Registration number: 09313036

LCIH Australia Two Limited

Directors' Report and Financial Statements
for the year ended 31 December 2019

Contents

Company Information

Directors	J. Jandu K. Kawamura I. Tatara
Registered office	13-14 Hobart Place London SW1W 0HH
Company registration number	09313036
Auditors	BDO LLP 150 Aldersgate Street London United Kingdom EC1A 4AB

Directors' Report

The directors present their report and the financial statements of the Company for the year ended 31 December 2019.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Please refer to the Company Information on page 1 for the names of the directors and to the note 13 of the financial statements for disclosure of the financial risks.

Principal activity
The Company is engaged in the leasing of helicopters.

Results and dividends
The Company's loss for the year ended 31 December 2019 amounted to US$1,461,000 (2018: profit of US$3,928,000). The directors do not recommend the payment of a dividend.

Going concern
The Directors have considered the appropriateness of applying the going concern basis for the Company in conjunction with an assessment of the wider Group's cash flow forecasts and liquidity position.

The Group's forecasts and projections indicate that it will be able to meet liabilities as they fall due. The Group has a strong level of cash reserves and holds security deposits from lessees to protect against default. Fixed rate loans are paired with fixed rate leases to ensure matched financing with lease payments sufficient to cover associated debt service costs. Where loan facilities are due to mature within the next 12 months the Directors have identified a refinancing strategy and are already engaged with new and existing financiers to term out helicopters secured by these facilities. All loans are secured by mortgages over the helicopters and the Group's interests and benefits in the underlying leases. Based on current market value of the helicopters the Directors are confident in concluding the above strategy.

The Directors have assessed the impact of the Covid-19 pandemic on the Group and will continue to do so on an ongoing basis. The full, long-term effect of the Covid-19 outbreak on business operations, financial performance, strategy, capital allocation and risk mitigation remains to be seen, but the Directors are confident that the Group has sufficient resources to continue in operational existence for the foreseeable future and therefore continue to prepare the financial statements on a going concern basis.

Non adjusting events after the financial period
During the first few months of 2020, the Covid-19 outbreak has had a significant negative impact on the global economy. In this regard, the directors have performed thorough assessments on the impact this will have on projections, how the business operates and its ability to continue as a going-concern in the years to come.

Directors' of the company
The directors, who held office during the year, were as follows:

J. Jandu

C. Maunder (resigned 4 June 2020)

The following directors were appointed after the year end:

K. Kawamura (appointed 4 June 2020)

I. Tatara (appointed 4 June 2020)

Directors' Report

Disclosure of information to the auditor
Each of the persons who are directors at the time when this report is approved has confirmed that:

• so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
• each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Approved by the Board on 29 June 2020 and signed on its behalf by:

....
J. Jandu
Director

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of LCIH Australia Two Limited

Opinion

We have audited the financial statements of LCIH Australia Two Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of LCIH Australia Two Limited

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of LCIH Australia Two Limited

Daniel Henwood

....
Daniel Henwood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

30 June 2020

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Revenue	3.3	5,138	5,659
Operating expenses			
Aircraft depreciation	8	(1,759)	(1,747)
Aircraft management fees		(343)	(114)
Administrative expenses		5	(8)
		(2,097)	(1,869)
Operating profit	4	3,041	3,790
Foreign exchange gain		219	2,510
(Loss)/Gain on financial derivatives	12	(2,205)	1,352
Finance costs	6	(2,813)	(3,081)
(Loss)/profit before tax		(1,758)	4,571
Taxation	7	297	(643)
(Loss)/Profit for the year		(1,461)	3,928
Total comprehensive (loss)/income for the year		**(1,461)**	**3,928**

The Company has no items of other comprehensive income.

