# GAL MSN THREE LIMITED

**Annual report and financial statements**
**Registered number: 09080114**

## FOR THE YEAR ENDED 31 DECEMBER 2022

**GAL MSN THREE LIMITED**

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GAL MSN THREE LIMITED

## Directors and Other Information

| | |
|---|---|
| **Directors** | Charles M Leahy<br>MaplesFS UK Corporate Director No.1 Limited<br>MaplesFS UK Corporate Director No.2 Limited |
| **Company secretary** | Maples Fiduciary Services (UK) Limited<br>11th Floor<br>200 Aldersgate Street<br>London EC1A 4HD<br>United Kingdom |
| **Registered number** | 09080114 |
| **Registered office** | 11th Floor<br>200 Aldersgate Street<br>London EC1A 4HD<br>United Kingdom |
| **Independent auditor** | KPMG<br>Chartered Accountants<br>1 Harbourmaster Place<br>IFSC, Dublin 1<br>Ireland |
| **Bankers** | Citibank Europe Plc<br>1 North Wall Quay<br>Dublin 1<br>Ireland |
| **Solicitors** | Clifford Chance<br>10 Upper Bank Street<br>London E14 5JJ<br>United Kingdom |
| **Corporate administrator** | Maples Fiduciary Services (UK) Limited<br>11th Floor<br>200 Aldersgate Street<br>London EC1A 4HD<br>United Kingdom |
| **Lease manager** | SMBC Aviation Capital Management Limited<br>(formerly Goshawk Management Limited)<br>32 Molesworth Street<br>Dublin 2<br>Ireland |

**GAL MSN THREE LIMITED**

**DIRECTORS' REPORT AND STRATEGIC REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their annual report and the audited financial statements of GAL MSN Three Limited (the "Company") for the year ended 31 December 2022.

**Principal Activities, Business Review and Future Developments**

The Company was incorporated in England and Wales on 10 June 2014 as a special purpose company whose principal activities are purchasing, leasing and disposal of jet aircraft. The Directors expect these activities to continue for the foreseeable future and will continue to review and seek business opportunities for the Company. The Company is operated and managed as a single operating segment.

The Company's activities are undertaken predominantly in US Dollars and this is the functional currency. The financial statements are therefore presented in US Dollars.

This Company is a subsidiary of SMBC Aviation Capital Limited ("SMBC AC") and is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium").

The annual reports of these entities can be obtained at:
Sumitomo Corporation - http://www.sumitomocorp.co.jp/english/ir/report/annual_report.html
Sumitomo Mitsui Financial Group -http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

**Principal Risks and Uncertainties**

The Company, in the course of its business activities, is exposed to asset, market, credit, liquidity, operational, geopolitical, economic and climate risk. The key risks facing the Company and the manner in which these risks have been dealt with are disclosed in the consolidated financial statements of SMBC AC (whose accounts consolidate the accounts of the Company). The Board of Directors ensures that risks are identified and managed in accordance with the objectives of the Company.

The Company seeks to mitigate the risk of deteriorating aircraft values by a strategy of negotiating long-term contracts with a number of customers, investing in modern and fuel efficient aircraft and employing personnel with significant experience of managing similar portfolios of aviation assets.

The Covid-19 pandemic has had a significant impact on the aircraft leasing industry due to the widespread grounding of our airline customers' fleets. The Company is also indirectly exposed to the ongoing impact of the sanctions imposed against Russia. We continue to work with our airline customers to manage through the impact of these risks and uncertainties.

**Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Company.

Risks are managed in line with guidance given by the Company's parent companies. Exposure to both interest rate risk and currency risk is minimised by the use of fixed rate loans. The current economic conditions create risks and uncertainties associated with the airline industry. However, the Company has considerable long-term contracts with a number of customers. Past experience indicates that airline risk can be managed carefully and successfully. In determining the going concern basis of preparation of the financial statements, the Directors have considered the cash position and resources available to the Company, which, along with related forecasts, provide comfort over the sustainability of the Company.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate liquidity and financial resources to continue in operation for at least the next twelve months and that the going concern basis of preparation remains appropriate.

