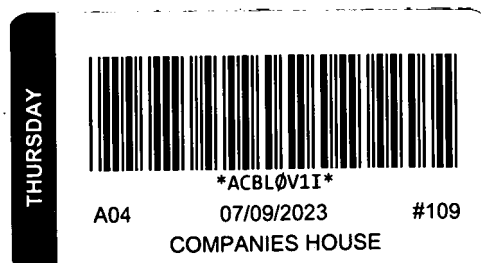


Registration number: 09313036

LCIH Australia Two Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2022**



Contents

Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

Company Information

Directors

J. Jandu

Y. Kataoka

R. Matsuo

Registered office

13-14
Hobart Place
London
SW1W 0HH

**Company registration
number**

09313036

Auditors

BDO LLP
Level 12
Thames Tower
Station Road
Reading
United Kingdom
RG1 1LX

Directors' Report

The directors present their report and the financial statements of the Company for the year ended 31 December 2022.

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.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Principal activity

The Company is part of a Group that is engaged in the leasing of helicopters.

Results and dividends

The Company's profit for the year amounted to US\$967,000 (2021: US\$723,000). 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 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.

The Directors have assessed the current political and economic situation in Ukraine, as well as ongoing international sanctions against certain Russian organisations and citizens and will continue to do so on an ongoing basis. Given the Group has no direct exposure with Russia or the Ukraine, the Directors are confident that any potential exposure will be limited and 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.

The Directors have assessed the uncertain global economic outlook, the global economy is coming out of a prolonged period of historically low interest rates and is contending with rising global interest rates alongside increasing financial pressures. The Directors consider the exposure to both interest rate risk and currency risk is minimised through the use of derivatives, fixed rate loans and lease contracts alongside the hedge accounting policies implemented by the Group. The Directors are confident any potential exposure will be limited, and 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.

In addition, the Group perform regular risk reviews of all key stakeholders. The key risks and considerations that may impact the Group include flying restrictions, contract cancellations/restructurings, short term liquidity strains on lessees.

Directors' Report (continued)

Directors of the Company

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

J. Jandu

Y. Kataoka

K. Kawamura (resigned 23 April 2023)

The following director was appointed after the year end:

R. Matsuo (appointed 28 April 2023)

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 31 July 2023 and signed on its behalf by:



Y. Kataoka
Director

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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;
- 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

In our opinion the financial statements:

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

We have audited the financial statements of LCIH Australia Two Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Balance Sheet, and Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 '*Reduced Disclosure Framework*' (United Kingdom Generally Accepted Accounting Practice).

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

Independence

We remain 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

Other Companies Act 2006 reporting

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.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 prepare the financial statements in accordance with the small companies regime and 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, 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We assessed the susceptibility of the financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results. The audit procedures that we performed to address this included the following:
 - Identification and testing of unusual journal entries focussing on journals with parameters with higher risk of fraud including material journals, round sum journals and journals which included key words; and

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

- Challenging assumptions and judgements made by management in their significant accounting estimates, which included estimated credit losses.
- We obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. We considered the significant laws and regulations to be:
 - Applicable financial reporting framework; and
 - Relevant tax legislation.
- We made enquiries of management and those charged with governance, including obtaining and reviewing supporting documentation concerning the Group's policies and procedures relating to:
 - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; and
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
- We addressed these by:
 - Agreeing the financial statement disclosures to supporting documentation;
 - Making enquiries with management, those charged with governance and in-house legal counsel;
 - Reviewing legal expenditure accounts for expenditure items that would indicate non-compliance; and
 - Making enquiries with management, those charged with governance and the in-house tax manager on compliance of tax legislation. In addition, we have reviewed the tax computations prepared by management to ensure compliance and considered if there are any uncertain tax treatments.

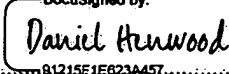
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

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.

DocuSigned by:

.....81215F1E623A457.....