The notes on pages 12 to 26 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
ASSETS			
Non-current assets			
Aircraft	8	55,478	57,237
Current assets			
Trade and other receivables	9	3,896	3,379
Total assets		**59,374**	**60,616**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	315	2,010
Bank loans	11	3,110	2,458
Derivative financial instruments	12	759	372
		4,184	4,840
Non-current liabilities			
Bank loans	11	46,508	47,142
Derivative financial instruments	12	2,612	804
Lease security deposit		462	464
Deferred tax liabilities	7	73	370
		49,655	48,780
Total liabilities		53,839	53,620
Equity			
Share capital	14	1	1
Contributed surplus	15	5,175	5,175
Retained earnings		359	1,820
Total equity		5,535	6,996
Total equity and liabilities		**59,374**	**60,616**

Approved by the Board on 29 June 2020 and signed on its behalf by:

....
J. Jandu
Director

The notes on pages 12 to 26 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital US$ 000	Contributed surplus US$ 000	Retained earnings US$ 000	Total US$ 000
At 1 January 2018	1	5,175	(2,108)	3,068
Total comprehensive income for the year	-	-	3,928	3,928
At 31 December 2018	**1**	**5,175**	**1,820**	**6,996**
Total comprehensive loss for the year	-	-	(1,461)	(1,461)
At 31 December 2019	**1**	**5,175**	**359**	**5,535**

The notes on pages 12 to 26 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Cash flows from operating activities			
(Loss)/profit for the year before taxation		(1,758)	4,571
Adjustments to cash flows from operating activities			
Depreciation of fixed assets	8	1,759	1,747
Foreign exchange gain		(219)	(2,510)
Loss/(Gain) on derivative financial instruments	12	2,205	(1,352)
Finance costs	6	2,813	3,081
		4,800	5,537
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(517)	805
Decrease in trade and other payables		(1,697)	(599)
Net cash flow from operating activities		2,586	5,743
Cash flows from financing activities			
Interest paid		(2,766)	(3,122)
Repayment of bank loans	11	(2,684)	(2,621)
Drawdown of bank loans		2,864	-
Net cash flows from financing activities		(2,586)	(5,743)
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The Company does not hold a bank account and therefore no cash flows directly through the Company. The cash flows shown above reflect the substance of the Company's activity during the year.

Transactions of the Company are settled through balances with the immediate parent company.

Notes to the Financial Statements for the year ended 31 December 2019

1 General information

LCIH Australia Two Limited (the "Company") is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is: 13-14 Hobart Place, London, SW1W 0HH, United Kingdom.

1.1 Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 2006.

1.2 Going concern

The Directors have considered the appropriateness of applying the going concern basis for the Company in conjunction with an assessment of the wider Group's cash flow forecasts and liquidity position.

The Group's forecasts and projections indicate that it will be able to meet liabilities as they fall due. The Group has a strong level of cash reserves and holds security deposits from lessees to protect against default. Fixed rate loans are paired with fixed rate leases to ensure matched financing with lease payments sufficient to cover associated debt service costs. Where loan facilities are due to mature within the next 12 months the Directors have identified a refinancing strategy and are already engaged with new and existing financiers to term out helicopters secured by these facilities. All loans are secured by mortgages over the helicopters and the Group's interests and benefits in the underlying leases. Based on current market value of the helicopters the Directors are confident in concluding the above strategy.

The Directors have assessed the impact of the Covid-19 pandemic on the Group and will continue to do so on an ongoing basis. The full, long-term effect of the Covid-19 outbreak on business operations, financial performance, strategy, capital allocation and risk mitigation remains to be seen, but the Directors are confident that the Group has sufficient resources to continue in operational existence for the foreseeable future and therefore continue to prepare the financial statements on a going concern basis.

2 Recent accounting pronouncements

2.1 New interpretations and revised standards effective for the year ended 31 December 2019

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2019. The adoption of these interpretations and revised standards had the following impact on the disclosures and presentation of the financial statements.

IFRS 16 Leases
The standard made substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, recognised all leased assets on their balance sheet as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors were substantially unchanged.

Notes to the Financial Statements for the year ended 31 December 2019

On application of the standard, the disclosures increased for both lessors and lessees. The standard included principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

The Company acts primarily as a lessor and there is no significant changes, other than its disclosure requirements, from adoption of the standard in relation to these arrangements. On adoption of the standard, where applicable, the Company will recognise a 'right of use' asset and corresponding liability in relation to any activities it may have as a lessee. This did not result in a material change to the Company's net financial position.

2.2 Standards and interpretations issued but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2019. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements. The standards are required to be applied for annual periods beginning on or after 1 January 2020.

The standard is effective for periods beginning on or after 1 January 2020.

3 Summary of significant accounting policies

3.1 Foreign currencies

The functional and presentation currency of the Company is the United States Dollar ("US$"). Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Revenue, costs and non-monetary assets and liabilities are translated at the exchange rates ruling at the dates of transactions. Foreign exchange gains and losses are included in profit or loss.