SMBC AC is committed to continue to provide the Company with such financial support as is necessary to enable the Company to continue as a going concern and to meet all the liabilities as they fall due, at least for the next twelve (12) months from the date of signing of the 2022 financial statements of the Company. As a result, the financial statements of the Company are prepared on a going concern basis.

### Key Performance Indicators

The Company's KPIs during the year were as follows:

- Operating income of US$Nil (2021: US$Nil); and
- Loss before tax of US$24,017 (2021: US$58,624).

### Results for the year and Dividends

The results of the Company for the year ended 31 December 2022 are set out in the Statement of Profit or Loss Account and Other Comprehensive Income on page 9 and in the Balance Sheet on pages 10 - 11. The loss on ordinary activities for the year before taxation amounted to US$24,017 (2021: US$58,624) and after crediting taxation of US$1,573 (2021: charging taxation of US$68,252), the loss of US$22,444 (2021: US$126,876) was transferred to reserves. Shareholders' deficit at 31 December 2022 amounted to US$1,798,733 (2021: US$1,776,289). The Directors did not declare any dividends during the year (2021: US$Nil).

Total cash and cash equivalents at 31 December 2022 was US$12,236 (2021: US$13,549). Total assets at 31 December 2022 was US$2,324,634 (2021: US$2,220,203), and total liabilities was US$4,123,367 (2021: US$3,996,492).

### Directors and Secretary and their Interests

The names of the persons who were Directors at any time during the year ended 31 December 2022 are set out below. In accordance with the Articles of Association, the Directors are not required to retire by rotation.

### Directors

Charles M Leahy
MaplesFS UK Corporate Director No.1 Limited
MaplesFS UK Corporate Director No.2 Limited

### Secretary

Maples Fiduciary Services (UK) Limited

### Interests

The Directors and the Company Secretary who held office at 31 December 2022 do not have any direct or beneficial interest in the shares and and debentures of the Company, or any group company at that date or during the year.

### Issue of Shares

Share capital consists of 1 ordinary shares of GBP £1 (US$2) issued on 10 June 2014 to Olympus Leasing Holdco Limited.

### Political Contributions

No political contributions were made by the Company during the year (2021: None).

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Strategic Report and Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/ she ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**DIRECTORS' REPORT AND STRATEGIC REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

### Events after the end of the Reporting Date

There were no events after the reporting date that would require revision of the results or financial position of the Company, or disclosure in the financial statements.

### Independent Auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor, KPMG, Chartered Accountants, will be deemed to be reappointed and will therefore continue in office. The Directors have appointed KPMG as the Company's Auditor.

This report was approved by the board on 25 September 2023 and signed on its behalf.

Charles Leahy
**Director**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 UK law and 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 assets, liabilities and financial position of the Company and of its profit for that year. 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss 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.

Approved by the board and authorised for issue on 25 September 2023.

Charles Leahy
**Director**

KPMG

Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

# Independent Auditor's Report to the Members of GAL MSN Three Limited

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of GAL MSN Three Limited ('the Company') for the year ended December 31, 2022 set out on pages 9 to 23, which comprise the statement of profit or loss and other comprehensive income, the balance sheet, 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 financial statements give a true and fair view of the state of the Company's affairs as at December 31, 2022 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the financial statements 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.

### *Conclusions relating to 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").

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.

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 the date 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, 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.

***Detecting irregularities including fraud***

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**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 strategic report and 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.

**Opinions on other matters prescribed by the Companies Act 2006**

Based solely on our work on the other information undertaken during the course of the audit:

- 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.

We have nothing to report in these respects.

**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 5, 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.

25 September 2023

Terence Coveney (Senior Statutory Auditor)

for and on behalf of

KPMG, Statutory Auditor

1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5

## STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022<br>US$ | 2021<br>US$ |
|---|---|---|---|
| General and administration expenses | 3 | (44,884) | (36,265) |
| **Net operating loss on continuing activities** | | (44,884) | (36,265) |
| Other income | | 120,209 | - |
| Finance expense | 4 | (99,342) | (22,284) |
| Foreign exchange gain | | - | (75) |
| **Loss on ordinary activities before taxation** | | (24,017) | (58,624) |
| Taxation | 6 | 1,573 | (68,252) |
| **Loss profit on ordinary activities after taxation** | | (22,444) | (126,876) |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the financial year** | | (22,444) | (126,876) |

The accompanying notes on pages 13 to 23 form an integral part of these financial statements. All the results for the years are attributable to the owners of the Company. The above results were derived from continuing operations.