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

Reading, United Kingdom

02 August 2023
Date:.....

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

**Statement of Comprehensive Income
for the year ended 31 December 2022**

	Note	2022 US\$ 000	2021 US\$ 000
Revenue	3.3, 4	5,192	5,799
Operating expenses			
Aircraft depreciation	9	(1,784)	(1,776)
Administrative expenses		(308)	(301)
		(2,092)	(2,077)
Operating profit	4	3,100	3,722
Other interest receivable and similar income	6	6	-
Gain/(Loss) on financial derivatives		462	(278)
Interest and similar charges	7	(2,151)	(2,568)
Foreign exchange (loss)/gain		(145)	129
Profit before tax		1,272	1,005
Taxation	8	(305)	(282)
Profit for the year		967	723
Other comprehensive income/(loss):			
Items that will or may be reclassified to profit or loss:			
Cash flow hedges		5,015	4,430
Taxation relating to other comprehensive income		(956)	(468)
Other comprehensive income/(loss) for the year, net of taxation		4,059	3,962
Total comprehensive income for the year		5,026	4,685

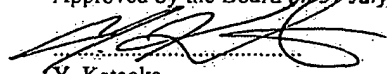
The notes on pages 12 to 26 form an integral part of these financial statements.

LCIH Australia Two Limited
Directors' Report and Financial Statements

Balance Sheet
as at 31 December 2022

	Note	2022 US\$ 000	2021 US\$ 000
A S S E T S			
Non-current assets			
Aircraft	9	50,144	51,928
Derivative financial assets	13	998	-
		51,142	51,928
Current assets			
Trade and other receivables	10	2,174	3,269
Derivative financial assets	13	623	-
Deferred tax assets	8	-	272
		2,797	3,541
Total assets		53,939	55,469
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	89	26
Bank loans	12	3,297	3,317
Bank overdrafts		1	-
Income tax liability		71	627
Derivative financial instruments	13	-	1,033
		3,458	5,003
Non-current liabilities			
Bank loans	12	35,448	39,789
Deferred tax liabilities	8	990	-
Lease security deposit		447	477
Derivative financial instruments	13	-	1,630
		36,885	41,896
Total liabilities		40,343	46,899
Equity			
Share capital	15	1	1
Contributed surplus		7,669	7,669
Cash flow hedging reserve		4,693	634
Profit and loss account		1,233	266
Total equity		13,596	8,570
Total equity and liabilities		53,939	55,469

Approved by the Board on 31 July 2023 and signed on its behalf by:


Y. Kataoka
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 2022

	Share capital US\$ 000	Contributed surplus US\$ 000	Cash flow hedging reserve US\$ 000	Profit and loss account US\$ 000	Total US\$ 000
At 1 January 2021	1	7,669	(3,328)	(457)	3,885
Total comprehensive income for the year	-	-	-	723	723
<i>Other comprehensive loss:</i>					
<i>Items that will or may be reclassified to profit or loss:</i>					
<i>Cash flow hedges:</i>					
Fair value movement on cash flow hedges	-	-	4,430	-	4,430
Tax relating to items that may be reclassified (note 7)	-	-	(468)	-	(468)
At 31 December 2021	1	7,669	634	266	8,570
Total comprehensive income for the year	-	-	-	967	967
<i>Other comprehensive loss:</i>					
<i>Items that will or may be reclassified to profit or loss:</i>					
<i>Cash flow hedges:</i>					
Fair value movement on cash flow hedges	-	-	5,015	-	5,015
Tax relating to items that may be reclassified (note 7)	-	-	(956)	-	(956)
At 31 December 2022	1	7,669	4,693	1,233	13,596

Notes to the Financial Statements for the year ended 31 December 2022

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

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and with the Companies Act 2006.

The financial statements have been prepared on a historical cost basis. The presentation currency used is the US Dollars ("\$\$") and amounts have been presented in thousands ("\$ 000s") except otherwise stated.

