

Registration number: 7644196

**Falko Regional Aircraft Limited**  
**Directors' Report and Financial Statements**  
**for the Financial Year Ended 31 December 2021**



## **Falko Regional Aircraft Limited**

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## **Falko Regional Aircraft Limited**

### **Company Information**

<b>Directors</b>	J. Barnes M. Brennan S. Dichlian
<b>Company secretary</b>	Maples Fiduciary Services (UK) Limited
<b>Registration number</b>	7644196
<b>Registered office</b>	1 Bishop Square St Albans Road West Hatfield Hertfordshire AL10 9NE
<b>Banker</b>	Citibank NA Citigroup Centre Canada Square Canary Wharf London E14 5LB
<b>Independent auditor</b>	Deloitte Ireland LLP Statutory Auditor Chartered Accountants and Statutory Audit Firm 29 Earlsfort Terrace Dublin 2 Ireland

## **Falko Regional Aircraft Limited**

### **Strategic Report for the Year Ended 31 December 2021**

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

#### **Principal activity**

The principal activity of Falko Regional Aircraft Limited (the "Company") is aircraft portfolio servicer.

The Company acts as servicer to a number of asset owning companies and is responsible for all asset management activities, including lease management, collections and disbursements, off lease aircraft acceptance and redelivery, aircraft remarketing, administration and accounting. The Company provides its services to fellow subsidiaries of the ultimate parent undertaking (the "Group") in addition to third party companies.

#### **Review of the business**

The Company reported a loss before taxation of £3,169,104 (2020: £363,200 loss before taxation). The loss for the year was primarily caused by lower portfolio servicer fees and an increase in administrative costs. The lower servicer fees are partly the result of some new servicing agreements being contracted by subsidiaries of the Company rather than by the Company itself. No dividend was proposed or paid during the year (2020: £nil) to the parent company.

#### **Key performance indicators**

In managing the Company, the directors use a series of key performance indicators against which the performance of the Company is measured. As the Company principally acts as servicer to asset owning companies, the principal indicators are associated with the performance of the assets that are under the management of the Company. These include the following:

##### ***Lease rates achieved compared to market rates***

During 2021, a number of new leases and lease extensions for aircraft owned by the asset owning companies were identified by the Company and subsequently contracted. The directors are satisfied that the terms achieved were consistent with market rates.

##### ***Number and percentage of aircraft on/off lease***

This is continually monitored and reported to the directors of the asset owning companies on a monthly basis. The status of each portfolio is reviewed at quarterly board meetings. Across the total aircraft portfolio serviced, the ratio of on lease aircraft to off lease aircraft has remained consistent with expectations as contracted lease terms came to an end and aircraft were sold.

##### ***Credit worthiness of customers and the level of lease income arrears***

The credit worthiness of potential customers is investigated prior to entering into any transaction. The customer's ability to make payments and the level of lease income arrears is regularly reviewed and appropriate action taken where necessary.

##### ***Sales prices achieved compared to market rates***

During 2021, a number of sales prospects for aircraft owned by the asset owning companies were identified by the Company and aircraft sales were subsequently contracted. The directors are satisfied that the terms achieved were consistent with market rates.

#### **Principal risks and uncertainties**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and foreign currency risk.

##### ***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. It is Company policy to investigate the credit worthiness of all counterparties prior to entering any transactions and to regularly review the counterparty's ability to make payments.

## **Falko Regional Aircraft Limited**

### **Strategic Report for the Year Ended 31 December 2021**

#### ***Cash flow risk***

Cash flow risk is defined as the risk of being unable to fulfil current or future payment obligations in full or at the due date. The cash position of the Company is constantly monitored and short, medium and long term cash flow forecasts are regularly reviewed and appropriate action taken, where necessary. Whilst acknowledging the net liabilities of the Company at 31 December 2021 of £3,785,246 (2020: net liabilities of £532,239), the directors are satisfied that, with the continued support of the ultimate parent undertaking, the Company will be able to fulfil its current and future obligations.