GAL MSN THREE LIMITED

## BALANCE SHEET
## AS AT 31 DECEMBER 2022

| | Note | 2022 US$ | 2021 US$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 12,236 | 13,549 |
| Other receivables | 7 | 2,307,833 | 2,206,654 |
| Current tax assets | | 4,565 | - |
| **Total current assets** | | 2,324,634 | 2,220,203 |
| **Total assets** | | 2,324,634 | 2,220,203 |
| **Liabilities - amounts falling due within one year** | | | |
| Other liabilities | 9 | 4,123,367 | 3,980,654 |
| Current tax liabilities | | - | 15,838 |
| **Total current liabilities** | | 4,123,367 | 3,996,492 |
| **Total liabilities** | | 4,123,367 | 3,996,492 |
| **Net liabilities** | | (1,798,733) | (1,776,289) |

GAL MSN THREE LIMITED

## BALANCE SHEET (CONTINUED)
## AS AT 31 DECEMBER 2022

| | Note | 2022 US$ | 2021 US$ |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 10 | 2 | 2 |
| Equity contributions | 10 | 7,819,564 | 7,819,564 |
| Profit or loss account | | (9,618,299) | (9,595,855) |
| **Shareholders' deficit** | | (1,798,733) | (1,776,289) |

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

Approved by the board and authorised for issue on 25 September 2023.

CMLeahy

Charles Leahy
**Director**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2022

| | Called up share capital | Equity contributions | Profit or loss account | Total deficit |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| **At 1 January 2021** | 2 | 7,819,564 | (9,468,979) | (1,649,413) |
| **Comprehensive loss for the year** | | | | |
| Loss for the year | - | - | (126,876) | (126,876) |
| **At 1 January 2022** | 2 | 7,819,564 | (9,595,855) | (1,776,289) |
| **Comprehensive loss for the year** | | | | |
| Loss for the year | - | - | (22,444) | (22,444) |
| **At 31 December 2022** | 2 | 7,819,564 | (9,618,299) | (1,798,733) |

All equity is attributable to the holders of the Company.

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

## 1. General information

GAL MSN Three Limited (the "Company") is a private limited company incorporated in England and Wales on 10 June 2014 as a special purpose company whose principal activities are purchasing, leasing and disposal of jet aircraft and is domiciled in the United Kingdom.

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

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and UK GAAP.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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;
- The effects of new standards and interpretations issued but not yet effective;
- Disclosure of transactions with related parties under IAS 24, where such transactions are entered into between two or more members of the same Group, provided that any subsidiary hich is a party to the transaction is wholly owned by such a member;
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the Company;
- Key management personnel compensation;
- Capital management disclosures under IAS 1; and
- Comparative information for certain tables as allowed under FRS 101.

As the consolidated financial statements of SMBC AC (whose accounts consolidate the accounts of the Company) and which have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), include equivalent disclosures, the Company has taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement;
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

## 2. Accounting policies (continued)

### 2.1 Basis of preparation of financial statements (continued)

*New Standards Adoption and Amendents to IFRS*
There were no new accounting standards / amendments to standards effective for annual periods beginning 1 January 2022 apart from minor amendments to IFRSs through both standalone amendments and through the Annual Improvements to IFRS Standards 2018 – 2020 cycle. None of these had a significant impact on reported results or disclosures. The Company has not early adopted any other standard or amendment that has been issued but is not yet effective.

*Other standards, amendments to standards and interpretations not yet effective*
The following amended standards and interpretations approved by the IASB will be relevant to the Company, but were not effective at 31 December 2022, and have not been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current and Disclosure of Accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

These are all effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material. The financial statements have been prepared in US Dollars (US$). The financial statements have been prepared on a going concern and a historical cost basis.

