarantees being called during this period are remote based on their understanding of the cashflow projections of the Draken US Group and the continued support provided to the Draken US Group by its shareholders.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the 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 2023. 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.

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.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

1.5 Management judgement and estimation uncertainty (continued)

The key assumptions and estimation uncertainties are as follows:

- Revenue recognition (note 2) (refer to Revenue policy below);
- Impairment, recoverability and depreciation of property, plant and equipment (note 9): Determination of recoverable amounts and the useful economic lives for assets including measurement of residual values, with reference to external market data (particularly for aircraft assets);
- Valuation of investments (note 10) (assumptions are made in assessing the carrying value of investments by reference to future discounted estimated cash flows);
- Inventory provisions (note 11) (recognition and measurement of provisions for obsolete, slow-moving and defective items of inventory); and
- Deferred tax (note 18) (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 Material 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.

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):

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

1.7 Revenue (continued)

Performance obligations	Recognition method	Level of estimation / judgement
Provision of flight operation and engineering services (including single-sourced contracts) (2023 revenue c£71.5m) Performance obligations can include: - Provision of aircraft availability (stand-ready obligation); and - Delivery of flying services (aircraft operated by the customer or Draken employees).	Revenue for the provision of aircraft availability 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 is 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. For one contract, where the Company is operating a new fleet of leased aircraft, requiring a broader-scope maintenance programme, revenue is recognised over time in accordance with the input method (i.e. based on costs incurred). Management judge that this better reflects the transfer of services to the customer than the right to invoice practical expedient used elsewhere due to the expected profiling of costs to be incurred on the contract.	The key judgement in recognising revenue on these contracts is estimating total profit to be made and likelihood of gain share mechanisms being triggered. Additionally, for the contract which recognises revenue using the input method, the key judgement is the estimate of total costs to be incurred on the contract. 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 regularly and billed (or adjusted for as a deduction) in the period following service delivery.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

1.7 Revenue (continued)

Long-term engineering services (2023 revenue c£15.0m) The performance obligations can include: Provision of engineering services to ensure aircraft availability (stand-ready obligation) for Group or customer-owned fleets.	Revenue for long-term engineering service contracts is recognised over time, as the customer simultaneously receives and consumes the benefits provided by Draken's performance (which in nature refers to maintenance to keep the aircraft available). Revenue recognised over time is measured in accordance with the input method (i.e. based on costs) on the basis that the value to the customer (of not having to incur these costs themselves by outsourcing the long-term engineering services) is measured by the costs incurred by Draken. Due to the nature of the services provided on the contract where we are using the input method, the profiling of costs is inconsistent month to month; however, the customers demand a fixed billing profile. Therefore, management do not believe it to be appropriate to apply the output method as doing so would not give a true representation of the profitability and performance of these contracts. These contracts typically 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. Revenue is constrained to the extent required to take these into account with revenue recognised based on the expected value method. Some also have KPI regimes which can result in deductions being applied to customer billings. Variable considerations such as KPI deductions are recorded as a deduction to revenue in the period to which the KPIs relate. On these contracts, revenue is recorded at the initially approved levels which is based on cost incurred plus the contractual margin, until such time that it is probable that the profit outturn of the contract will be different to the as-bid position, considering likely gain shares payable back to the customer where necessary. In this scenario revenue is recognised based on the percentage of completion using actual and expected costs as a basis.	The key judgements in recognising revenue on these contracts is the estimated costs and margin at the end of the contract, including risk contingencies for uncertain events. There is minimal judgement for KPI deductions as they are agreed with the customer regularly and billed (or adjusted for as a deduction) in the period following service delivery.
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Costs to obtain a contract

Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset. These costs are capitalised as an asset after the point that it can be reliably expected that a contract will be obtained and the costs will be recovered, which is typically at preferred bidder stage. The costs are capitalised as a contract asset and amortised to cost of sales on a systematic basis consistent with the transfer to the customer of the goods and services to which the asset relates, provided that the contract is expected to result in future net cash inflows.

