

TC Aviation Capital UK Limited

Directors' report and audited financial statements

For the year ended 31 December 2022

Company registration number: 08767849

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TC Aviation Capital UK Limited

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TC Aviation Capital UK Limited

Company information

The board of directors	Yoshihiro Nakajima Joint Corporate Services Limited Yoshihiro Ueda Nita Savjani
Company secretary	TMF Corporate Administration Services Limited appointed on (11/04/2022) 8th Floor, 20 Farringdon Street London, EC4A 4AB United Kingdom Joint Secretarial Services Limited resigned on (11/04/2022)
Company registration number	08767849
Administrator and Registered office	TMF GLOBAL SERVICES (UK) LIMITED 8th Floor, 20 Farringdon Street London, EC4A 4AB United Kingdom
Independent auditors	Ernst & Young Chartered Accountants Harcourt centre Harcourt Street Dublin 2 Ireland
Bank	Mizuho Bank Limited Mizuho House 30 Old Bailey London, EC4M 7AU United Kingdom
Solicitors	K&L Gates Gaikokuho Joint Enterprise Toranomon Hills Mori Tower 28F 23-1 Toranomon 1 Chome, Minato-Ku Tokyo 105-6328 Japan

TC Aviation Capital UK Limited

Directors' report

For the year ended 31 December 2022

The directors present their annual report together with the audited financial statements of TC Aviation Capital UK Limited (the "Company") for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021.

Principal activities and business review

The Company is a limited liability company incorporated on 8 November 2013 and domiciled in the United Kingdom. The principal activity of the Company is the leasing and sub-leasing of aircraft. Tokyo Century Corporation (the "Parent"), a company incorporated under the laws of Japan, is the parent company of the Company.

The Company has entered into an arrangement to facilitate the leasing of aircraft from TC Aviation Capital Ireland Limited (the Head Lessor) to lessees (the Sub Lessee).

The Company acts in the role of an agent for the Head Lessor. It did not at any time control the underlying aircraft and as such has not accounted for any lease income or expense arising under the respective agreements with the Head Lessor and sub-lessor. The Company recorded the net amount attributable to the Company as revenue each month as it fulfils its performance obligations in the contracts.

At 31 December 2022, the Company had one (1) aircraft under lease, which was subsequently leased to a third party (2021: 1 aircraft).

Directors and Company Secretary and their interest

The Directors and Company Secretary who served the Company during the year have no beneficial interests in the shares of the Company. The Directors and Company Secretary of the Company are listed on page 3.

The Directors and Company Secretary had no material interest in any contract of significance in relation to the business of the Company.

Political donations

During the year ended 31 December 2022, the Company made no political donations or incurred any political expenditure (2021: US\$Nil).

Going Concern

In determining the going concern basis of preparation of the financial statements, the directors have considered the impact of COVID-19 on the Company and its customer and also the rapid increase in demand for travel globally as a result of the easing of travel restrictions all over the world. The directors have considered the potential impact of the war in Ukraine. They have further considered the cash position and available resources to the Company and related forecasts, which show that based on the current information, the Company will continue as a going concern for the foreseeable future.

The financial statements have been prepared on the basis that the Company will continue as a going concern for the foreseeable future and for at least twelve months from the date of approval of these financial statements as the Company has sufficient cash balances to pay its operating expenses. The directors believe this basis to be appropriate.

The war in Ukraine

On 25 February 2022, the UK Government made several updates to the Russia (Sanctions) (EU Exit) Regulations 2019/855, as part of its package of sanctions and export controls which were imposed in response to the Russian government's actions involving Ukraine. At 31 December 2022, the Company had no aircraft or engines on lease with Russian and Ukrainian lessees. However, the impact of the sanctions and the wider impact of the Ukraine crisis on the aviation industry will have short and long-term consequences for the cost base and credit risk of the aviation industry, including rising fuel prices and airlines rerouting flights as a result of the ban on use of airspace, and the valuation of commercial aircraft and engines. It is not possible to determine the financial impact, if any, that this event may have on the Company. The directors continue to monitor the impact of the Russia Ukraine conflict on the activities of the Company as the situation develops and facts become clearer.