The preparation of the financial report in conformity with FRS 101 requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed by the Directors on an ongoing basis.

*Judgements*
The key judgements that could affect the reported results are those concerning the going concern and determining the classification of lease arrangements entered into by the Company. Going concern is disclosed in Note 2.2. All leases entered into by the Company as lessor have been classified as operating lease.

*Estimates*
The key assumptions and estimation uncertainties that could affect the reported results are those concerning useful lives, residual values and carrying values of the aircraft and allowance for lease receivable losses. The Company reviews the estimated useful lives, residual values and the carrying value of its aircraft assets at the end of each annual reporting year to support the estimates. 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.

**2. Accounting policies (continued)**

**2.1 Basis of preparation of financial statements (continued)**

*Determination of fair values*
A number of the Company's accounting policies and disclosures require the determination of fair values, for financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the method below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

**2.2 Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Company.

Risks are managed in line with guidance given by the Company's parent companies. Exposure to both interest rate risk and currency risk is minimised by the use of fixed rate loans. The current economic conditions create risks and uncertainties associated with the airline industry. However, the Company has considerable long-term contracts with a number of customers. Past experience indicates that airline risk can be managed carefully and successfully.

In determining the going concern basis of preparation of the financial statements, the Directors have considered the cash position and resources available to the Company, which, along with related forecasts, provide comfort over the sustainability of the Company.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate liquidity and financial resources to continue in operation for at least the next twelve months and that the going concern basis of preparation remains appropriate.

This Company is a subsidiary of SMBC AC and is a member of the Japanese consortium of SMFG and SC.

The annual reports of these entities can be obtained at:
SC - http://www.sumitomocorp.co.jp/english/ir/report/annual_report.html
SMFG - http://www.smfg.co.jp/english/investor/financial/latest_statement.html

SMBC AC is committed to continue to provide the Company with such financial support as is necessary to enable the Company to continue as a going concern and to meet all the liabilities as they fall due, at least for the next twelve (12) months from the date of signing of the 2022 financial statements of the Company. As a result, the financial statements of the Company are prepared on a going concern basis.

## 2. Accounting policies (continued)

### 2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Lease rental income*
Lease rental income is recognised on a straight-line basis over the lease term as it is earned. Lease rental revenue received in advance is recognised as a liability until such time that the Company is entitled to the lease rental revenue. In certain contracts, the lessee is required to redeliver the aircraft in a specified maintenance condition (normal wear and tear expected), with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than specified in the lease, there is normally an end-of-lease compensation adjustment for the difference at redelivery. Amounts received as part of these redelivery adjustments are recorded as other income at lease termination.

### 2.4 Finance expense

Finance expense comprises of interest expense on borrowings and interest rate swap settlements. All borrowing costs are recognised in the Statement of Profit or Loss Account and Other Comprehensive Income using the effective interest rate ("EIR") method.

### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise of amounts due from banks and where applicable, overdrafts. They are convertible into cash with an insignificant risk of changes in value and with original maturities of less than 90 days.

### 2.6 Financial instruments

*Initial recognition of financial instruments*
The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition on issue.

Classification and Measurement

In IFRS 9, the classification and measurement categories are:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

The classification requirements for debt and equity instruments are described below.

*Debt instruments*
In order to determine the measurement approach to be applied to a financial instrument, IFRS 9 requires an assessment of:

- The purpose for which the financial instrument is held – the business model assessment
- The cash flows associated with the instrument – in order to determine if those cash flows are solely payments of principal and interest (the 'SPPI' test).

## 2. *Accounting policies (continued)*

### 2.6 Financial instruments (continued)

*Business model assessment*
Under IFRS 9, the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. The business model reflects how the Company manages the assets in order to generate cash flows, and specifically, whether the Company's objective is to collect contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of the assets. If neither of these objectives are applicable where the financial assets are held for trading purposes, the assets are held at FVTPL.

*The 'SPPI' test*
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent solely payments of principal and interest.

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual cash flows introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety, when determining whether their cash flows are solely payments of principal and interest.