These costs are classified as non-current or current assets on the basis of their expected amortisation profile. Any payments received specifically in relation to these costs are deferred on the balance sheet and included in the total contract value for the purposes of calculating monthly revenue on a percentage of completion basis.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

1.7 Revenue (continued)

Costs to fulfil a contract (contract mobilisation costs)

Post-contract award but pre-contract operational start-up mobilisation costs which satisfy the criteria for capitalisation under another standard, such as inventories (IAS 2), property, plant and equipment (IAS 16) or intangible assets (IAS 38), are accounted for in accordance with the relevant policies. Post-contract award (or after agreement of contract terms for anticipated contracts) but pre-contract operational start-up mobilisation costs which do not fall within the scope of another standard are recognised under IFRS 15 as capitalised 'costs to fulfil a contract' (presented on the balance sheet as 'Contract assets and costs to fulfil a contract') where they meet all the following criteria:

- i. the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- iii. the costs are expected to be recovered.

Capitalised costs to fulfil a contract are amortised to cost of sales on a systematic basis consistent with the transfer to the customer of the goods and services to which the asset relates. These mobilisation costs are recovered through the overall contract value. These relate to ensuring that assets and resources are made available as necessary to support delivery of performance obligations in accordance with contract requirements.

These costs are classified as non-current or current assets on the basis of their expected amortisation profile. Amortisation of these costs is charged on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the costs relate.

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 2023 (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.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

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.

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.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

1.16 Financial instruments (continued)

Impairments are charged to administrative expenses in the Income Statement.

Financial liabilities

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

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 2023 (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.

1.19 Government grants

Grants are not accounted for until the Company has reasonable assurance that it will comply with the conditions attached to them, and that the grant will be received. These grants are recognised in the profit or loss on a systematic basis over the period(s) in which the Company recognised the expenses related to the costs for which the grant(s) are intended to compensate.

Grants related to assets are presented in the statement of financial position in contract liabilities and amortised to the profit and loss as other income.

2. Revenue

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

An analysis by geographical destination is given below:

	2023	2022
	£000	£000
United Kingdom	84,586	60,381
EU countries	1,973	1,745
Rest of the world	-	734
	86,559	62,860

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

3. Operating (loss) / profit

Operating loss is stated after charging/(crediting):

	2023	2022
	£000	£000
Depreciation		
- owned assets (note 9)	2,274	1,653
- right-of-use assets (note 9)	1,602	968
Amortisation of intangible assets (note 8)	107	12
Dividend received from subsidiary undertaking	(4,000)	(9,137)
Impairment of investments in subsidiaries (note 10)	22,608	5,106
Employee costs (note 6)	38,437	32,552
Bid costs	271	375
Material cost included in cost of sales	4,457	2,821
Exchange differences	845	323
Auditors' remuneration for the audit of the Company's financial statements	431	476

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 2023.

4. Finance income and expense

Finance income	2023	2022
	£000	£000
Bank interest receivable	38	3
Other interest receivable	8	-
Amounts received from parent undertaking	63	-
	109	3
Finance expense	2023	2022
	£000	£000
Bank interest payable	3	-
Interest payable to group undertakings	-	3
Interest on lease obligations	414	383
	417	386

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

5. Tax on (loss) / profit on activities

Tax charged/(credited) in the income statement:

	2023 £000	2022 £000
Current tax:		
UK corporation tax on (loss) / profit for the year	1,730	498
Adjustment in respect of previous years	(138)	(65)
Total current tax charge	1,592	433
Deferred tax:		
(Credit) / charge for the year	(6)	149
Adjustment in respect of previous years	148	870
Total deferred tax charge (note 18)	142	1,019
Tax charge on (loss) / profit on ordinary activities	1,734	1,452

Adjustment in respect of prior years represents the alignment of certain balances between the accounting tax provisioning estimates used in the previous financial statements and the final submitted tax computations.