Subsequent events

There were no significant subsequent events requiring adjustment to or disclosure in the financial statements subsequent to 31 December 2022

TC Aviation Capital UK Limited

Principal risks and risk management

The most significant risks facing the Company are credit risk, liquidity risk and capital risk. The Company is not exposed to other financial risks such as price risk due to the nature of its operations.

Credit risk

Credit risk arises from the possibility of the lessees failing to meet their contractual obligations to the Company. The Company's ability to generate income is dependent on the financial strength of the lessees.

The directors of the company are closely monitoring the credit risk and default risk of its customers

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company's exposure to interest rate risk is limited as the company has no financial instruments with floating rates.

Foreign currency risk

All material balances in the Company's assets and liabilities are denominated in US Dollar which is the Company's functional and presentation currency and therefore there is no significant foreign currency risk. The Company is exposed to marginal foreign exchange risk since the functional currency differs from the currency in which administrative expenses are incurred.

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern. The capital managed by the Company comprises of ordinary shares from the Parent. The Company is not subject to externally imposed capital requirements. There were no changes to the policies and procedures during the year with respect to the Company's approach to its capital management program.

Results and dividends

The results for the year are set out in the profit and loss account on page 10 of these financial statements. The directors have not recommended a dividend for the year ended 2022 (2021: US\$Nil).

Key performance indicators

The Company has one aircraft on a back to back lease at an overall rental margin of 1.5% per month. Out of the generated revenue, the Company pays administrative expenses leaving a small profit margin. Considering the nature of the Company's activities, the directors do not consider the use of key performance indicators necessary to judge the Company's performance.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young will be continuing in office for the financial period

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that:

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

Strategic report

The directors have availed of the small companies exemption and as a result did not include a strategic report in the financial statements.

By order of the Board

DocuSigned by:


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Nita Savjani
Director

Date: 31/03/2023

TC Aviation Capital UK Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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


Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 Reduced Disclosure Framework.

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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

DocuSigned by:

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Nita Savjani
Director

Date: 31/03/2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TC AVIATION CAPITAL UK LIMITED

Opinion

We have audited the financial statements of TC Aviation Capital UK Limited for the year ended 31 December 2022 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TC AVIATION CAPITAL UK LIMITED (CONTINUED)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TC AVIATION CAPITAL UK LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" and Companies Act 2006.
- We understood how the Company is complying with those frameworks by understanding the oversight applied by those charged with governance, the culture of honesty and ethical behaviour and observing that a strong emphasis is placed on fraud prevention, and fraud deterrence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding of the Company's policies and procedures on fraud risks.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved management inquiries and obtaining legal confirmation from the legal counsel.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TC AVIATION CAPITAL UK LIMITED (CONTINUED)

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.

A handwritten signature in black ink, which appears to read 'Séamus Feeney', is located below the 'Use of our report' section.

Séamus Feeney (Senior statutory auditor)
for and on behalf of
Ernst & Young, Statutory Auditor
Dublin

Date: 31 March 2023

TC Aviation Capital UK Limited

Statement of profit and loss account and other comprehensive income

For the year ended 31 December 2022

		For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
	Note		
Revenue			
Lease participation income	3a	16,508	4,858
Other income	3b	24,793	14,497
		<u>41,301</u>	<u>19,355</u>
Expenses			
Operating expenses	4	(60,964)	(39,485)
Reversal / (Provision) of expected credit loss	6	-	10,852
Loss on ordinary activities before taxation		<u>(19,663)</u>	<u>(9,278)</u>
Tax credit on ordinary activities	5	5,473	1,763
Loss for the financial year		<u>(14,190)</u>	<u>(7,515)</u>
Other comprehensive income		-	-
Total comprehensive Loss for the year		<u>(14,190)</u>	<u>(7,515)</u>

The above results were derived from continuing operations.