3.2 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

3.3 Revenue

Revenue from aircraft on operating leases is recognised on a straight-line basis over the period of the lease. Benefits paid or payable as an incentive to enter into an operating lease are also recorded on a straight-line basis over the lease term.

All rental amounts received but unearned under the lease agreements are recorded as deferred income in trade and other payables.

Notes to the Financial Statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

3.4 Maintenance reserves

Lessees are responsible for helicopter maintenance and repairs during the lease. Amounts received from lessees in relation to maintenance and repairs are recognised as a liability until the relevant maintenance payments are made.

3.5 Security deposits

Security deposits are generally paid by the lessee on the execution of the lease and are non-refundable during the term of the lease. The amounts are held as a security for the timely and faithful performance by the lessee of its obligations during the lease. The deposit may be applied against amounts owing from the lessee for rent or returned to the lessee on the termination of the lease.

3.6 Income tax

Current tax is provided for at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not provided when the amounts involved are not significant.

3.7 Aircraft

Aircraft are stated at cost less accumulated depreciation. Charges for depreciation are calculated to write-down the cost of aircraft over their expected useful life, being 30 years from build date, to an expected residual value of 15% of current market value at the reporting date.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

3.9 Impairment of assets

Assets subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Fair value is assessed by the directors and reflects the underlying economic value of the assets in normal market conditions, with a willing buyer and seller and assumes adequate time for sale.

3.10 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for credit losses expected over the lifetime of the asset. The Company reviews the ageing of receivables regularly.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months of the date of deposit.

3.12 Trade and other payables

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

3.13 Finance income and expense

Finance income and expense are recognised in the Statement of Comprehensive Income as they accrue using the original effective interest rate determined at the acquisition or origination date. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability. Finance income and expense includes the amortisation of any discount or premium, transaction cost or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity on an effective interest rate basis.

Notes to the Financial Statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

3.14 Financial instruments

All financial assets other than marketable securities and derivative financial instruments are categorised as financial assets held at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method, if the time value of money may have a significant impact on their value, less allowances for any expected lifetime credit losses.

The Company assesses at the balance sheet date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. The Company uses criteria such as significant financial difficulty of the counterparty, the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

Financial liabilities other than derivative financial instruments are subsequently measured at amortised cost using the effective interest method.

3.15 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps, forward currency contracts and options to manage its exposure to interest rate and foreign exchange rate risks. Such derivatives are initially recognised at fair value and subsequently re-measured to fair value at each balance sheet date. Changes in the fair value of derivative financial instruments are recognised as income or expense in profit or loss as they arise.

3.16 Significant accounting estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the end of the reporting periods, that may cause amounts recognised or disclosed to change in the following accounting periods are:

Asset impairment testing
The Company reviews its non-current assets (aircraft) for impairment at each reporting date. If events or circumstances indicate that the carrying value may not be recoverable, the value is adjusted to the recoverable amount, determined by independent, third party valuations or if impractical or unavailable, by value in use calculations which require estimates of future cash flows to be made. If events or circumstances indicate that the carrying value may not be recoverable, the value is adjusted to the fair value. Any impairment is recognised in profit or loss. A 10% increase or decrease in the discount rate used in calculating the value in use of applicable non-current assets would have no significant impact on the Company's profit or loss before tax.

Asset residual values and estimated remaining lives
The acquisition cost of aircraft is depreciated over 30 years from build date for aircraft. Changes in the residual value and estimated useful lives of aircraft would result in adjustments to the current and future rate of depreciation through profit or loss.

Loss allowances

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period.

Notes to the Financial Statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

3.17 Significant accounting judgements

In the process of applying the Company's accounting policies, the directors have made the following accounting judgements which have the most significant effect on the amounts recognised in the financial statements:

Leases
The Company is party to leasing arrangements as lessor. Accounting for leases is mainly determined by the judgement of whether the lease is considered to be a finance lease or an operating lease. Management look to the substance of the transaction and the terms and conditions of the leasing arrangements in judging whether all the risks and rewards of ownership are transferred. All leases are classified as operating leases.