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

	2023 £000	2022 £000
(Loss) / profit on ordinary activities before taxation	(6,371)	14,627
(Loss) / profit on ordinary activities multiplied by the standard rate in the UK of 23.52% (2022: 19.00%)	(1,498)	2,779
<i>Tax effect:</i>		
Disallowable items	4,146	(310)
Other items	17	9
Income from subsidiary undertaking	(941)	(1,736)
Capital allowances in excess of depreciation	-	(95)
Adjustment in respect of previous years	10	805
Total tax charge on (loss) / profit on ordinary activities	1,734	1,452

The main rate of corporation tax has increased from 19% to 25% with effect from 1 April 2023. Closing deferred tax balances have been valued at 25% (2022: 25%).

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

6. Employee costs

	2023 £000	2022 £000
Wages and salaries	30,247	25,722
Social security costs	3,046	2,671
Pension costs (note 19)	5,144	4,159
	38,437	32,552

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

By activity	2023 Number	2022 Number
Operations and engineering	365	315
Marketing	10	11
Management and administration	122	121
	497	447

Directors' emoluments

The emoluments of the directors of the Company and its subsidiaries employed by the Company were:

	2023 £000	2022 £000
Aggregate emoluments	1,286	1,048
Aggregate amounts paid in respect of money purchase pension schemes	77	100
	1,363	1,148

During the year six directors were employed by and received remuneration from the Company (2022: four).

Three directors contributed to the Company's money purchase pension schemes during the year (2022: two).

Highest paid director

	2023 £000	2022 £000
Total emoluments including amounts accruing under long-term incentive schemes	398	438
Company contributions paid to money purchase pension schemes	28	-
	426	438

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

7. Exceptional (income)/expense

	2023	2022
	£000	£000
Write back of impairment of intercompany loans	(5,340)	(6,876)
Release of historic contract accrual	(123)	(69)
Release of gain share provisions	(34)	(506)
Other	60	-
	(5,437)	(7,451)

Write back of impairment of intercompany loans

During the year, £5,340,000 of the loan balance owed by FB Heliservices Limited, a direct subsidiary of the Company, which had been fully impaired in 2021, was repaid to FR Aviation Limited (2022: £6,876,000).

Release of historic contract accrual

During the year an accrual of £123,000 (2022: £69,000) held in relation to costs expected on an old contract was released as the time period for these to be charged to the Company had expired.

Release of gain share provisions

During the year the Company released gain share provisions of £34,000 (2022: £506,000) in relation to contracts which completed in previous years. A number of contracts include a profit-sharing clause; once complete the Company and customer review the final costs incurred and the agreed margins per the contract and agree the final balance of gain share to be returned to the customer. During the year, the gain share amount was finalised for one contract (2022: one). As a result, the above amounts have been released to the income statement in the year.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

8. Intangible assets

	Software & Licences
	£'000
Cost	
At 1 January 2022	2,042
Additions	202
Disposals	(125)
At 31 December 2022	2,119
Additions	70
Disposals	(360)
Transfers from assets under construction (note 9)	381
At 31 December 2023	2,210
Accumulated amortisation	
At 1 January 2022	1,309
Charge for the year	12
Disposals	(125)
At 31 December 2022	1,196
Charge for the year	107
Disposals	(361)
At 31 December 2023	942
Carrying amount	
At 31 December 2023	1,268
At 31 December 2022	923

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

9. Property, plant and equipment

	2023 £000	2022 £000
Owned property, plant and equipment	30,692	24,882
Right-of-use assets	5,416	4,860
	36,108	29,742