There were no recognised gains and losses in the current financial year other than those included in the statement of profit and loss account and other comprehensive income.

The notes on pages 14 to 19 form an integral part of these financial statements.

TC Aviation Capital UK Limited

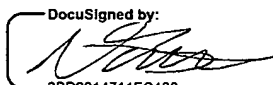
Balance Sheet

As at 31 December 2022

		As at 31 December 2022 US\$	As at 31 December 2021 US\$
Assets	Note		
Current assets			
Debtors	6	8,098	14,405
Cash at bank and in hand		618,728	570,997
Total Assets		<u>626,826</u>	<u>585,402</u>
Creditors: amounts falling due within one year	7	(168,169)	(112,555)
Net assets		<u>458,657</u>	<u>472,847</u>
Capital and reserves			
Share capital		164,110	164,110
Retained Earnings		294,547	308,737
Shareholders' funds		<u>458,657</u>	<u>472,847</u>

The notes on pages 14 to 19 form an integral part of these financial statements.

The financial statements are approved and authorised for issue by the board of directors on 31/03/2023 and signed on its behalf by:

DocuSigned by:

 3BD9014711FC480...
 Nita Savjani
 Director

Company registration number: 08767849

TC Aviation Capital UK Limited**Statement of changes in equity****For the year ended 31 December 2022**

	Share capital US\$	Retained earnings US\$	Total US\$
Opening balance as at 1 January 2021	164,110	316,252	480,362
Total comprehensive Loss for the year:			
Loss for the year	-	(7,515)	(7,515)
Other comprehensive income for the year	-	-	-
Balance as at 31 December 2021	<u>164,110</u>	<u>308,737</u>	<u>472,847</u>
Opening balance as at 1 January 2022	164,110	308,737	472,847
Total comprehensive Loss for the year:			
Loss for the year	-	(14,190)	(14,190)
Other comprehensive income for the year	-	-	-
Balance as at 31 December 2022	<u>164,110</u>	<u>294,547</u>	<u>458,657</u>

The notes on pages 14 to 19 form an integral part of these financial statements.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2022

1. General information

The Company is a limited liability company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England. The address of the registered office is 20 Farringdon Street, London, EC4A 4AB.

The principal activity of the Company is the leasing and sub-leasing of aircraft. Tokyo Century Corporation, a company incorporated under the laws of Japan, is considered the parent company. Consolidated financial statements are publicly available on the corporate website: <https://www.tokyocentury.co.jp/en/>.

2. Accounting policies

a) Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The Company is a qualifying entity for the purposes of FRS 101.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Companies Act 2006 and related regulations.

The Company's parent undertaking, Tokyo Century Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Tokyo Century Corporation are available to the public and may be obtained from Tokyo Century Corporation, Fuji Soft Building, 3 Kanda-neribeicho, Chiyoda-ku, Tokyo 101-0022, Japan.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs.
- the requirements in IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

As the consolidated financial statements of Tokyo Century Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated in note c), been applied consistently to all periods presented in these financial statements.

b) Going concern

In determining the going concern basis of preparation of the financial statements, the directors have considered the impact of COVID-19 on the Company and its customer and also the rapid increase in demand for travel globally as a result of the easing of travel restrictions all over the world. The directors have considered the potential impact of the war in Ukraine. They have further considered the cash position and available resources to the Company and related forecasts, which show that based on the current information, the Company will continue as a going concern for the foreseeable future.

The financial statements have been prepared on the basis that the Company will continue as a going concern for the foreseeable future and for at least twelve months from the date of approval of these financial statements as the Company has sufficient cash balances to pay its operating expenses. The directors believe this basis to be appropriate.

