

Registration number: 07644196

Falko Regional Aircraft Limited
Directors' Report and Financial Statements
for the Financial Year Ended 31 December 2022

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Falko Regional Aircraft Limited

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Falko Regional Aircraft Limited

Company Information

Directors	J. Barnes M. Brennan S. Dichlian
Company secretary	Maples Fiduciary Services (UK) Limited
Registration number	07644196
Registered office	1 Bishop Square St Albans Road West Hatfield Hertfordshire AL10 9NE
Banker	Citibank NA Citigroup Centre Canada Square Canary Wharf London E14 5LB
Independent auditor	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 2022

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 profit before taxation of £3,700,367 (2021: £3,169,104 loss before taxation). The profit for the year was primarily due to a loan waiver from the parent company. Turnover has improved due to new servicing agreements contracted in the year plus increased performance of portfolios that generates servicer fee income. Administrative costs have also increased due to increase in staff costs as a result of increase in bonuses following the acquisition of the Company's parent company by Chorus Aviation Inc. No dividend was proposed or paid during the year (2021: £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

Where new leases and lease extensions are contracted, they are consistent with market rates. During 2022, 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 2022, 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 2022

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 2022 of £8,001 (2021: net liabilities of £3,785,246), 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.

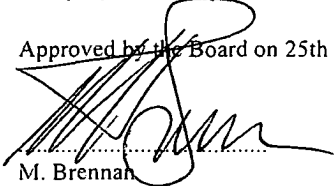
Foreign currency risk

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 25th January 2024 and signed on its behalf by:



M. Brennan
Director

Falko Regional Aircraft Limited

Directors' Report for the Year Ended 31 December 2022

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 2022.

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 are satisfied with the Company's ability to continue as a going concern.

Directors of the company

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

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

Subsequent events

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

Charitable donations

During the year, the Company made donations of £16,304 (2021: £22,437). No contributions to political organisations were made during the year (2021: £nil).

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.

Falko Regional Aircraft Limited

Directors' Report for the Year Ended 31 December 2022

Approved by the Board on 25th January 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'M Brennan', written over a dotted line.

M Brennan
Director

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 2022 and of its profit 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.

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.

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

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 annual report. 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 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 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.

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. This description forms part of our auditor's report.

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

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 and the directors 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 the 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.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- **Accuracy of Service Fees:** we have assessed the design and determined the implementation of the controls in place which governs the recognition of revenue. We recalculated the servicer fee income based on the terms of the agreements in place and reconciled intercompany amounts.

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

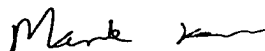
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Mark Kerr
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

29 January 2024

Falko Regional Aircraft Limited

Statement of Income and Retained Earnings for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	14,914,232	9,507,255
Cost of sales		<u>(641,423)</u>	<u>(476,631)</u>
Gross profit		14,272,809	9,030,624
Administrative expenses		(18,043,808)	(11,872,801)
Other operating income	4	<u>8,019,495</u>	<u>-</u>
Operating profit/(loss)		4,248,496	(2,842,177)
Other interest receivable and similar income		77	-
Interest payable and similar charges	5	<u>(548,206)</u>	<u>(326,927)</u>
Profit/(loss) before tax		3,700,367	(3,169,104)
Taxation	10	<u>76,878</u>	<u>(83,903)</u>
Profit/(loss) for the financial year		3,777,245	(3,253,007)
Retained losses brought forward		<u>(3,785,247)</u>	<u>(532,240)</u>
Retained losses carried forward		<u><u>(8,002)</u></u>	<u><u>(3,785,247)</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.

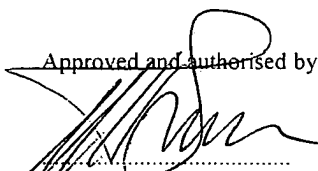
The notes on pages 13 to 25 form an integral part of these financial statements.