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 2022	7,717	15,922	4,331	4,915	32,885
Additions	2,280	533	886	11,168 ¹	14,867
Disposals	-	(272)	(155)	-	(427)
At 31 December 2022	9,997	16,183	5,062	16,083	47,325
Additions	316	250	260	7,637 ¹	8,463
Disposals	-	(443)	-	-	(443)
Transfers from assets under construction ²	267	(258)	660	(1,050)	(381)
At 31 December 2023	10,580	15,732	5,982	22,670	54,964
Accumulated depreciation					
At 1 January 2022	4,581	12,828	3,805	-	21,214
Charged in the year	156	1,099	398	-	1,653
Disposals	-	(269)	(155)	-	(424)
At 31 December 2022	4,737	13,658	4,048	-	22,443
Charged in the year	515	1,244	515	-	2,274
Disposals	-	(445)	-	-	(445)
At 31 December 2023	5,252	14,457	4,563	-	24,272
Carrying amount					
At 31 December 2023	5,328	1,275	1,419	22,670	30,692
At 31 December 2022	5,260	2,525	1,014	16,083	24,882

¹Assets in the course of construction include new aircraft purchased in 2021 and modification costs thereon.

²The balance of the transfer from assets under construction was transferred to intangible assets (note 8).

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

9. Property, plant and equipment (continued)

Right-of-use assets

	Land and buildings £000	Plant and machinery (incl. vehicles) £000	Total £000
Cost			
At 1 January 2022	3,847	2,747	6,594
Additions	804	1,008	1,812
At 31 December 2022	4,651	3,755	8,406
Additions	177	1,981	2,158
At 31 December 2023	4,828	5,736	10,564
Accumulated depreciation and impairment			
At 1 January 2022	1,556	1,022	2,578
Charge for the year	122	846	968
At 31 December 2022	1,678	1,868	3,546
Charge for the year	207	1,395	1,602
At 31 December 2023	1,884	3,263	5,148
Carrying amount			
At 31 December 2023	2,943	2,473	5,416
At 31 December 2022	2,973	1,887	4,860

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

10. Investments

	Shares at cost £000
Cost	
At 1 January 2022	88,155
Additions	206
At 31 December 2022	88,361
Additions	8,225
At 31 December 2023	96,586
Impairment	
At 1 January 2022	57,672
Charged in the year	5,106
At 31 December 2022	62,778
Charged in the year	22,608
At 31 December 2023	85,386
Net book amount	
At 31 December 2023	11,200
At 31 December 2022	25,583

During the year, the Company increased the value of its investment in FB Heliservices Limited as a result of a contract being transferred from the subsidiary to the Company. Following this, the value of the investment in FB Heliservices Limited was impaired in full following the decision to turn the subsidiary into a holding company. Additionally, the investment held in FB Leasing was also impaired in full following the sale of all remaining helicopter assets (cash proceeds from which were used to settle liabilities and pay a dividend to the Company). No other impairments of investments have been identified.

During the prior year, the Company released its immediate subsidiary, Draken International Limited from its £206,000 loan ahead of Draken International Limited being placed into liquidation. This resulted in a £206,000 increase in the investment in Draken International Limited which was then impaired following commencement of the solvent liquidation proceedings.

In the prior year, the Company impaired its investment in FB Heliservices Limited as a result of the decision taken in 2021 by two of its customers not to extend three contracts. Two of these contracts ended in September and October 2022, and the third ended in March 2023.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

10. Investments (continued)

The Companies subsidiaries are:

Company name	Registered office address	Principal activity	Shareholding %
FR Aviation Services Limited ^{1,3}	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	Holding company	100
FB Leasing Limited ¹	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Leasing	100
Draken International Limited (Formerly Cobham Flight Inspection Limited) ^{1,3}	Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE	Non-trading	100
Draken Helicopters Cyprus Limited (formerly FBH Cyprus Limited)	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) ⁴	Kaya W.F.G. (Jombi), Mensing 36 Curacao	Administrative services	100
Cobham Helicopter Services Trinidad Limited ⁵	5-7 Sweet Briar Road, St Clair, Port of Spain, Trinidad	Non-trading	100
FB Heliservices B.V	Strawinskyiaan 411, WTC, Tower A, 4 th Floor, 107XX Amsterdam, Netherlands	Non-trading	100
AFI Flight Inspection Holding GmbH ²	Hermann-Blenk-Straße 8, 30108 Braunschweig, Germany	Non-trading	100