The war in Ukraine

On 25 February 2022, the UK Government made several updates to the Russia (Sanctions) (EU Exit) Regulations 2019/855, as part of its package of sanctions and export controls which were imposed in response to the Russian government's actions involving Ukraine. At 31 December 2022, the Company had no aircraft or engines on lease with Russian and Ukrainian lessees. However, the impact of the sanctions and the wider impact of the Ukraine crisis on the aviation industry will have short and long-term consequences for the cost base and credit risk of the aviation industry, including rising fuel prices and airlines rerouting flights as a result of the ban on use of airspace, and the valuation of commercial aircraft and engines. It is not possible to determine the financial impact, if any, that this event may have on the Company. The directors continue to monitor the impact of the Russia Ukraine conflict on the activities of the Company as the situation develops and facts become clearer.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Accounting policies (continued)

c) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the notes below.

Functional and presentation currency

The financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company. Transactions denominated in foreign currencies are translated into US\$ which is the presentational and functional currency and recorded at the rates of exchange prevailing at the date of transactions. The United States Dollar ("US\$") is the currency that most closely reflects the economic effects of the underlying transactions, events and conditions.

Foreign currency transactions

The functional and reporting currency of the Company is the US dollar. Any amounts paid for expenses in a currency other than US dollars, are translated to US dollar on the date of invoice from the supplier and retranslated on the date of payment. Any amounts outstanding at the balance sheet date are translated to US dollars at the closing rate at the reporting date.

d) Revenue

The Company has entered into an arrangement to facilitate the leasing of an aircraft from TC Aviation Capital Ireland Limited (the Head Lessor) to a lessee (the Sub Lessee).

The Company acts in the role of an agent for the Head Lessor. It did not at any time control the underlying aircraft and as such has not accounted for any lease income or expense arising under the respective agreements with the Head Lessor and sub-lessor. The Company recorded the net amount attributable to the Company as revenue each month as it fulfils its performance obligations in the contracts.

e) Cash at bank and in hand

The Company considers cash and cash equivalents to be cash on hand and highly liquid investments with maturities of 90 days or less.

f) Taxation

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date being 25% (2021: 19%) for the financial year.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Accounting policies (continued)

g) Interest

Interest receivable and payable are recognised as they are earned or incurred based on effective interest method.

h) Maintenance reserve

Maintenance reserve represents payment made by the lessee for usage of the Aircrafts. The Company acts in the role as agent, therefore maintenance reserve payable and intercompany receivable for the maintenance reserve have been offset.

i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other debtors, cash and cash equivalents, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

j) Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding tangible fixed assets and prepayments. The Company recognises financial assets and financial liabilities in the balance sheet when, and only when, the Company becomes party to the contractual provisions of the financial instrument. Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability. Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and Measurement

The Company classifies its financial assets using the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through OCI or through profit and loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortised cost: This category comprises assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

The Company has basic debt instruments that have been measured at amortised cost, in accordance with FRS 101 receivables and payables due within one year on normal business terms continue to be measured at the undiscounted amount, therefore short term receivables and payables are measured at their invoiced amount.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2022

3. Revenue

	2022	2021
	US\$	US\$
a) Lease participation income		
Lease participation income	16,508	4,858
	<u>16,508</u>	<u>4,858</u>

Lease participation income relates to net profit from the LILO arrangement entered into by the Company, whereby the Company is an agent leasing aircraft from TC Aviation Capital Ireland Limited (the Head Lessor) to the Sublessees. At 31 December 2022, the Company had one (1) aircraft under lease, which was subsequently leased to a third party (2021: 1 aircraft).

Income is derived from activities carried out in Asia (100%) (2021: Asia 100%).

b) Other Income

	2022	2021
	US\$	US\$
Process agents fees	24,793	14,497
	<u>24,793</u>	<u>14,497</u>

4. Operating expenses

	2022	2021
	US\$	US\$
Audit and tax fees	7,859	11,368
Professional fees	32,712	24,133
Bank charges	1,138	1,291
Foreign exchange loss	19,255	2,693
Operating costs	<u>60,964</u>	<u>39,485</u>

Management and corporate secretarial services have been outsourced to the Administrator. Fees due to the Administrator are recognized as part of professional fees as stated above.