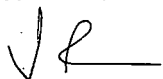
#### ***Foreign currency risk***

The Company is incorporated in the United Kingdom. The majority of the Company's income is received in US dollars, whereas the Company's operating expenses are principally in UK sterling. The directors monitor exchange rate movements and use appropriate foreign exchange instruments when necessary.

#### ***Future developments***

The directors are satisfied with the Company's progress and no significant changes to the operation of the Company are anticipated in the foreseeable future.

Approved by the Board on 22 November 2022 and signed on its behalf by:



.....  
J. Barnes  
Director

#### **Registered office:**

1 Bishop Square  
St Albans Road West  
Hatfield  
Hertfordshire AL10 9NE

Registration number: 7644196

## **Falko Regional Aircraft Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors present their annual report on the affairs of the Company, together with the financial statements and independent auditor's report, for the year ended 31 December 2021.

The review of business, key performance indicators, principal risks and uncertainties and future developments can be found in the Strategic report on pages 2 and 3 and form part of this report by cross reference.

#### **Going concern**

The financial statements have been prepared on a going concern basis. The directors have considered the factors that impact the Company's future development, performance, cashflows and financial position in forming their opinion on the going concern basis. The directors have reached the conclusion that, with the continued support of the ultimate parent undertaking, the Company has adequate resources to continue to operate and meet its obligations as they fall due for the foreseeable future, and for at least 12 months from the date of approval of these financial statements. The directors continue to monitor the impact of the COVID-19 pandemic and uncertainty with respect of the Russian invasion of Ukraine on the activities of the Company by reviewing cash flow forecasts and based on the most current estimates and information available, they are satisfied with the Company's ability to continue as a going concern.

#### **COVID-19 pandemic**

The outbreak of the COVID-19 coronavirus started in December 2019 in Wuhan, China, and throughout 2020 and 2021, the world was reacting to the spread of the virus. By April 2020, the virus had spread across the globe, with major outbreaks in all continents.

In 2021, the vaccine rollout has significantly improved the outlook for the aviation industry, however further viral mutations are expected. Industry revenues are rising as COVID-19 restrictions ease and people return to travel, with the underlying demand for travel being strong.

Although the impact of COVID-19 has been adverse across the aviation industry, carriers operating regional aircraft, particularly on domestic routes, have fared better than those operating larger aircraft on internal routes. Indeed, prior to the onset of COVID-19, the trend had been for operators to steadily increase the size of their aircraft to maximise capacity on each route. During 2020, this trend was reversed, and carriers were seen to be substituting regional aircraft for larger aircraft as a means to keep routes open but at the lower possible cost. During 2021, recovery in both domestic and international travel have been evident.

#### **Directors of the company**

The directors who held office during the year were as follows:

C. Dakolias (US) (resigned 3 May 2022)

J. Barnes

N. Fegan (resigned 3 May 2022)

The following directors were appointed after the year end:

M. Brennan (appointed 3 May 2022)

S. Dichlian (appointed 3 May 2022)

#### **Charitable donations**

During the year, the Company made donations of £22,437 (2020: £2,662). No contributions to political organisations were made during the year (2020: £nil).

## **Falko Regional Aircraft Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **Subsequent events**

##### *Ukraine conflict and Russian sanctions*

On 25 February 2022, the EU adopted Regulation 2022/328, as part of its package of sanctions and export controls imposed in response to the Russian government's actions involving Ukraine. The Regulation took effect as of 26 February 2022 and includes the following provisions:

- It shall be prohibited to provide insurance and reinsurance, directly or indirectly, in relation to aircraft to any person, entity or body in Russia or for use in Russia, with immediate effect.
- It shall be prohibited to sell, supply, transfer or export, directly or indirectly, goods and technology suited for use in aviation or the space industry to any natural or legal person, entity or body in Russia or for use in Russia, with effect from 28 March.
- It shall be prohibited to provide any one or any combination of the following activities: overhaul, repair, inspection, replacement, modification or defect rectification of an aircraft or component to any natural or legal person, entity or body in Russia or for use in Russia, with immediate effect.