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 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.

The Directors have assessed the current political and economic situation in Ukraine, as well as ongoing international sanctions against certain Russian organisations and citizens and will continue to do so on an ongoing basis. The Group have had no direct exposure as a result of these events. The Directors are confident that any potential exposure will be limited and 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.

The Directors have assessed the uncertain global economic outlook, the global economy is coming out of a prolonged period of historically low interest rates and is contending with rising global interest rates alongside increasing financial pressures. The Directors consider the exposure to both interest rate risk and currency risk is minimised through the use of derivatives, fixed rate loans and lease contracts alongside the hedge accounting policies implemented by the Group. The Directors are confident any potential exposure will be limited, and 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.

In addition, the Group perform regular risk reviews of all key stakeholders. The key risks and considerations that may impact the Group include flying restrictions, contract cancellations/restructurings, short term liquidity strains on lessees.

Notes to the Financial Statements for the year ended 31 December 2022

2 Recent accounting pronouncements

2.1 New interpretations and revised standards effective for the year ended 31 December 2022

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2022. New standards that have been adopted in the annual financial statements for the year ended 31 December 2022 but have not had a significant effect on the Company are:

- Annual Improvements to IFRS Standards: 2018-2020 Cycle
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment to Proceeds before Intended Use)

3 Summary of significant accounting policies

3.1 Disclosure exemptions adopted

In preparing these financial statements under FRS 101, the Company applies the recognition, measurement and disclosure requirement of International Financial Reporting Standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of disclosure exemptions conferred by FRS 101 has been taken.

The Company's parent undertaking, SMFL LCI Helicopters Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of SMFL LCI Helicopters Limited are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from its registered office at Ground Floor, 6 George's Dock, IFSC, Dublin 1, Republic of Ireland.

In preparing these financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of:
 - a reconciliation of the number of shares outstanding at the start and end of the prior period; and
 - reconciliations of the carrying amounts of property, plant and equipment at the start and the end of the prior period.
- Statement of Cash Flows
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- Disclosure of the effect of future accounting standards not yet adopted
- Disclosure of the remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group
- The amount of lease income recognised on operating leases as lessor

**Notes to the Financial Statements
for the year ended 31 December 2022**

3 Summary of significant accounting policies (continued)

3.1 Disclosure exemptions adopted (continued)

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Company's parent company. These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- Fair value measurements - details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

3.2 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.

3.3 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.

3.4 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 and accrued income in trade and other receivables.

3.5 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.

3.6 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.

3.7 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.

Notes to the Financial Statements for the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

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.

3.8 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.

3.9 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 expense include 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

Notes to the Financial Statements for the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

3.14 Financial instruments

Financial assets and liabilities are initially recognised on the Balance Sheet at fair value when the Company has become party to the contractual provisions of the 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 cross currency swaps to manage its exposure to interest rate and foreign exchange rate risks. All derivatives are initially recognised at fair value and subsequently re-measured to fair value at each balance sheet date.

The method of recognising the resulting gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument. Non-hedging derivatives are classified at fair value through profit or loss; changes in the fair value of non-hedging derivative financial instruments are recognised as income or expense in profit or loss as they arise.

3.16 Hedge accounting

The Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedge relationships.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge;
- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, the effective portion of gains or losses of the derivative or non-derivative hedging instrument is recognised in other comprehensive income and accumulated in the cash flow hedge reserve.

Notes to the Financial Statements
for the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

3.16 Hedge accounting (continued)

The cumulative gain or loss recognised in other comprehensive income is subsequently reclassified from the cash flow hedge reserve to profit or loss in the same period as the hedged cash flows affect the profit or loss. Any ineffective portion of changes in gains or losses of the derivative or non- derivative hedging instrument is recognised immediately in the profit or loss within finance costs or finance income.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the risk management objective or qualifying criteria for cash flow hedge accounting, then hedge accounting is discontinued prospectively with the cumulative gain or loss reclassified from the cash flow hedge reserve to profit or loss.

