

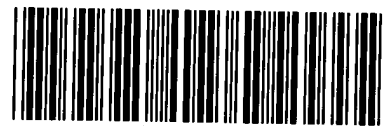
TC Aviation Capital UK Limited

Directors' report and audited financial statements

For the year ended 31 December 2020

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	Joint Secretarial Services Limited 8th Floor, 20 Farringdon Street London, EC4A 4AB United Kingdom
Company registration number	08767849
Administrator and Registered office	TMF Administration Services Limited 8th Floor, 20 Farringdon Street London, EC4A 4AB United Kingdom
Independent auditors	KPMG Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1 Ireland
Bank	Mizuho Bank Limited Mizuho House 30 Old Bailey London, EC4M 7AU United Kingdom
Solicitors	A & L Goodbody I.F.S.C. North Wall Quay Dublin 1 Ireland 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 2020

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 2020 with comparative figures for the year ended 31 December 2019.

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 2020, the Company had one (1) aircraft under lease, which was subsequently leased to a third party (2019: 3 aircraft). In February 2020, the leases with respect to two (2) aircraft were terminated, with the Company accepting full re-delivery of both aircraft and simultaneously re-delivering both aircraft to the Head Lessor. It was noted that a lessee of the Company entered a form of administration during the year and the Company cannot accurately estimate the financial impact until there is an agreement with the lessee regarding their rehabilitation plan and judgment received from the Courts regarding the debt claim the Company has made against the lessee. The lessee has indicated that they plan to pay back 100% of the outstanding debt between 2024 and 2027. The Company entered into a modified lease agreement with the lessee which began in September 2020. The lessee has paid all due rentals under the new modified agreement. The Company has applied the security deposit against a portion of unpaid rent as agreed in the new LOI and has recorded a 100% ECL on the remaining outstanding rentals on the original lease agreement.

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 2020, the Company made no political donations or incurred any political expenditure (2019: US\$Nil).

Going Concern

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.

Subsequent events

BREXIT

On 24 December 2020 after protracted negotiations, the UK and the EU finally agreed the Trade and Cooperation Agreement (TCA) that includes air transport, which became effective on 1 January 2021. This agreement ensured among other things that airlines' flights could continue as they did before Brexit with the only change of note being a very minor limitation on codeshare arrangements. Management therefore do not consider that the impact of Brexit creates a principal risk or significant operational impact for the Company.

COVID-19

With the recent and rapid development of the COVID-19 outbreak, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities and forced major structural transformations in the aviation industry including some of our customers. As the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of the business and economic impact. As businesses adjust to a 'new normal' by strengthening liquidity, reducing debt, reducing the fixed cost base, investing in covid-compliant digital tools and solutions, the Company's management will continue to proactively monitor and review these challenges and offer its partners the necessary support to enable these customers to be able to survive and re-emerge stronger as air travel demand begins to recover.

There are no other events that require adjustment or disclosure in the financial statements.

TC Aviation Capital UK Limited

Directors' report (continued)

For the year ended 31 December 2020

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 Company manages credit risk through its Parent who holds a security deposit from the lessees in respect of each of the aircraft.

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 2020 (2019: 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, the auditor will be deemed to be reappointed and KPMG will therefore continue in office.

Disclosure of information to auditors

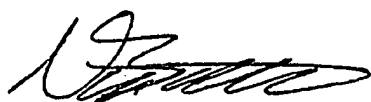
The directors who held office at the date of approval of this directors' report confirm that:

- 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



Nita Savjani
Director

Date: 26 April 2021

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



Nita Savjani
Director

Date: 26 April 2021



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TC Aviation Capital UK Limited ('the Company') for the year ended 31 December 2020 set out on pages 10 to 18, which comprise the Balance Sheet, the Statement of Profit and Loss Account and Other Comprehensive Income, the Statement of Changes in Equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and *FRS 101 Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with *FRS 101 Reduced Disclosure Framework*; 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").



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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.



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

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

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 including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

**Shahnawaz Mirza
for and on behalf of
KPMG Chartered Accountants,
Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1**

26 April 2021

TC Aviation Capital UK Limited

Statement of profit and loss account and other comprehensive income

For the year ended 31 December 2020

		For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
	Note		
Revenue			
Lease participation income	3a	40,809	53,609
Other income	3b	3,856	149
		<u>44,665</u>	<u>53,758</u>
Expenses			
Operating expenses	4	(32,923)	(24,984)
Expected credit loss	6	(10,852)	-
Profit on ordinary activities before taxation		<u>890</u>	<u>28,774</u>
Tax on profit on ordinary activities	5	8	(10,596)
Profit for the financial year		<u>898</u>	<u>18,178</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>898</u>	<u>18,178</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 13 to 18 form an integral part of these financial statements.