At 31 December 2021, the Company has no aircraft on lease with Russian lessees. However, the conflict will have short and long-term consequences on the aviation industry, including rising fuel prices and airlines rerouting flights as a result of the ban on use of airspace. As the conflict in Ukraine continues to unfold, airlines around the world will come under increased strain due to the economic sanctions imposed on Russia and their effect on the global economy. Increased fuel prices, inflation, an increased reluctance to use air travel and airlines rerouting flights because of bans on the use of airspace will all place additional pressure on already strained airlines. The specific impacts on the Company may include challenges for the airline lessees' ability to satisfy their lease payment obligations to lessor companies whose assets are managed by the Company, the potential requirement to re-possess aircraft, which could impair the recoverability of lease related assets, which ultimately may cause difficulty in the lessor companies servicing their own obligations.

This conflict is a significant geopolitical and economic event for the global economy and, in particular, the aviation industry, and there is uncertainty over how the future development of this conflict will affect the Company. At the date of this report, the ultimate financial impact of these events cannot be fully determined.

As the ongoing invasion of Ukraine continues to unfold in 2022, the Company will continue to monitor the development of the conflict and assess the potential impact on the Company.

#### *Change of directors*

The following director changes occurred after the year end:

N. Fegan (resigned 3 May 2022)  
C. Dakolias (US) (resigned 3 May 2022)  
M. Brennan (appointed 3 May 2022)  
S. Dichlian (appointed 3 May 2022)

There were no other significant events since the year end that require adjustment to or disclosure in the financial statements.

## **Falko Regional Aircraft Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **Independent auditor**

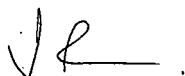
The independent auditor, Deloitte Ireland LLP, will be deemed to be reappointed and will therefore continue in office.

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

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware.
- (2) the director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is 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.

Approved by the Board on 22 November 2022 and signed on its behalf by:



.....  
J. Barnes  
Director

#### **Registered office:**

1 Bishop Square  
St Albans Road West  
Hatfield  
Hertfordshire AL10 9NE

Registration number: 7644196



## **Falko Regional Aircraft Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FALKO REGIONAL AIRCRAFT LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Falko Regional Aircraft Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position;
- the accounting policies; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### 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 Financial Reporting Council's (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.

#### Emphasis of Matter – Russian invasion of Ukraine:

We draw your attention to note 21 in the financial statements, concerning the impact of the Russian invasion of Ukraine, which imposes sanctions in response to the Russian government's actions in Ukraine. The conflict in Ukraine is a significant geopolitical and economic event for the global economy and, in particular, the aviation industry, and there is uncertainty over how the future development of this conflict will affect the company. At the date of this report, the potential financial impact of these events on the company cannot be fully determined. Our opinion is not modified in respect of this matter.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FALKO REGIONAL AIRCRAFT LIMITED

### **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 of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the Directors' Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities, 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FALKO REGIONAL AIRCRAFT LIMITED

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

### **Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FALKO REGIONAL AIRCRAFT LIMITED

### Report on other legal and regulatory requirements

#### 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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### 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.



Brian O'Callaghan  
For and on behalf of Deloitte Ireland LLP  
Chartered Accountants and Statutory Audit Firm  
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 1 December 2022

## Falko Regional Aircraft Limited

### Statement of Income and Retained Earnings for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	9,507,255	11,528,418
Cost of sales		<u>(476,631)</u>	<u>(440,807)</u>
Gross profit		9,030,624	11,087,611
Administrative expenses		(11,872,801)	(11,179,312)
Other operating income	4	<u>-</u>	<u>75,554</u>
Operating loss		(2,842,177)	(16,147)
Interest payable and similar charges	5	<u>(326,927)</u>	<u>(347,053)</u>
Loss before tax	6	(3,169,104)	(363,200)
Taxation	10	<u>(83,903)</u>	<u>(77,608)</u>
Loss for the financial year		(3,253,007)	(440,808)
Retained losses brought forward		<u>(532,240)</u>	<u>(91,432)</u>
Retained losses carried forward		<u><u>(3,785,247)</u></u>	<u><u>(532,240)</u></u>

All of the results arise from continuing operations.