*Debt instruments at amortised cost*
Debt instruments are measured at amortised cost if two criteria are met: The asset fits a hold to collect business model whose objective is to hold the asset for the collection of cash flows and those cash flows represent SPPI.

*Debt instruments at FVTPL*
Debt instruments are classified as FVTPL if they are either held for trading, do not meet the SPPI criterion or otherwise designated at FVTPL on initial recognition.

Debt instruments are classified as held for trading if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

In certain circumstances, financial assets and financial liabilities other than those that are held for trading are designated at FVTPL where this results in more relevant information, because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis, or where the assets or liabilities are managed and their performance evaluated on a fair value basis.

*Impairment*
The Company applied the simplified approach to recognise lifetime ECL for its trade receivables, lease receivables and contract assets as required or permitted by IFRS 9.

Under the simplified approach, impairment loss allowances are always measured at an amount equal to lifetime ECL. Lifetime ECL losses are the losses that result from all possible events of default over the expected life of the instrument.

## 2. Accounting policies (continued)

### 2.6 Financial instruments (continued)

*Derecognition*
A financial asset (or, when applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

*Financial liabilities*
The Company's financial liability categories are either 'other financial liabilities' or 'financial liabilities at fair value through the profit or loss'. Other financial liabilities include 'loans and borrowings' and 'other payables' in the balance sheet. Following initial recognition, other financial liabilities are measured at amortised cost, using the EIR method.

*Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. When a financial liability is extinguished for an amount that differs from the carrying value of the liability, the difference is recognised in the Statement of Profit or Loss Account and Other Comprehensive Income.

### 2.7 Leases

The Company leases aircraft to airline operators. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating and executing an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental revenue. Leases in which the risks and benefits of ownership transfer to the lessee are classified as finance leases.

### 2.8 Other payables

Other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments, within 12 months from balance sheet date, in respect of the purchase of these goods and services.

## 2. Accounting policies (continued)

### 2.9 Other receivables

Other receivables are initially recorded at cost, which is the equivalent of the fair value. At the end of each reporting period, the Company applies an ECL model to determine if the carrying value of other receivables is impaired. Impairment losses are recognised immediately in the Statement of Profit or Loss Account and Other Comprehensive Income.

### 2.10 Share capital

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of tax effects.

### 2.11 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is US$.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US$ are translated into US$ at exchange rates prevailing at the end of the reporting year. Non-monetary assets and liabilities are stated at cost based on the exchange rate prevailing at the transaction date. All exchange differences are included in Statement of Profit or Loss Account and Other Comprehensive Income.

### 2.12 Taxation

Tax expense comprises current and deferred tax. Current and deferred tax expense is recognised through profit or loss in the Statement of Profit or Loss Account and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in there.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. The amount of current tax payable or receivable in line with IFRIC 23 of the tax amount expected to be paid or received reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also included any tax arising from dividends.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting year where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax. Provision is made at the rates expected to apply when the temporary differences reverse based on legislation substantively enacted at the end of the reporting year. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

## 3. General and administration expenses

| | 2022 US$ | 2021 US$ |
|---|---|---|
| Other fees and expenses | 44,884 | 36,265 |
| | 44,884 | 36,265 |

## 4. Finance expense

| | 2022 US$ | 2021 US$ |
|---|---|---|
| Interest expense on loans | 99,342 | 22,284 |
| | 99,342 | 22,284 |

## 5. Loss on ordinary activities before tax

| | 2022 US$ | 2021 US$ |
|---|---|---|
| **The loss is arrived at after charging:** | | |
| Directors remuneration (fees) | - | - |
| Directors remuneration (other) | - | - |
| Depreciation | - | - |
| Auditors' remuneration - Audit | 3,500 | 3,500 |
| Auditors' remuneration - Tax Advisory | - | - |
| Auditors' remuneration - Tax Compliance | 2,423 | 2,423 |
| Other non-audit services | - | - |
| | 5,923 | 5,923 |

Maples Fiduciary Services (UK) Limited ("Maples") provides Directors to the Company as part of its service under the corporate service agreement. The Directors did not receive any remuneration during the year (2021: US$Nil).