3.17 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, then values for Fair Value Less Costs to Sell are determined by independent third party valuations. If these values are higher than the net book values of the aircraft then no further action is required. If they are lower then value in use calculations are performed and the carrying value of the aircraft is adjusted to the recoverable amount which is the higher of the Fair Value Less Costs to Sell valuations and the Value in Use calculations. Any impairment is recognised in the profit or loss.

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.

3.18 Significant accounting judgements

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:

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Auditor's remuneration		
Audit of financial statements	11	8
	11	8

**Notes to the Financial Statements
for the year ended 31 December 2022**

5 Operating lease

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

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Less than one year	5,402	5,765
Between 1 and 2 years	5,402	5,765
Between 2 and 3 years	5,402	5,765
Between 3 and 4 years	5,402	5,765
Between 4 and 5 years	2,648	5,765
Over five years	-	2,826
	24,256	31,651

Although the risks associated with rights that the Company retains in underlying aircraft are not considered to be significant, the Company employs strategies to further minimise these risks. For example, contracts may include maintenance clauses requiring the lessee to compensate the Company 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.

There were no lease modifications during the current or comparative period. Lease rentals are payable in Australian Dollars. The Company's closing year end rate for AUD was 0.679 (2021: 0.725).

6 Finance income

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Interest income on bank deposits	6	-
	6	-

7 Finance costs

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Interest on bank overdrafts and borrowings	2,053	2,474
Other finance costs	98	94
	2,151	2,568

8 Taxation

Tax (charged)/credited in the statement of comprehensive income consists of:

Notes to the Financial Statements
for the year ended 31 December 2022

8 Taxation (continued)

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Current tax credited	-	251
Deferred tax (charged)/credited	(305)	(533)
Tax (charged)/credited in the Statement of Comprehensive Income	(305)	(282)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Profit before tax	1,272	1,005
Corporation tax at standard rate	(242)	(191)
Change in UK tax rates	(76)	(64)
Under provision of deferred tax in prior periods	13	(278)
Decrease in current tax from adjustment for prior periods	-	251
Total tax charge	(305)	(282)

The deferred tax balances have been recognised at 25% (2021: 25%) the rate of corporation tax substantively enacted by the Finance Act 2021 effective 1 April 2023.

The principal components of deferred tax asset are as follows:

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
Accelerated capital allowance	(2,761)	(2,582)
Tax losses carried forward	2,176	2,188
Other timing differences	(405)	665
	(990)	271

Deferred tax

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

Notes to the Financial Statements
for the year ended 31 December 2022

8 Taxation (continued)

	31 Dec 2022 US\$ 000	31 Dec 2021 US\$ 000
At beginning of year	271	1,272
Accelerated capital allowances	(179)	(16)
Tax losses carried forward	(24)	(424)
Gain on interest rate derivatives	(1,071)	(625)
Change in UK tax rate	-	64
Under/over provision	13	-
	(990)	271

The deferred tax balances have been recognized at 25% (2021: 25%) the rate of corporation tax substantively enacted by the Finance Act 2021 effective 1st April 2023.

**Notes to the Financial Statements
for the year ended 31 December 2022**

9 Aircraft

	Total US\$ 000
Cost or valuation	
At 1 January 2022	61,610
At 31 December 2022	61,610
Depreciation	
At 1 January 2022	9,682
Charge for the year	1,784
At 31 December 2022	11,466
Carrying amount	
At 31 December 2022	50,144
At 31 December 2021	51,928

The aircraft are mortgaged as security for bank loans (note 12).