The Company has no recognised gains or losses in the financial year other than those dealt with in the statement of income and retained earnings. Accordingly, a statement of other comprehensive income for the year has not been presented.


The notes on pages 13 to 28 form an integral part of these financial statements.

# Falko Regional Aircraft Limited

## Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
<b>Non current assets</b>			
Investments	11	95,066	95,066
Tangible assets	12	<u>483,886</u>	<u>152,853</u>
		<u>578,952</u>	<u>247,919</u>
<b>Current assets</b>			
Stocks	13	52,544	52,544
Debtors	14	4,597,566	2,533,803
Cash and cash equivalents	15	<u>1,713,965</u>	<u>3,862,873</u>
		6,364,075	6,449,220
<b>Creditors: Amounts falling due within one year</b>	16	<u>(10,644,275)</u>	<u>(7,229,378)</u>
<b>Net current liabilities</b>		<u>(4,280,200)</u>	<u>(780,158)</u>
<b>Total assets less current liabilities</b>		(3,701,248)	(532,239)
<b>Deferred taxation</b>	17	<u>(83,998)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(3,785,246)</u>	<u>(532,239)</u>
<b>Capital and reserves</b>			
Called up share capital	18	1	1
Retained deficit		<u>(3,785,247)</u>	<u>(532,240)</u>
Shareholders' deficit		<u>(3,785,246)</u>	<u>(532,239)</u>

Approved and authorised by the Board on 22 November 2022 and signed on its behalf by:

  
 .....  
 J. Barnes  
 Director

The notes on pages 13 to 28 form an integral part of these financial statements.

## **Falko Regional Aircraft Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 Accounting policies**

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

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

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

Falko Regional Aircraft Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional and presentation currency of Falko Regional Aircraft Limited is considered to be UK Sterling because that is the currency of the primary economic environment in which the Company operates.

##### **Summary of disclosure exemptions**

Falko Regional Aircraft Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent Triangle Aviation (UK) Holdings Limited, which may be obtained from Companies House, Crown Way, Cardiff. CF14 3UZ. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, disclosure of transactions or balances with other wholly owned subsidiaries of Triangle Aviation (UK) Holdings Limited and disclosure of remuneration of key management personnel.

##### **Going concern**

The financial statements have been prepared on a going concern basis. The directors have considered the factors that impact the Company's future development, performance, cashflows and financial position in forming their opinion on the going concern basis. The directors have reached the conclusion that, with the continued support of the ultimate parent undertaking, the Company has adequate resources to continue to operate and meet its obligations as they fall due for the foreseeable future, and for at least 12 months from the date of approval of these financial statements. The directors continue to monitor the impact of the COVID-19 pandemic and uncertainty with respect of the Russian invasion of Ukraine on the activities of the Company by reviewing cash flow forecasts and based on the most current estimates and information available, they are satisfied with the Company's ability to continue as a going concern.

##### **Turnover**

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. It principally relates to fees received in respect of servicing of aircraft portfolios and through the sale of aircraft spare parts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the statement of financial position date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the statement of financial position date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.



## **Falko Regional Aircraft Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **Operating expenses**

The operating expenses of the Company are recognised in the financial statements on an accruals basis.

#### **Interest income and expense**

Interest income and expenses are recognised in the statement of income and retained earnings on an accruals basis by reference to the principal outstanding and at the effective interest rate applicable.

#### **Pensions**

The Company operates a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income in the year during which services are rendered by employees.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of income and retained earnings.

#### **Stocks**

Stock consists of aircraft spare parts and is stated at the lower of cost and net realisable value.

The cost of stock is either the original acquisition cost (for stock purchased for resale) or an allocation of a portion of an aircraft book value (for stock resulting from the parting-out of aircraft previously recognised within fixed assets). Net realisable value is the estimated selling price in the ordinary course of business.

#### **Investments in subsidiaries**

These are the separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

#### **Tax**

Tax shown on the statement of income and retained earnings comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## **Falko Regional Aircraft Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at the lower of depreciation cost and their recoverable amount. The Company owns a number of aircraft engine stands.