4 Operating profit

Operating profit is stated after charging:

	2019 US$ 000	2018 US$ 000
Auditor's remuneration		
Audit of financial statements	7	8
	7	8

5 Operating lease

The minimum future lease rentals receivable under non-cancellable operating leases as of the yearend are as follows:

	2019 US$ 000	2018 US$ 000
Less than one year	5,582	5,611
Between 1 and 2 years	5,582	5,611
Between 2 and 3 years	5,582	5,611
Between 3 and 4 years	5,582	5,611
Between 4 and 5 years	5,582	5,611
Over five years	13,839	19,752
	41,749	**47,807**

Although the risks associated with rights that the Group retains in underlying aircraft are not considered to be significant, the Group employs strategies to further minimise these risks. For example, contracts may include maintenance clauses requiring the lessee to compensate the Group when an aircraft has been subjected to excess wear and tear during the lease term. Contracts may additionally include security deposit clauses as a safeguard against any unforeseen event involving the aircraft. It is also a requirement by law that all aircraft are insured.

Notes to the Financial Statements
for the year ended 31 December 2019

6 Finance costs

	2019 US$ 000	2018 US$ 000
Interest and finance charges payable on bank borrowings	2,659	2,867
Other interest and finance charges	154	214
	2,813	3,081

7 Taxation

Tax charged in the statement of comprehensive income consists of:

	2019 US$ 000	2018 US$ 000
Current tax charge/(credit)	-	-
Deferred tax (credit)/charge	(297)	643
Tax (credited)/charged in the Statement of Comprehensive Income	(297)	643

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK of 19%) (2018 - (19%).

The differences are reconciled below:

	2019 US$ 000	2018 US$ 000
(Loss)/profit before tax	(1,758)	4,571
Corporation tax at standard rate	334	(868)
Increase from effect of capital allowances depreciation	417	485
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	114	256
(Gain)/Loss on derivatives	(419)	-
(Decrease)/increase from effect of unrelieved tax losses carried forward	(332)	127
Total tax charge	114	-

The principal components of the deferred tax liability/(asset) are as follows:

	2019 US$ 000	2018 US$ 000
Accelerated capital allowance	(1,778)	(1,324)
Tax losses carried forward	618	755
Other timing differences	1,087	199
	(73)	(370)

Notes to the Financial Statements for the year ended 31 December 2019

7 Taxation (continued)

Deferred tax
A reconciliation of the movement in the net deferred tax liability is as follows:

	2019 US$ 000	2018 US$ 000
At beginning of year	(370)	274
Tax losses carried forward	332	(127)
Depreciation in (advance)/deficit of capital allowances	(417)	(485)
Amendment to prior year	(2)	91
Loss/(Gain) on interest rate derivatives	419	(262)
Change in UK tax rate	(35)	139
	(73)	(370)

8 Aircraft

	2019 US$ 000	2018 US$ 000
Cost		
At beginning of the year	61,610	61,610
At end of the year	61,610	61,610
Accumulated depreciation		
At beginning of the year	(4,373)	(2,626)
Aircraft depreciation	(1,759)	(1,747)
At end of the year	(6,132)	(4,373)
Net book value at 31 December	**55,478**	**57,237**

The aircraft are mortgaged as security for bank loans (note 11).

9 Trade and other receivables

	2019 US$ 000	2018 US$ 000
Amount due from parent company	834	-
Accrued income	3,062	3,379
	3,896	3,379

Notes to the Financial Statements for the year ended 31 December 2019

10 Trade and other payables

	2019 US$ 000	2018 US$ 000
Accrued expenses and deferred revenue	315	269
Amounts due to immediate parent company	-	1,741
	315	**2,010**

The amounts due to the immediate parent company are unsecured, interest-free and repayable on demand.

11 Bank loans

The bank loans outstanding as of 31 December are as follows:

	2019			2018		
	Bank loans US$ 000	Arrangement fees US$ 000	Total US$ 000	Bank loans US$ 000	Arrangement fees US$ 000	Total US$ 000
At 1 January	50,123	(523)	49,600	55,610	(632)	54,978
Movements arising from financing cash flows						
Drawdown of facilities	2,864	-	2,864	-	-	-
Repayment of facilities	(2,684)	-	(2,684)	(2,621)	-	(2,621)
Loan arrangement fees incurred	-	(70)	(70)	-	-	-
Non-cash and other movements						
Currency translation difference	(206)	-	(206)	(2,866)	-	(2,866)
Amortisation of loan arrangement fee	-	114	114	-	109	109
At 31 December	**50,097**	**(479)**	**49,618**	**50,123**	**(523)**	**49,600**
Bank loans						
Current portion	3,215	(105)	3,110	2,565	(107)	2,458
Non-current portion	46,882	(374)	46,508	47,558	(416)	47,142
	50,097	**(479)**	**49,618**	**50,123**	**(523)**	**49,600**

Notes to the Financial Statements for the year ended 31 December 2019

11 Bank loans (continued)

The loans are secured by a charge over the aircraft (note 8) and the share capital of the Company (note 14).