As at 31 December 2022, the Directors of the Company were employees or were affiliates of Maples and therefore may be deemed to be interested in the Corporate Services Agreement. The Directors fees for the year are US$Nil (2021: US$Nil).

## 6. Taxation

| | 2022 US$ | 2021 US$ |
|---|---|---|
| **Current tax** | | |
| Income tax expense for the year on ordinary activities | - | - |
| Adjustments in respect of previous periods | - | - |
| **Total current tax** | - | - |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (1,573) | 68,252 |
| **Total deferred tax** | (1,573) | 68,252 |
| **Taxation on (loss)/profit on ordinary activities** | (1,573) | 68,252 |

### Factors affecting tax (credit)/charge for the year

The reconciliation of tax on loss on ordinary activities at the standard rate of UK corporation tax to the Company's actual tax (credit)/charge is analysed as follows:

| | 2022 US$ | 2021 US$ |
|---|---|---|
| Loss on ordinary activities before tax | (24,017) | (58,624) |
| Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%) | (4,565) | (11,139) |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | - | 11,139 |
| Prior year over provision of current tax | 2,992 | 68,252 |
| **Total tax (credit)/charge for the year** | (1,573) | 68,252 |

### Factors that may affect future tax (credits)/charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016.

## 7. Other receivables

| | 2022 US$ | 2021 US$ |
|---|---|---|
| Receivable from other group entities | 2,307,833 | - |
| Trade receivables | - | 2,187,614 |
| Other receivables | - | 19,040 |
| | 2,307,833 | 2,206,654 |

Receivables from other group entities, are available on demand and do not bear interest.

## 8. Cash and cash equivalents

| | 2022 US$ | 2021 US$ |
|---|---|---|
| Cash at bank and in hand | 12,236 | 13,549 |
| | 12,236 | 13,549 |

## 9. Other liabilities

| | 2022 US$ | 2021 US$ |
|---|---|---|
| Payable to other group entities | 4,122,344 | 3,980,654 |
| Other payables | 1,023 | - |
| | 4,123,367 | 3,980,654 |

Payable to other group entities includes a balance placed on deposit from SMBC Aviation Capital Finance 1 Limited (("SMBC ACFL") formerly Goshawk Aviation Funding Limited) through a cash pooling arrangement and bears a floating overnight interest rate. Payables to other entities, excluding SMBC ACFL, are payable on demand and do not bear interest.

**10. Ordinary share capital**

| | 2022 US$ | 2021 US$ |
|---|---|---|
| **Authorised** | | |
| 1 Ordinary share of £1 each | 2 | 2 |
| **Allotted, called up and fully paid** | | |
| 1 Ordinary share of £1 each | 2 | 2 |

Ordinary shares carry one vote per share. There are no additional rights, preferences or restrictions associated with these shares.

No equity contributions were made during the year (2021: US$Nil).

**11. Employees**

Maples was appointed as corporate administrator effective from 5 January 2017. During the year, Maples received fees of US$13,449 (2021: US$13,418) for the provision of administration services to the Company. The fees were paid by SMBC AC. The Company did not directly employ any persons during the year (2021: None).

**12. Capital commitments**

At 31 December 2022 there are no outstanding capital commitments (2021: None).

**13. Related party transactions**

The Company is availing of the exemption available in FRS 101 from disclosing transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member.

**14. Events after the end of the Reporting Date**

There were no events after the reporting date that would require revision of the results or financial position of the Company, or disclosure in the financial statements.

**15. Parent undertaking**

The Company's immediate parent undertaking and controlling party is Olympus Leasing Holdco Limited, an Irish registered company whose registered office is at 32 Molesworth Street, Dublin 2, Ireland.

Olympus Leasing Holdco Limited is part of the SMBC AC group. The consolidated financial statements of SMBC AC are publicly available.

This Company is a subsidiary of SMBC AC and is a member of the Japanese consortium of SMFG and SC.

The annual reports of these entities can be obtained at:
SC - http://www.sumitomocorp.co.jp/english/ir/report/annual_report.html
SMFG - http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

**16. Approval of financial statements**

The board of Directors approved these financial statements for issue on 25 September 2023.