Depreciation is charged to the statement of income and retained earnings on a straight-line basis over the useful life of the asset down to an estimated residual value. The estimated useful lives of the aircraft engine stands are determined to be 5 years from new, with a residual value of 30% of the original cost at the end of this period.

Recoverable amount is the greater of net realisable value of the asset and its value in use. Net realisable value is the amount for which an asset could be disposed, less any direct selling costs. Value in use represents the present value of the future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal.

Impairment losses on tangible fixed assets are recognised in the statement of income and retained earnings. Reversals of impairment losses are also recognised in the statement of income and retained earnings to increase the carrying value of the asset to an amount not greater than that which it would have been had the impairment not taken place.

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

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Leases**

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

All current leases where the Company acts as lessor are treated as operating leases.

#### **Equity**

Ordinary shares are classified as equity. Dividends are recognised in the financial year in which they are approved.

## **Falko Regional Aircraft Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### **2 Critical accounting judgements and key sources of uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where accounting judgements and estimation uncertainty have the most significant effect on the amounts recognised in the financial statements are described below:

##### **Recoverability of receivables**

Using information available at the statement of financial position date and in the subsequent period, the Company reviews its receivables balances and makes judgements based on an assessment of past experience, debt ageing and known customer circumstance in order to determine the appropriate level of allowance required to account for potential irrecoverable trade receivables.

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 3 Turnover

An analysis of the Company's turnover by geographical market is set out below:

	2021 £	2020 £
United Kingdom	337,458	89,643
Europe	7,490,960	9,722,951
Rest of the World	1,678,837	1,715,824
	<u>9,507,255</u>	<u>11,528,418</u>

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £	2020 £
Group portfolio servicer fees	1,975,467	1,847,586
Other portfolio servicer fees	7,474,278	9,676,790
Sale of aircraft spare parts	57,510	4,042
	<u>9,507,255</u>	<u>11,528,418</u>

#### 4 Other operating income

	2021 £	2020 £
Write-back of unrecoverable trade receivable	-	75,554
	<u>-</u>	<u>75,554</u>

The write-back and previous year write-off of an unrecoverable trade receivable relates to the arrears balance with CityJet DAC at 31 December 2019. Following the Examinership process it was determined that the balance was not recoverable. In 2020, the arrears balance was reduced by amounts owed to CityJet DAC by the Company.

#### 5 Interest payable and similar charges

	2021 £	2020 £
Interest payable on loans from group undertakings	<u>326,927</u>	<u>347,053</u>

The interest payable on loans from group undertakings of £326,927 (2020: £347,053) relates to a loan provided by the immediate parent undertaking, Triangle Aviation (UK) Holdings Limited. The loan is repayable on demand and has an 8.5% annual interest rate.

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 6 Loss before taxation

Loss before tax is stated after charging:

	2021 £	2020 £
Servicer fees payable to overseas subsidiary	422,911	439,003
Depreciation of tangible fixed assets	<u>53,720</u>	<u>1,804</u>

#### 7 Auditors' remuneration

	2021 £	2020 £
Audit of financial statements	<u>13,000</u>	<u>13,000</u>
	<u>13,000</u>	<u>13,000</u>
<b>Other fees to auditors</b>		
Taxation compliance services	<u>5,000</u>	<u>5,000</u>
	<u>5,000</u>	<u>5,000</u>

#### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	5,677,476	5,348,561
Social security costs	756,823	702,788
Pension costs	<u>341,321</u>	<u>368,253</u>
	<u>6,775,620</u>	<u>6,419,602</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Spares sales	3	4
Portfolio development	8	10
Technical operations	9	8
Legal and commercial	11	11
Support (including Finance and IT)	<u>20</u>	<u>21</u>
	<u>51</u>	<u>54</u>

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 9 Directors' remuneration

The total directors' remuneration for the year was as follows:

	2021 £	2020 £
Emoluments	448,600	329,108
Company contributions to a money purchase pension scheme	<u>14,000</u>	<u>32,866</u>
	<u>462,600</u>	<u>361,974</u>

During the year the number of directors who were receiving benefits was as follows:

	2021 No.	2020 No.
Directly remunerated by the Company	1	1
Accruing benefits under a money purchase pension scheme	<u>1</u>	<u>1</u>

Remuneration of the highest paid director:

	2021 £	2020 £
Emoluments	448,600	329,108
Company contributions to a money purchase pension scheme	<u>14,000</u>	<u>32,866</u>
	<u>462,600</u>	<u>361,974</u>

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 10 Taxation

Tax charged in the statement of income and retained earnings

	2021 £	2020 £
<b>Current tax on profit</b>		
Current tax charge	-	435,024
Adjustments in respect of prior years	(9,681)	(359,640)
<b>Total current tax</b>	(9,681)	75,384
<b>Deferred tax</b>		
Origination and reversal of timing differences	64,640	2,224
Adjustments in respect of prior years	28,944	-
<b>Total deferred taxation</b>	93,584	2,224
<b>Total tax charge</b>	83,903	77,608

The closing deferred tax liability as at 31 December 2021 has been calculated at 19% reflecting the tax rate at which the deferred tax asset is expected to be reversed in future periods.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £	2020 £
Loss before tax	(3,169,104)	(363,200)
Tax on profit at the standard tax rate of corporation tax of 19% (2020: 19%)	(602,130)	(69,008)
Expenses not deductible for tax purposes	434,664	506,256
Adjustment in respect of prior years	19,263	(359,640)
Group relief surrendered free of charge	232,106	-
<b>Total tax charge</b>	83,903	77,608

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 11 Fixed asset investments

	2021 £	2020 £
Investments in subsidiaries	<u>95,066</u>	<u>95,066</u>
<b>Movement during the year</b>		£
<b>Cost or valuation</b>		
At 1 January 2021		<u>95,066</u>
At 31 December 2021		<u>95,066</u>
<b>Provisions</b>		
At 1 January 2021		<u>-</u>
At 31 December 2021		<u>-</u>
<b>Net book value at end of year</b>		
At 31 December 2021		<u>95,066</u>

The Company had the following investments in subsidiaries at 31 December 2021:

	Country of incorporation	Class of shares held	Share ownership	
			2021	2020
Falko Regional Aircraft Pte Limited	Singapore	Ordinary	100%	100%
Falko RAOF GP Limited	Jersey	Ordinary	100%	100%
Falko RAOF GP II Limited	Jersey	Ordinary	100%	100%
Falko Asset Management DAC	Ireland	Ordinary	100%	100%
Falko (Tianjin) Leasing Co. Ltd	China	Ordinary	100%	100%



## **Falko Regional Aircraft Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **11 Fixed asset investments (continued)**

##### **Subsidiary undertakings**

###### *Falko Regional Aircraft Pte Limited*

The profit for the 2021 financial period was £27,421 and the aggregate amount of capital and reserves at the end of the period was £312,590.

###### *Falko RAOF GP Limited*

The profit for the 2021 financial period was £213,179 and the aggregate amount of capital and reserves at the end of the period was £466,729.

###### *Falko RAOF GP II Limited*

The profit for the 2021 financial period was £1,617,314 and the aggregate amount of capital and reserves at the end of the period was £1,826,871.

###### *Falko Asset Management DAC*

The profit for the 2021 financial period was £302,278 and the aggregate amount of capital and reserves at the end of the period was £369,244.

###### *Falko (Tianjin) Leasing Co. Ltd*

Falko (Tianjin) Leasing co. Ltd was dormant as at 31 December 2021.

The registered address of Falko RAOF GP Limited and Falko RAOF GP II Limited is IFC 5, St. Helier, Jersey JE4 1ST. The registered address of Falko Regional Aircraft Pte Limited is 1 Fullerton Road, #02-01 One Fullerton, Singapore 049213. The registered address of Falko Asset Management DAC is Fitzwilliam Hall, Fitzwilliam Place, Dublin D02 T292, Ireland.