¹ Investments are held directly

² Company commenced a solvent liquidation process on 22 September 2022. Ahead of liquidation, AFI Flight Inspection Holdings GmbH merged with its wholly owned subsidiary AFI Flight Inspection GmbH. The liquidation was completed in April 2024

³ Company commenced a solvent liquidation process on 27 September 2022

⁴ During the year, the services provided by this company ended when FB Heliservices' Search and Rescue contract ceased in October 2022

⁵ Cobham Helicopter Services Trinidad Limited commenced a solvent liquidation process on 11 May 2023.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

11. Inventories

	2023	2022
	£000	£000
Raw materials and consumables	4,338	2,234
	4,338	2,234

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 £3,389,000 (2022: £2,765,000).

12. Contract assets and costs to fulfil a contract

	2023	2022
	£000	£000
Costs to fulfil a contract	3,260	5,361
Total non-current assets	3,260	5,361
Unbilled amounts	2,796	1,633
Costs to fulfil a contract	4,450	3,294
Total current assets	7,246	4,927
Total	10,506	10,288

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, £1,633,000 (2022: £599,000) was transferred to trade receivables and a further £2,796,000 recognised as a contract asset where invoices were not raised by the year end.

Costs to fulfil a contract represent costs that relate directly to the contract (both incremental costs and an allocation of costs directly related to contract activities) which will be expensed over the life of the contract itself. Of the amounts existing at the start of the year, £2,605,000 (2022: £1,723,000) was transferred to cost of sales and a further £1,660,000 (2022: £8,774,000) recognised as a contract asset at the year end.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

13. Trade and other receivables

Current assets:	2023 £000	2022 £000
Trade receivables	919	864
Amounts owed by fellow subsidiary undertakings	267	532
Amounts owed by parent undertakings	19,929	9,186
Corporation tax	-	252
Other receivables	1,899	450
Prepayments	2,273	1,740
	25,287	13,024
Non-current assets:		
Amounts owed by fellow subsidiary undertakings	2,300	-
	2,300	-

During the year ended 31 December 2021, loans of £17,314,000 owed by FB Heliservices Limited and £206,000 owed by Draken International Limited were fully impaired; both are direct subsidiaries of the Company. During the year, £5,340,000 (2022: £6,670,000) has been repaid by FB Heliservices Limited. The remaining balance of £5,304,000 (2022: £10,644,000) remains fully impaired.

The amount owed by parent undertakings includes a loan of £7,844,000. This loan is unsecured and repayable on demand. Effective 1 December 2023, interest is charged at a rate of 9.39% on this amount.

All other amounts owed by fellow subsidiary, and parent undertakings are unsecured, interest free and repayable on demand.

14. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	70,205	20,109

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 2023 was £453,000 (2022: £445,000). There are no other significant terms and conditions associated with the use of collateral.

15. Contract liabilities

Contract liabilities of £78,426,000 (2022: £18,676,000) reflect advance payments from customers of which £56,568,000 (2022: £9,996,000) 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 2023, £4,089,000 (2022: £3,860,000) has been recognised in revenue during the year ended 31 December 2023. Advanced payments of £63,839,000 (2022: £10,076,000) have been received from customers in the year.

Included in contract liabilities is £740,000 (2022: £nil) of government grants received in respect of a capital expenditure project. During the year, £64,000 (2022: £nil) was recognised in the Income Statement within Other Income.