12 Derivative financial instruments

The movement in the fair value of the derivative financial instruments is as follows:

	2019 US$ 000	2018 US$ 000
At beginning of year	1,176	2,577
Translation loss	(10)	(49)
Fair value movements	2,205	(1,352)
	3,371	**1,176**
Shown as:		
Current liability	759	372
Non-current liability	2,612	804
	3,371	**1,176**

13 Financial risk management and impairment of financial assets

The Company's key financial risks arising from its operating activities and its financial instruments are:

- Credit risk;
- Liquidity risk; and
- Market risk (including interest rate risk and currency risk).

The directors of the Company have overall responsibility for the establishment and oversight of the risk management framework.

Categories of financial instruments:

	2019 US$ 000	Fair value US$ 000	*2018* US$ 000	Fair value US$ 000
Financial liabilities At fair value through profit and loss:				
Derivative financial instrument	3,371	3,371	1,176	1,176
	3,371	**3,371**	**1,176**	**1,176**
Financial liabilities *At amortised cost:*				
Trade and other payables	315	315	2,010	2,010
Bank loans	49,618	48,027	49,600	49,392
Security deposits	462	462	464	464
	50,395	**48,804**	**52,074**	**51,866**

The fair value of financial liabilities has been determined by management, based upon the present value of the expected cash flows deriving from the liability, discounted at an appropriate discount rate.

Notes to the Financial Statements for the year ended 31 December 2019

13 Financial risk management and impairment of financial assets (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3, based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 2019 US$ 000	Level 2 2018 US$ 000
Derivative financial instruments	(3,371)	(1,176)
	(3,371)	(1,176)

The fair value of derivative financial instruments is determined using the present value of future cash flows. Future interest rates are based on forward rates prevailing at the balance sheet date.

13.1 Credit risk

The Company services the aviation industry as it leases its aircraft to operators. The aviation industry is cyclical, economically sensitive and highly competitive. A key determinant of the Company's success is the financial strength of its counterparties and their ability to react to and cope with the environment in which they operate.

If a lessee experiences financial difficulties this may result in default or the early termination of the lease. The directors mitigate this risk by conducting comprehensive credit reviews of counterparties both prior to and during the course of a lease. Where appropriate, the Company also collects security deposits from its lessees.

As at 31 December 2019, concentration of credit risk exists to the extent that more than 100% of trade and other receivables is in respect of amounts due from its parent company (2018: 100%).

13.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to mitigate liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements for the year ended 31 December 2019

13 Financial risk management and impairment of financial assets (continued)

13.2 Liquidity risk (continued)

Maturity analysis
The following table represents the maturity of financial liabilities

2019	Carrying Amount US$ 000	Contractual cash flow US$ 000	Less than one year US$ 000	One to five years US$ 000	Over five years US$ 000
Trade and other payables	315	315	315	-	-
Bank loans	49,618	64,078	5,461	21,850	36,767
Derivative financial instruments	3,371	3,532	778	2,228	526
Security deposit	462	462	-	-	462
	53,766	68,387	6,554	24,078	37,755

2018	Carrying Amount US$ 000	Contractual cash flow US$ 000	Less than one year US$ 000	One to five years US$ 000	Over five years US$ 000
Trade and other payables	2,010	2,010	2,010	-	-
Bank loans	50,123	66,400	5,030	20,135	41,235
Derivative financial instruments	1,176	1,314	416	898	
Security deposit	464	464	-	-	464
	53,773	70,188	7,456	21,033	41,699

13.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

13.3.1 Currency risk

The Company's operations expose it to foreign currency fluctuations. The Company monitors its exposure to currency risk on a regular basis.