Falko Regional Aircraft Limited

Statement of Financial Position as at 31 December 2022

	Note	2022 £	2021 £
Non current assets			
Investments	11	136,746	95,066
Tangible assets	12	<u>408,369</u>	<u>483,886</u>
		<u>545,115</u>	<u>578,952</u>
Current assets			
Stocks	13	71,909	52,544
Debtors	14	3,368,303	4,597,566
Cash and cash equivalents	15	<u>6,297,523</u>	<u>1,713,965</u>
		9,737,735	6,364,075
Creditors: Amounts falling due within one year	16	<u>(10,193,933)</u>	<u>(10,644,275)</u>
Net current liabilities		<u>(456,198)</u>	<u>(4,280,200)</u>
Total assets less current liabilities		88,917	(3,701,248)
Deferred taxation	17	<u>(96,918)</u>	<u>(83,998)</u>
Net liabilities		<u>(8,001)</u>	<u>(3,785,246)</u>
Capital and reserves			
Called up share capital	18	1	1
Retained deficit		<u>(8,002)</u>	<u>(3,785,247)</u>
Shareholders' deficit		<u>(8,001)</u>	<u>(3,785,246)</u>

Approved and authorised by the Board on 25th January 2024 and signed on its behalf by:


 M. Brennan
 Director

The notes on pages 13 to 25 form an integral part of these financial statements.

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 ultimate parent company Chorus Aviation Inc., which is publicly available. 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 Chorus Aviation Inc. 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 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.

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.

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 2022

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 2022

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 2022

3 Turnover

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

	2022 £	2021 £
Group portfolio servicer fees	4,238,199	1,975,467
Other portfolio servicer fees	10,671,432	7,474,278
Sale of aircraft spare parts	4,601	57,510
	<u>14,914,232</u>	<u>9,507,255</u>

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

	2022 £	2021 £
United Kingdom	153,462	337,458
Europe	9,378,570	7,490,960
Rest of the World	5,382,200	1,678,837
	<u>14,914,232</u>	<u>9,507,255</u>

4 Other operating income

	2022 £	2021 £
Intercompany loans payable written off	<u>8,019,495</u>	<u>-</u>

In 2022, the Company has derecognised intercompany loans payable of \$8,019,495. These loans were agreed to be forgiven by the involved parties.

5 Interest payable and similar charges

	2022 £	2021 £
Interest on bank overdrafts and borrowings	7,068	-
Interest payable on loans from group undertakings	541,138	326,927
	<u>548,206</u>	<u>326,927</u>

The interest payable on loans from group undertakings of £541,138 (2021: £326,927) 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 2022

6 Loss before taxation

Loss before tax is stated after charging:

	2022 £	2021 £
Servicer fees payable to overseas subsidiary	565,906	422,911
Depreciation of tangible fixed assets	<u>75,517</u>	<u>53,720</u>

7 Auditors' remuneration

	2022 £	2021 £
Audit of financial statements	<u>13,000</u>	<u>13,000</u>
Other fees to auditors		
Taxation compliance services	<u>5,000</u>	<u>5,000</u>

8 Staff costs

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

	2022 £	2021 £
Wages and salaries	10,228,009	5,677,476
Social security costs	1,279,651	756,823
Pension costs	<u>311,923</u>	<u>341,321</u>
	<u>11,819,583</u>	<u>6,775,620</u>

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

	2022 No.	2021 No.
Spares sales	3	3
Portfolio development	8	8
Technical operations	7	9
Legal and commercial	10	11
Support (including Finance and IT)	<u>20</u>	<u>20</u>
	<u>48</u>	<u>51</u>

9 Directors' remuneration

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

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	2022	2021
	£	£
Emoluments	1,366,838	448,600
Company contributions to a money purchase pension scheme	-	14,000
	<u>1,366,838</u>	<u>462,600</u>

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

	2022	2021
	No.	No.
Directly remunerated by the Company	3	1
Accruing benefits under a money purchase pension scheme	-	1

Remuneration of the highest paid director:

	2022	2021
	£	£
Emoluments	600,235	448,600
Company contributions to a money purchase pension scheme	-	14,000
	<u>600,235</u>	<u>462,600</u>

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

10 Taxation

Tax charged in the statement of income and retained earnings

	2022 £	2021 £
Current tax on profit		
Current tax charge	(89,798)	-
Adjustments in respect of prior years	-	(9,681)
Total current tax	<u>(89,798)</u>	<u>(9,681)</u>
Deferred tax		
Origination and reversal of timing differences	12,920	64,640
Adjustments in respect of prior years	-	28,944
Total deferred taxation	<u>12,920</u>	<u>93,584</u>
Total tax charge	<u>(76,878)</u>	<u>83,903</u>

The closing deferred tax liability as at 31 December 2022 has been calculated at 19% (2021: 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:

	2022 £	2021 £
Profit/(loss) before tax	<u>3,700,367</u>	<u>(3,169,104)</u>
Tax on profit at the standard tax rate of corporation tax of 19% (2021: 19%)	703,070	(602,130)
Expenses not deductible for tax purposes	730,835	434,664
Effect of revenues exempt from taxation	(1,523,703)	-
Adjustment in respect of prior years	-	19,263
Fixed assets timing differences	12,920	-
Group relief surrendered free of charge	-	232,106
Total tax (credit)/charge	<u>(76,878)</u>	<u>83,903</u>

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Fixed asset investments

	2022 £	2021 £
Investments in subsidiaries	<u>136,746</u>	<u>95,066</u>
Movement during the year		£
Cost or valuation		
At 1 January 2022		95,066
Additions		<u>41,680</u>
At 31 December 2022		<u>136,746</u>
Provisions		
At 1 January 2022		-
At 31 December 2022		-
Net book value at end of year		
At 31 December 2022		<u>136,746</u>

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

	Country of incorporation	Class of shares held	Share ownership	
			2022	2021
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 (Tianjin) Leasing co. Ltd was dormant as at 31 December 2022.

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 2022

12 Tangible assets

	Aircraft engine stands £	Total £
Cost or valuation		
At 1 January 2022	845,368	845,368
At 31 December 2022	845,368	845,368
Depreciation		
At 1 January 2022	361,482	361,482
Charge for the year	75,517	75,517
At 31 December 2022	436,999	436,999
Carrying amount		
At 31 December 2022	408,369	408,369
At 31 December 2021	483,886	483,886

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

13 Stocks

	2022 £	2021 £
Finished goods and goods for resale		
Aircraft spares	71,909	52,544

The cost of stock recognised as an expense in the statement of income and retained earnings was £nil (2021: £nil).

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Debtors

	Note	2022 £	2021 £
Amounts falling due within one year:			
Trade and other receivables		463,923	1,215,493
Amounts due from group companies		1,017,924	108,837
Other debtors		616,445	2,327,933
Prepayments		365,479	403,104
Accrued income		212,952	127,199
Corporation tax receivable	10	89,798	-
Value added tax		<u>601,782</u>	<u>415,000</u>
		<u>3,368,303</u>	<u>4,597,566</u>

15 Cash and cash equivalents

	2022 £	2021 £
Cash at bank	<u>6,297,523</u>	<u>1,713,965</u>

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

16 Creditors

	2022 £	2021 £
Amounts falling due within one year:		
Trade and other payables	1,832,599	2,418,643
Amounts due to group companies	2,818,945	6,937,681
Other taxes and social security	212,791	198,871
Other creditors	74,281	82,725
Accruals and deferred income	<u>5,255,317</u>	<u>1,006,355</u>
	<u>10,193,933</u>	<u>10,644,275</u>

The amounts due to group companies of £2,818,945 (2021: £6,937,681) includes a loan provided by the immediate parent undertaking, Triangle Aviation (UK) Holdings Limited, of £nil (2021: £4,674,344). The loan is repayable on demand and has an 8.5% annual interest rate. During the year, the Company provided additional loan to its immediate parent company amounted to 3,345,151. In 2022, the total loan of £8,019,495 was waived and agreed by both parties.

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

17 Deferred taxation

	Accumulated depreciation in excess of capital allowances £	Total £
At 1 January 2022	(83,998)	(83,998)
Charge to the income statement	<u>(12,920)</u>	<u>(12,920)</u>
At 31 December 2022	<u>(96,918)</u>	<u>(96,918)</u>

18 Share capital

Authorised, allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary share of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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 ultimate parent company - Chorus Aviation Inc.

	2022 £	2021 £
Income received from related party		
CityJet DAC	<u>51,109</u>	<u>33,420</u>

Prior to the acquisition of the Company's intermediate parent company, Triangle Holdings LP, CityJet DAC is a fellow subsidiary of the Company. The income received from CityJet DAC relates to servicer fees, recharges of overhead costs, refurbishment, redelivery and storage costs.

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 company's ultimate parent company is Chorus Aviation Inc., a publicly-listed company in Canada, with registered office at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, Canada, B3B 1W8.

The results of the company are consolidated into the results of Chorus Aviation Inc., the largest group company to prepare consolidated financial statements and which are publicly available.

21 Subsequent events

There have been no significant events affecting the company after year end.

Falko Regional Aircraft Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 25th January 2024.