The principal activity of Falko RAOF GP Limited and Falko RAOF GP II Limited is to act as general partners to Jersey registered limited partnerships. The principal activity of Falko Regional Aircraft Pte Limited is providing sales and marketing services for aircraft leasing and sales. The principal activity of Falko Asset Management DAC is aircraft portfolio servicer.

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 12 Tangible assets

	Aircraft engine stands £	Total £
<b>Cost or valuation</b>		
At 1 January 2021	460,614	460,614
Additions	<u>384,754</u>	<u>384,754</u>
At 31 December 2021	<u>845,368</u>	<u>845,368</u>
<b>Depreciation</b>		
At 1 January 2021	307,762	307,762
Charge for the year	<u>53,720</u>	<u>53,720</u>
At 31 December 2021	<u>361,482</u>	<u>361,482</u>
<b>Carrying amount</b>		
At 31 December 2021	<u>483,886</u>	<u>483,886</u>
At 31 December 2020	<u>152,853</u>	<u>152,853</u>

A full impairment assessment has been carried out on the tangible assets during the year and no impairment has been noted.

#### 13 Stocks

	2021 £	2020 £
<b>Finished goods and goods for resale</b>		
Aircraft spares	<u>52,544</u>	<u>52,544</u>

The cost of stock recognised as an expense in the statement of income and retained earnings was £nil (2020: £nil).

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 14 Debtors

	Note	2021 £	2020 £
<b>Amounts falling due within one year:</b>			
Trade and other receivables		1,215,493	213,812
Amounts due from group companies		108,837	-
Other debtors		2,327,933	1,393,370
Prepayments and accrued income		403,104	365,993
Accrued income		127,199	-
Deferred taxation	17	-	9,586
Value added tax		415,000	551,042
		<u>4,597,566</u>	<u>2,533,803</u>

#### 15 Cash and cash equivalents

	2021 £	2020 £
Cash at bank	<u>1,713,965</u>	<u>3,862,873</u>

The cash and cash equivalents balances of the Company are not subject to any restrictions in use.

#### 16 Creditors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade and other payables	2,418,643	702,752
Amounts due to group companies	6,937,681	4,827,680
Other taxes and social security	198,871	206,897
Other creditors	82,725	34,542
Accruals and deferred income	1,006,355	636,826
Corporation tax	-	820,681
	<u>10,644,275</u>	<u>7,229,378</u>

The amounts due to group companies of £6,937,681 (2020: £4,827,680) includes a loan provided by the immediate parent undertaking, Triangle Aviation (UK) Holdings Limited, of £4,674,344 (2020: £4,012,441). The loan is repayable on demand and has an 8.5% annual interest rate.

# Falko Regional Aircraft Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021

### 17 Deferred taxation

	Accumulated depreciation in excess of capital allowances £	Total £
At 1 January 2021	9,586	9,586
Charge to the income statement	<u>(93,584)</u>	<u>(93,584)</u>
At 31 December 2021	<u>(83,998)</u>	<u>(83,998)</u>

### 18 Share capital

#### Authorised, allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary share of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 19 Related party transactions

The directors have availed of the exemption in FRS102 for wholly-owned subsidiary undertakings from the requirement to provide details of transactions with fellow group companies where group financial statements are prepared and made available to the public. This exemption applies between Falko Regional Aircraft Limited and fellow subsidiaries of its immediate parent company - Triangle Aviation (UK) Holdings Limited.