The carrying amounts of the Company's foreign currency denominated financial liabilities at the year end are as follows (short-term receivables and payables excluded):

Notes to the Financial Statements for the year ended 31 December 2019

13 Financial risk management and impairment of financial assets (continued)

13.3 Market risk (continued)

13.3.1 Currency risk (continued)

	2019 Bank borrowings US$ 000	2018 Bank borrowings US$ 000
United States Dollar	24,137	24,137
Australian Dollar	25,960	25,986
	50,097	**50,123**

There are no other significant financial assets or liabilities denominated in foreign currencies.

The Company is exposed to currency risk as leases are denominated in AUD but certain bullet tranches are repayable in USD at maturity. The Company has hedged this risk using cross currency swaps. Under the terms of these swaps, the Company pays a fixed AUD amount and receives a floating USD amount.

At 31 December 2019, had the exchange rates between United States dollar and each of the above currencies increased or decreased by 5% with all other variables held constant, there would not be a significant impact of the result in the year. The decrease/increase in equity respectively would amount to US$912,000 (2018: US$917,000). The lower foreign currency sensitivity in 2019 is attributable to a lower proportion of non-US dollar denominated financial assets and liabilities.

13.3.2 Interest rate risk

The Company's interest bearing liabilities expose it to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The interest rate profile of the Company's financial liabilities excluding short-term payables at the year end was:

	2019				2018			
	Fixed rate items US$ 000	Floating rate items US$ 000	Non-interest bearing items US$000	Total carrying value US$000	Fixed rate items US$ 000	Floating rate items US$ 000	Non-interest bearing items US$000	Total carrying value US$000
Bank loans	-	50,097	-	50,097	-	50,123	-	50,123
Derivatives	-	3,371	-	3,371	-	1,176	-	1,176
	-	**53,468**	-	**53,468**	-	**51,299**	-	**51,299**

Bank loans bear floating interest rates determined at inception of the agreement. In order to mitigate the interest rate risk associated with the floating rate loans, the Company has hedged the interest payments using interest rate swaps. Under the terms of these swaps, the Company pays a fixed rate of interest and receives floating rate based on the Bank Bill Swap Rate (BBSW).

Notes to the Financial Statements for the year ended 31 December 2019

13 Financial risk management and impairment of financial assets (continued)

13.3 Market risk (continued)

13.3.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A number of the Company's bank loans and the credit facility are contracted at floating rates based on LIBOR.

At 31 December 2019 should yields have increased/decreased by 50 basis points, with all other variables remaining constant the decrease/increase in the result for the year ended would have been US$250,000 (2018: US$251,000).

The impact on the fair value of the derivative financial instruments if the interest rates increase/decrease by 50 basis points would be a decrease/increase in financial assets and a corresponding increase/decrease in the gain on derivative financial instruments of US$442,121 (2018: US$954,423).

13.4 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company reviews and monitors its capital structure on a regular basis to ensure its objectives are met. The Company's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of bank loans of US$50,097,000 (2018: US$50,123,000) and all components of equity aggregating to US$5,535,000 (2018: US$6,996,000).

14 Share capital

	2019 US$ 000	2018 US$ 000
Authorised, issued and fully paid		
1,000 ordinary shares of US$1.00 per share	1	1
	1	**1**

The share capital is pledged against the bank loans (note 11).

15 Contributed surplus

Contributed surplus represents funds received from shareholders in addition to their subscriptions to the issued share capital of the Company.

Notes to the Financial Statements for the year ended 31 December 2019

16 Related party transactions

The Company was charged management fees of US$343,000 (2018: US$114,000) by an intermediate parent company during the year.

None of the directors or members of key management received any emoluments during the year.

17 Parent and ultimate parent undertaking

The Company's parent company is LCI Helicopters (UK) Limited, a company incorporated in the United Kingdom.

As at 31 December 2019, the ultimate controlling undertakings are jointly Libra Holdings Limited, a company incorporated in Bermuda, which is wholly owned under an overseas family discretionary settlement, the beneficiaries of which include the family of M.G. Logothetis, and Raptor Investment Holding LP, a company incorporated in the United States.

18 Post reporting date events

During the first few months of 2020, the Covid-19 outbreak has had a significant negative impact on the global economy. In this regard, the directors have performed thorough assessments on the impact this will have on projections, how the business operates and its ability to continue as a going-concern in the years to come.