10 Trade and other receivables

	2022 US\$ 000	2021 US\$ 000
Amount due from parent company	-	274
Accrued income	1,707	2,233
Prepayments	-	18
Other receivables	467	494
	2,174	3,019

11 Trade and other payables

	2022 US\$ 000	2021 US\$ 000
Amounts due to immediate parent company	60	-
Trade payables	18	19
Accruals	11	7
	89	26

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

**Notes to the Financial Statements
for the year ended 31 December 2022**

12 Bank loans

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

	2022			2021		
	Bank loans US\$ 000	Arrangement fees US\$ 000	Total US\$ 000	Banks loans US\$ 000	Arrangement fees US\$ 000	Total US\$ 000
At beginning of the year	43,392	(286)	43,106	48,136	(380)	47,756
<i>Movements arising from financing cash flows</i>						
Repayment of facilities	(3,244)	-	(3,244)	(3,360)	-	(3,360)
<i>Non-cash and other movements</i>						
Currency translation difference	(1,216)	-	(1,216)	(1,384)	-	(1,384)
Amortisation of loan arrangement fee	-	99	99	-	94	94
	38,932	(187)	38,745	43,392	(286)	43,106
Bank loans						
Current portion	3,348	(51)	3,297	3,399	(82)	3,317
Non-current portion	35,584	(136)	35,448	39,993	(204)	39,789
	38,932	(187)	38,745	43,392	(286)	43,106

The loans are secured by a charge over the aircraft (note 9) and the share capital of the Company (note 15).

**Notes to the Financial Statements
for the year ended 31 December 2022**

13 Derivative financial instruments and hedging activities

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

	2022 US\$ 000	2021 US\$ 000
At beginning of year	2,663	5,955
Translation gain/(loss)	-	(278)
Settlement	(600)	(1,567)
Fair value movements	(3,684)	(1,447)
	(1,621)	2,663
Shown as:		
Current (asset) liability	(623)	1,033
Non-current (asset) liability	(998)	1,630
	(1,621)	2,663

14 Hedge accounting

31 December 2022	Notional amount US\$ 000	Carrying Value Asset US\$ 000	Carrying Value Liability US\$ 000
<u>Cash flow hedges - foreign currency</u>			
Loan facilities designated as hedging instruments	23,284	-	15,795
<u>Cash flow hedges - foreign currency and interest rate risk</u>			
Cross currency swaps	19,854	1,426	-
<u>Cash flow hedges - interest rate risk</u>			
Interest rate swaps	23,225	195	-
Total	66,363	1,621	15,795

31 December 2021	Notional amount US\$ 000	Carrying Value Asset US\$ 000	Carrying Value Liability US\$ 000
<u>Cash flow hedges - foreign currency</u>			
Loan facilities designated as hedging instruments	23,284	-	20,255
<u>Cash flow hedges - foreign currency and interest rate risk</u>			
Cross currency swaps	30,474	-	1,558
<u>Cash flow hedges - interest rate risk</u>			
Interest rate swaps	31,143	-	1,105
Total	84,901	-	22,918

**Notes to the Financial Statements
for the year ended 31 December 2022**

14 Hedge accounting (continued)

The Company has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments. The Company enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match. Therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Qualitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. For derivative hedging relationships in instances where changes occur to the hedged item which result in the critical terms no longer match the hypothetical derivative method is used to assess effectiveness.

The value of derivatives (note 13) designated as cash flow hedge relationships to hedge interest rate risk is 2022 US\$1,621,000 (2021: US\$2,663,000) and the Company has established a hedge ratio of 1:1 for hedging relationships as the underlying risk and key terms of the interest rate and cross currency swaps are identical to the hedged risk components. During the year ending 31 December 2022 US\$3,822,000 gain 2021: (US\$3,291,000 gain) was recognised in Other Comprehensive Income relating to the effective portion of derivative cash flow hedges. The ineffective portion recognised in profit or loss that arose from cash flow hedge relationships relating to derivatives amounts to a gain of US\$78,000 (2021: US\$259,000 gain).