There were no staff costs for the year ended 31 December 2022 (2021: \$nil) as the Company has no employees. The directors did not receive any emoluments in respect of their services to the Company for the year. Notwithstanding that the Directors did not receive a payment for their services as directors given the relationship with the parent company, a charge of US\$1,500 would have been incurred for these services. The terms of the corporate services agreement provide for a single fee for the provision of corporate services (including the making available of directors of the Company). As a result, the allocation of fees for directorship is a subjective and approximate calculation. The directors do not (and will not), in their personal capacity or any other capacity, receive any fee for acting or having acted as directors of the Company.

The profit is arrived at after charging:

	2022	2021
	US\$	US\$
Fees paid to auditors:		
Audit of the financial statements	3,702	3,395
Tax advisory services	-	-
Other advisory services	-	-
	<u>3,702</u>	<u>3,395</u>

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2022

5. Taxation

	2022	2021
	US\$	US\$
Income tax recognised in the profit and loss account		
UK corporation tax		
Current tax on profit for the financial year	-	-
Effect of FX on CT	-	12
Total deferred tax	(5,473)	(1,763)
Tax on profit on ordinary activities	<u>(5,473)</u>	<u>(1,751)</u>
Current tax reconciliation		
Profit before taxation	(19,663)	(9,278)
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 25% (2021: 19%)	<u>(5,473)</u>	<u>(1,763)</u>
<i>Effects of:</i>		
Effects of FX on CT	-	12
Total tax credit for the year	<u>(5,473)</u>	<u>(1,751)</u>

Tax rates

You will be also be aware that the UK corporation tax rate will increase to 25% from 1 April 2023 for companies with taxable profits in excess of £0.25m (this threshold is divided by the number of associated companies in a group and thus the company is likely to have profits in excess of the threshold once divided by the relevant number of companies). An increase in the UK corporation tax rate to 25% (effective 1 April 2023) was substantially enacted on 24 May 2021, and thus was enacted at the 31 December 2022 Balance Sheet. Therefore, it was recommend that deferred tax is calculated at a rate of 25%.

6. Debtors

	2022	2021
	US\$	US\$
Intercompany receivable - TC Aviation Capital Ireland Limited	-	12,457
VAT refund receivable	862	-
Deferred Tax Asset	7,236	1,948
	<u>8,098</u>	<u>14,405</u>

Set out below is the movement in the allowance for expected credit losses of trade and other receivables of the company

	2022	2021
	US\$	US\$
Opening balance	-	(10,852)
Provision for expected credit losses	-	-
Write off	-	(10,852)
Closing balance	<u>-</u>	<u>(10,852)</u>

A provision was recognised in the 2020 accounts for lease participation income net receivable of US\$10,852 relating to one lessee. In the current financial year no provision has been recognised. The ECL provision was recovered in full during the prior financial year

7. Creditors: amounts falling due within one year

	2022	2021
	US\$	US\$
Rent payable to related party - TC Aviation Capital Ireland Limited	157,017	102,027
Auditor and tax fee accruals	11,152	10,528
	<u>168,169</u>	<u>112,555</u>

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2022

8. Related party transactions

The Company has availed of the exemption under FRS101 for companies consolidated by a parent owning 100% of the ordinary share capital and, accordingly, has not disclosed details of such transactions with its parent company or any other subsidiary that is wholly owned by the Parent

9. Parent company and ultimate controlling entity

The Company's immediate and ultimate parent company is Tokyo Century Corporation which is incorporated and registered in Japan. This is the smallest subgroup into which the Company is consolidated. Copies of the consolidated financial statements for the Parent can be obtained from Tokyo Century Corporation, Fuji Soft Building, 3 Kanda-neribeicho, Chiyoda-ku, Tokyo 101-0022, Japan.

10. Subsequent events

There were no significant subsequent events requiring adjustment to or disclosure in the financial statements subsequent to 31 December 2022.

11. Approval of financial statements

The board of directors approved these financial statements for issue on 31/03/2023