	2021	2020
	£	£
<b>Income received from related party</b>		
Trident Aviation Leasing Services (Jersey) Limited	1,084,520	3,502,931
Trident Jet (Jersey) Limited	108,169	70,119
Trident Turboprop (Dublin) DAC	16,354	13,482
Triangle Aviation Q4300 DAC	-	13,595
Triangle Aviation Q4301 DAC	-	13,595
Triangle Aviation 415 DAC	282,999	142,142
Triangle 415 Leasing LLC	250,699	306,744
Trident Aviation Ireland DAC	16,607	125,175
Trident Aviation Jersey Limited	16,390	8,541
Triangle Symber Leasing DAC	193,525	812,687
Triangle Aero (Holdings) LLC	-	122,460
Triangle Aero (Equipment 1) LLC	-	14,922
Triangle Aero SN1754 LLC	-	202,857
Triangle Holdings LP	169,513	21,832
CityJet DAC	33,420	7,171
	<u>2,172,196</u>	<u>5,378,253</u>
	2021	2020
	£	£
<b>Expenses charged by related party</b>		
Trident Aviation Leasing Services (Jersey) Limited	74	940
Trident Jet (Jersey) Limited	403,517	136,792
Triangle Symber Leasing DAC	1,857	4,924
Trident Turboprop (Dublin) DAC	31,749	-
	<u>437,197</u>	<u>142,656</u>

The income received from the related parties primarily relates to servicer fees, recharges of overhead costs, and recharges of refurbishment, redelivery and storage costs. The expenses charged primarily relate to the purchase of aircraft spares parts.

## Falko Regional Aircraft Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 19 Related party transactions (continued)

	2021 £	2020 £
<b>Creditors outstanding to related party</b>		
Trident Jet (Jersey) Limited	403,517	-
	<u>403,517</u>	<u>-</u>

#### 20 Parent and ultimate parent undertaking

The company's immediate parent is Triangle Aviation (UK) Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking is Triangle Holdings LP, a partnership registered in the Cayman Islands.

#### 21 Subsequent events

##### *Ukraine conflict and Russian sanctions*

On 25 February 2022, the EU adopted Regulation 2022/328, as part of its package of sanctions and export controls imposed in response to the Russian government's actions involving Ukraine. The Regulation took effect as of 26 February 2022 and includes the following provisions:

- It shall be prohibited to provide insurance and reinsurance, directly or indirectly, in relation to aircraft to any person, entity or body in Russia or for use in Russia, with immediate effect.
- It shall be prohibited to sell, supply, transfer or export, directly or indirectly, goods and technology suited for use in aviation or the space industry to any natural or legal person, entity or body in Russia or for use in Russia, with effect from 28 March.
- It shall be prohibited to provide any one or any combination of the following activities: overhaul, repair, inspection, replacement, modification or defect rectification of an aircraft or component to any natural or legal person, entity or body in Russia or for use in Russia, with immediate effect.

At 31 December 2021, the Company has no aircraft on lease with Russian lessees. However, the conflict will have short and long-term consequences on the aviation industry, including rising fuel prices and airlines rerouting flights as a result of the ban on use of airspace. As the conflict in Ukraine continues to unfold, airlines around the world will come under increased strain due to the economic sanctions imposed on Russia and their effect on the global economy. Increased fuel prices, inflation, an increased reluctance to use air travel and airlines rerouting flights because of bans on the use of airspace will all place additional pressure on already strained airlines. The specific impacts on the Company may include challenges for the airline lessees' ability to satisfy their lease payment obligations to lessor companies whose assets are managed by the Company, the potential requirement to re-possess aircraft, which could impair the recoverability of lease related assets, which ultimately may cause difficulty in the lessor companies servicing their own obligations.

## **Falko Regional Aircraft Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **21 Subsequent events (continued)**

This conflict is a significant geopolitical and economic event for the global economy and, in particular, the aviation industry, and there is uncertainty over how the future development of this conflict will affect the Company. At the date of this report, the ultimate financial impact of these events cannot be fully determined.

As the ongoing invasion of Ukraine continues to unfold in 2022, the Company will continue to monitor the development of the conflict and assess the potential impact on the Company.

#### *Change of directors*

The following director changes occurred after the year end:

N. Fegan (resigned 3 May 2022)  
C. Dakolias (US) (resigned 3 May 2022)  
M. Brennan (appointed 3 May 2022)  
S. Dichlian (appointed 3 May 2022)

There were no other significant events since the year end that require adjustment to or disclosure in the financial statements.

#### **22 Approval of financial statements**

The financial statements were approved and authorised for issue by the Board of Directors on 22 November 2022.