At 31 December 2022, the value of loan facilities (note 13) recognised as non-derivative hedging instruments in designated cash flow hedge relationships to hedge foreign exchange risk of non-functional currency lease rental income is US\$15,795,000 (2021: US\$20,255,000). The Company has established a hedge ratio of 1:1 for hedging relationships as the underlying foreign exchange exposures of the hedging instrument and hedged items are matched. During the financial year ending 31 December 2022 US\$1,193,000 gain 2021: (US\$1,139,000 gain) was recognised in other comprehensive income relating to the foreign exchange cash flow hedges. The ineffective portion recognised in profit or loss that arose from related cash flow hedges amounts to a loss/gain of US\$Nil (2021: US\$Nil).

**Notes to the Financial Statements
for the year ended 31 December 2022**

14 Hedge accounting (continued)

Risk management – Hedge accounting

The risk strategies of the designated cash flow hedges reflect the Company's market risk strategies detailed above. The Company has hedging strategies to hedge both the interest rate risk of variable loan facilities through interest rate and cross currency swaps as well as hedging the foreign exchange exposure of non-USD denominated rentals.

The objective of the cash flow hedges for interest rate risk is principally to convert the floating rate borrowings into fixed rate borrowings and hedge the interest rate risk. For hedges of Australian dollar denominated borrowings the Company uses a combination of cross-currency and interest rate swaps to hedge its exposure to foreign exchange risk and interest rate risk.

The hedge is considered effective as the critical terms of the hedging instrument, swap maturity dates and liquidity profiles of the nominal cash flows, match exactly with those of the underlying borrowings. The Company expects highly effective hedging relationships with the swap contracts and the value of the corresponding hedged items to change systematically in the opposite direction in response to movements in the underlying interest and exchange rates. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur if there are changes in the critical terms of the hedging instrument or loans that they no longer match; a change in the credit risk of the Company or the counterparty with the hedging instrument; or the effects of the forthcoming reforms to IBOR, if these take effect at a different time for the hedged item and the hedging instrument. There has been no effect on the financial statements during the period ending 31 December 2022 in relation to ineffectiveness of hedge relationships as a result of anticipated IBOR reforms.

The objective of the cash flow hedges for foreign exchange risk is to match non-USD denominated rental with non-USD principal repayments of borrowings.

The hedge is considered effective as the loan terms and currency are structured to match the non-USD denominated lease terms exactly. The foreign exchange exposure of the non-USD principal repayments and the non-USD lease rental receipts are expected to change systematically in the opposite direction in response to movements in the underlying exchange rates.

Hedge ineffectiveness may occur if there are lease modifications or changes in the critical terms of borrowings such that they no longer match or as a result of a mismatch between the receipt of rental payments and the respective principal repayment.

15 Share capital

	2022 US\$ 000	2021 US\$ 000
Authorised, issued and fully paid		
1,000 ordinary shares of US\$1.00 per share	1	1
	1	1

**Notes to the Financial Statements
for the year ended 31 December 2022**

16 Contributed surplus

Contributed surplus represents funds received from shareholders in addition to their subscriptions to the issued share capital of the Company. Contributed surplus has no defined repayment terms and is repayable solely at the discretion of the Company.

17 Other reserves

Cash flow hedging reserve recognises the gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.

Retained earnings represents all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

18 Parent and ultimate parent undertaking

The Company's parent company is SMFL LCI Helicopters Ltd, a company incorporated in Ireland.

As at 31 December 2022, the ultimate controlling undertakings are jointly Sumitomo Mitsui Financial Group Inc., a company incorporated in Japan, which is listed on Tokyo, Nagoya and New York Stock Exchange, and Sumitomo Corporation, a company incorporated in Japan, which is listed on the Tokyo Stock Exchange.

19 Related party transactions

The Company was charged management fees of US\$220,000 (2021: US\$238,000) by a company that is a member of the same group the Company's parent is an associate of.