TC Aviation Capital UK Limited

Balance Sheet

As at 31 December 2020

		As at 31 December 2020 US\$	As at 31 December 2019 US\$
Assets	Note		
Current assets			
Debtors	6	9,767	9,865
Cash at bank and in hand		482,162	3,242,742
Total Assets		<u>491,929</u>	<u>3,252,607</u>
Creditors: amounts falling due within one year	7	(11,567)	(2,773,143)
Net assets		<u>480,362</u>	<u>479,464</u>
Capital and reserves			
Share capital	8	164,110	164,110
Retained Earnings		316,252	315,354
Shareholders' funds		<u>480,362</u>	<u>479,464</u>

The notes on pages 13 to 18 form an integral part of these financial statements.

The financial statements are approved and authorised for issue by the board of directors on 26 April 2021 and signed on its behalf by:



Nita Savjani
Director

Company registration number: 08767849

TC Aviation Capital UK Limited

Statement of changes in equity For the year ended 31 December 2020

	Share capital US\$	Retained earnings US\$	Total US\$
Opening balance as at 1 January 2019	164,110	297,176	461,286
Total comprehensive income for the year:			
Profit for the year	-	18,178	18,178
Other comprehensive income for the year	-	-	-
Balance as at 31 December 2019	<u>164,110</u>	<u>315,354</u>	<u>479,464</u>
Opening balance as at 1 January 2020	164,110	315,354	479,464
Total comprehensive income for the year:			
Profit for the year	-	898	898
Other comprehensive income for the year	-	-	-
Balance as at 31 December 2020	<u>164,110</u>	<u>316,252</u>	<u>480,362</u>

The notes on pages 13 to 18 form an integral part of these financial statements.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2020

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.

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

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.

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.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2020

2. Accounting policies (continued)

c) Critical accounting estimates and judgements in applying accounting policies (continued)

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) Security deposit

As part of the terms of the lease, the lessee shall pay a deposit to the Company. In the absence of an event of default on the part of the lessee as set out in the lease agreement, the deposit will be refunded to the lessee at the end of the lease term. As the security deposit is held by TC Aviation Capital Ireland Limited, the Company acts in the role of agent the security deposit has been offset.

f) 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.

g) Taxation

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date being 19% (2019: 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 2020

2. Accounting policies (continued)

j) Interest

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

k) 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.

l) 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.

m) 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.

Financial assets at fair value through profit and loss: This category comprises all other financial assets (e.g. derivative instruments) that are to be measured at fair value including equity investments.

Both financial assets, cash and cash equivalents, and trade and other receivables are now carried at amortised cost.

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its instruments carried at amortised cost.

Both cash and cash equivalents and trade and other receivables are considered not have material expected credit losses. For trade and other receivables, the entity is availing of the simplified approach to calculating expected losses for receivables occurring under leases.

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 2020

3. Revenue

	2020	2019
	US\$	US\$
a) Lease participation income		
Lease participation income	40,809	53,609
	<u>40,809</u>	<u>53,609</u>

Lease participation income relates to net profit from the LILLO 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 Sublessee. At 31 December 2020, the Company had one (1) aircraft under lease, which was subsequently leased to a third party (2019: 3 aircraft).

Income is derived from activities carried out in Asia (100%) (2019: Asia 100%).

b) Other Income

	2020	2019
	US\$	US\$
Process agents fees	3,856	-
Bank interest	-	149
	<u>3,856</u>	<u>149</u>

4. Operating expenses

	2020	2019
	US\$	US\$
Audit-and-tax-fees	12,813	10,402
Professional fees	24,044	19,050
Bank charges	1,310	879
Foreign exchange (gains)	(5,244)	(5,347)
Operating costs	<u>32,923</u>	<u>24,984</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. The operating expenses are paid by the Parent and recharged to the Company through the service agreement between the two parties.

There were no staff costs for the year ended 31 December 2020 (2019: \$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:

	2020	2019
	US\$	US\$
Fees paid to auditors:		
Audit of the financial statements	9,145	5,169
Tax advisory services	3,668	5,233
Other advisory services	-	-
	<u>12,813</u>	<u>10,402</u>

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2020

5. Taxation

	2020 US\$	2019 US\$
Recognised in the profit and loss account		
UK corporation tax		
Current tax on profit for the financial year	169	5,467
Adjustment in respect of prior year	-	1,915
Effect of FX on CT	(177)	3,214
Tax on profit on ordinary activities	(8)	10,596
Current tax reconciliation		
Profit before taxation	890	28,774
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 19% (2019: 19%)	169	5,467
<i>Effects of:</i>		
Adjustments to tax charge in respect of previous period	-	1,915
Effects of FX on CT	(177)	3,214
Total tax (credit) / charge for the year	(8)	10,596

Tax rates

For the financial year ended 31 December 2020, the effective UK corporation tax rate was 19%. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020 as was substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). The charge to Corporation Tax and the main rate will also be set at 19% for the financial year beginning 1 January 2021.