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

16. Lease obligations

At 31 December 2023, as a lessee, the Company had the following lease obligations:

	2023	2022
	£000	£000
Current	1,490	1,038
Non-current	5,217	5,145
	6,707	6,183

Contractual undiscounted cash flows:

	2023	2022
	£000	£000
Within one year	1,871	1,421
In the second to fifth years inclusive	2,890	2,751
After more than five years	9,848	10,238
	14,609	14,410
Less: future finance charges	(7,902)	(8,227)
	6,707	6,183

17. Trade and other payables

Current liabilities

	2023	2022
	£000	£000
Trade payables	1,939	3,391
Amounts owed to fellow subsidiary undertakings	11,361	11,433
Amounts owed to parent undertakings	242	145
Corporation tax	1,497	-
Other taxes and social security	8,658	1,167
Accruals	4,110	4,673
	27,807	20,809

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

18. Deferred taxation

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

	Property, plant and equipment £000	Other £000	Total £000
At 1 January 2022	434	11	445
Charged to the income statement	(1,016)	(3)	(1,019)
At 1 January 2023	(582)	8	(574)
Charged to the income statement	(137)	(5)	(142)
At 31 December 2023	(719)	3	(716)

Other deferred tax balances comprise amounts relating to short-term timing differences.

19. Retirement benefit obligations

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

	2023 £000	2022 £000
Defined contribution scheme	5,144	4,159

Defined contribution scheme

During the year, the Company operated a defined contribution scheme for companies within the Draken Europe group. The pension cost charged represents contributions payable by the Company to the fund(s) and amounted to £5,144,000 (2022: £4,159,000). At 31 December 2023 there were no contributions outstanding (2022: £nil).

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

20. Share capital and reserves

Share capital – allotted, called up, and fully paid

	Ordinary shares of £1 each			
	2023 No	2022 No	2023 £000	2022 £000
At 1 January	309,461	309,460	309	309
Issued for cash	-	1	-	-
At 31 December	309,461	309,461	309	309

On 28 December 2022, the Board of Directors approved the issue of 1 ordinary £1 share at a price of £12,469,864 per share.

Share premium

	2023 £000	2022 £000
At 1 January	-	30,538
Issue of share capital in year	-	12,470
Share capital reduction	-	(43,008)
At 31 December	-	-

On 28 December 2022, the Board of Directors approved the reduction of share capital by £43,008,000, increasing retained earnings deemed to be of a permanent nature by the same amount.

There was no impact on shareholders from the capital reduction as no shares were cancelled or rights varied, and there was no change in the net asset position of the Company.

FR Aviation Limited

Notes to the financial statements

for the year ended 31 December 2023 (continued)

21. 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 30 December 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"). Draken International makes quarterly amortization payments on the term loans such that the balance outstanding as of 31 December 2023 was \$75.6 million and £37.3 million (2022: \$79.8 million and £39.4 million). The RCF remains fully drawn. Draken International is subject to various affirmative, reporting and financial performance covenants with respect to its line-of-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. During the year ended 31 December 2022, FR Aviation Services Limited and Draken International Limited were released as guarantors from this Credit Agreement. 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. During the year ended 31 December 2022, FR Aviation Services Limited and Draken International Limited were released as guarantors from this agreement.

On 25 August 2022, the Company agreed to an amendment to the Credit Agreement. Changes included the temporary alleviation from testing certain covenants for a specified period, replaced with a monthly Minimum Liquidity Test and the placing of liens over specific aircraft and material assets. The specified period ends in June 2024, at which point the testing of certain covenants recommences.

22. Capital commitments

The Company had the following capital commitments contracted for but not provided at the year end:

	2023	2022
	£000	£000
Aircraft modifications	8,301	8,992
Property, plant and equipment	156	53
	8,457	9,045

FR Aviation Limited
Notes to the financial statements
for the year ended 31 December 2023 (continued)

23. 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).

24. 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:

	2023 Purchases in year £000	2023 Creditor balances £000	2022 Purchases in year £000	2022 Creditor balances £000
Aviation Defense SA	531	225	40	-

	2023 Sales in year £000	2023 Debtor balances £000	2022 Sales in year £000	2022 Debtor balances £000
Aviation Defense SA	5	-	107	-

At the beginning of the 2021, Aviation Defense SA was a joint venture company of a fellow subsidiary undertaking of the previous shareholder 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.