6. Debtors

	2020 US\$	2019 US\$
Rent Receivable	13,297	-
Less: Expected credit loss (see additional note below)	(10,852)	-
Intercompany receivable - TC Aviation Capital Ireland Limited	5,184	-
VAT refund receivable	2,130	117
Prepayment	-	9,748
Corporation tax receivable	8	-
	9,767	9,865

A provision was recognised for lease participation income net receivable of US\$10,852 (2019: US\$: nil) relating to one lessee. The airline plans to pay 100% of standard rent back between 2024 and 2027 (excluding default interest, for which they plan a 100% haircut). However, the Company recognised an ECL as the airline is currently in a form of administration, and the plan has not been formally approved at the signing date of these financial statements.

7. Creditors: amounts falling due within one year

	2020 US\$	2019 US\$
Rent payable to related party - TC Aviation Capital Ireland Limited	-	32,680
Maintenance reserve payable to related parties	-	253,252
Advance lease income	-	257,058
Other creditors	-	2,212,000
Auditor and tax fee accruals	11,567	12,566
Corporation tax payable	-	5,586
	11,567	2,773,142

At the 31st December 2019, other creditors consisted of \$2,212,000 relating to the security deposit for two aircraft (\$1,106,000 each) which was payable in accordance to the Deed of Settlement and Release. It was agreed that this amount was payable to get the cooperation of the airline to assist with the transition of the aircraft to the next lessee. The funds were paid in full to the airline in February 2020.

TC Aviation Capital UK Limited

Notes to the financial statements

For the year ended 31 December 2020

8. Share capital

	2020 US\$	2019 US\$
Authorised:		
100,000 ordinary shares of £1	164,110	164,110
Allotted, called up and fully paid:		
100,000 GBP £1 share fully paid up at £1	164,110	164,110

All issued share capital is classified as equity. One hundred thousand ordinary shares were issued at par value on incorporation of the Company.

The ordinary shares are nonredeemable but hold full rights in respect of voting and entitle the holder to full participation in respect of equity and in the event of a winding up of the Company. The shares may be considered by the directors when considering dividends from time to time.

9. Related party transactions

The transactions in respect of the lease of one aircraft (2019: three aircrafts) has been conducted with TC Aviation Capital Ireland Limited, a subsidiary of the Parent. The transactions were made on terms equivalent to those that prevail in arm's length transactions.

The Company's principal activity is the leasing and sub-leasing of aircraft and is managed by the Board of directors, which comprises of the following directors: Joint Corporate Services Limited, Nita Savjani, Yoshihiro Nakajima and Yoshihiro Ueda.

During the financial year no remuneration was paid or is payable at year end by the Company to its directors.

The fees payable to the Company's directors for their services for the year ended on 31 December 2020 were US\$Nil (2019: US\$Nil).

However Joint Corporate Services Limited and Nita Savjani are subsidiaries or employees of TMF Global Services (UK) Limited, a company which provides corporate services to TC Aviation Capital UK Limited, for which fees of US\$24,044 were paid in relation to the reporting period for directorship and accounting services (2019: US\$19,050).

10. 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.

11. Subsequent events

BREXIT

On 24 December 2020 after protracted negotiations, the UK and the EU finally agreed the Trade and Cooperation Agreement (TCA) that includes air transport, which became effective on 1 January 2021. This agreement ensured among other things that airlines' flights could continue as they did before Brexit with the only change of note being a very minor limitation on codeshare arrangements. Management therefore do not consider that the impact of Brexit creates a principal risk or significant operational impact for the Company.

COVID-19

With the recent and rapid development of the COVID-19 outbreak, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities and forced major structural transformations in the aviation industry including some of our customers. As the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of the business and economic impact. As businesses adjust to a 'new normal' by strengthening liquidity, reducing debt, reducing the fixed cost base, investing in covid-compliant digital tools and solutions, the Company's management will continue to proactively monitor and review these challenges and offer its partners the necessary support to enable these customers to be able to survive and re-emerge stronger as air travel demand begins to recover.

At 31 December 2020, the Company had one (1) aircraft under lease, which was subsequently leased to a third party (2019: 3 aircraft). In February 2020, the leases with respect to two (2) aircraft were terminated, with the Company accepting full re-delivery of both aircraft and simultaneously re-delivering both aircraft to the Head Lessor.

There are no other events that require adjustment or disclosure in the financial statements.

12. Approval of financial statements

The board of directors approved these financial statements for issue on 26 April 2021.