

Registration number: 09167967

LCI Helicopters Two Limited

Directors' Report and Financial Statements
for the year ended 31 December 2020



Contents

Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12

LCI Helicopters Two Limited

Directors' Report and Financial Statements

Company Information

Directors

J. Jandu

K. Kawamura

Y. Kataoka

Registered office

13-14 Hobart Place

London

SW1W 0HH

United Kingdom

**Company registration
number**

09167967

Auditors

BDO LLP

55 Baker Street

London

United Kingdom

W1U 7EU

Directors' Report

The directors present their report and the financial statements of the Company for the year ended 31 December 2020.

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. The risks and uncertainties facing the Company are disclosed in note 11 of the financial statements.

Principal activity

The Company is engaged in the leasing of helicopters.

Results and dividends

The Company's profit for the year ended 31 December 2020 amounted to US\$29,000 (2019: loss of US\$18,000). The directors do not recommend the payment of a dividend (2019: US\$Nil).

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. 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.

Directors' of the company

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

J. Jandu

C. Maunder (resigned 29 June 2020)

I. Tatara (appointed 29 June 2020 and resigned 5 April 2021)

K. Kawamura (appointed 29 June 2020)

The following director was appointed after the year end:

Y. Kataoka (appointed 5 April 2021)

LCI Helicopters Two Limited

Directors' Report and Financial Statements

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 10 June 2021 and signed on its behalf by:



.....
J. Jandu
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 International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. 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; 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 LCI Helicopters Two Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with 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 LCI Helicopters Two Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the 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) in conformity 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 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 Group and the Parent 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 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. 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 LCI Helicopters Two Limited
(continued)**

Opinion 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.

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 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.

**Independent Auditor's Report to the Members of LCI Helicopters Two Limited
(continued)**

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:

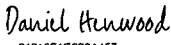
- We made enquiries of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; and
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
- We 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 and management bias in accounting estimates. Audit procedures that we performed to address this included challenging assumptions and judgements made by management in their significant accounting estimates and identifying and testing journal entries with certain characteristics considered to be risky; and
- We obtained an understanding of the legal and regulatory frameworks that the company 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 company.

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.

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:

91215F1E623A457.....

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)

10 June 2021

**Statement of Comprehensive Income
for the year ended 31 December 2020**

	Note	2020 US\$ 000	2019 US\$ 000
Revenue	3.3	1,407	1,385
Operating expenses			
Aircraft depreciation	8	(418)	(413)
Aircraft management fees		(160)	(86)
Administrative expenses		(16)	(6)
		(594)	(505)
Operating profit	4	813	880
Foreign exchange loss		-	(1)
Finance costs	6	(736)	(931)
Profit/(loss) before tax		77	(52)
Taxation	7	(48)	34
Total comprehensive income/(loss) for the year		29	(18)

The Company has no items of other comprehensive income.

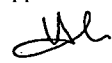
LCI Helicopters Two Limited
Directors' Report and Financial Statements

Balance Sheet

as at 31 December 2020

	Note	2020 US\$ 000	2019 US\$ 000
A S S E T S			
Non-current assets			
Aircraft	8	13,609	14,027
Current assets			
Trade and other receivables	9	3	-
Deferred tax asset		-	1
		3	1
Total assets		13,612	14,028
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	8,997	13,067
Income tax liability		36	-
		9,033	13,067
Non-current liabilities			
Deferred tax liabilities	7	10	-
Total liabilities		9,043	13,067
Equity			
Share capital	12	1	1
Contributed surplus	13	4,316	737
Retained earnings		252	223
Total equity		4,569	961
Total equity and liabilities		13,612	14,028

Approved by the Board on 10 June 2021 and signed on its behalf by:



 J. Jandu
 Director

Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital US\$ 000	Contributed surplus US\$ 000	Retained earnings US\$ 000	Total US\$ 000
At 1 January 2019	1	737	241	979
Total comprehensive loss for the year	-	-	(18)	(18)
At 31 December 2019	1	737	223	961
Total comprehensive income for the year	-	-	29	29
Equity contribution from shareholder	-	3,579	-	3,579
At 31 December 2020	1	4,316	252	4,569

Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020 US\$ 000	2019 US\$ 000
Cash flows from operating activities			
Profit/(loss) for the year before taxation		77	(52)
<i>Adjustments to cash flows from operating activities</i>			
Depreciation of fixed assets	8	418	413
Finance costs	6	736	931
		1,231	1,292
<i>Working capital adjustments</i>			
(Increase)/decrease in trade and other receivables	9	(3)	176
Decrease in trade and other payables		(4,807)	(1,468)
Net cash flow used in operating activities		(3,579)	-
Cash flows from financing activities			
Contributed surplus		3,579	-
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 and intermediate parent company.

Notes to the Financial Statements for the year ended 31 December 2020

1 General information

LCI Helicopters 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) in conformity with the requirements 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. All loans are secured by mortgages over the helicopters and the Group's interests and benefits in the underlying leases.

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.

The immediate and intermediate parent companies have agreed not to seek repayment of the amounts owed to them until resources of the Company allow.

2 Recent accounting pronouncements

2.1 New interpretations and revised standards effective for the year ended 31 December 2020

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2020. New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Disclosure Initiative - Definition of Material);
- Definition of a Business (Amendments to IFRS 3);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16); and
- Revisions to the Conceptual Framework for Financial Reporting.

Notes to the Financial Statements for the year ended 31 December 2020

2 Recent accounting pronouncements (continued)

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 2020. 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:

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 and accrued income in trade and other receivables.

3.4 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.

3.5 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.

**Notes to the Financial Statements
for the year ended 31 December 2020**

3 Summary of significant accounting policies (continued)

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

**Notes to the Financial Statements
for the year ended 31 December 2020**

3 Summary of significant accounting policies (continued)

3.11 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.

3.12 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.

4 Operating profit

Operating profit is stated after charging:

	2020 US\$ 000	2019 US\$ 000
Auditor's remuneration		
Audit of financial statements	7	6
	<u>7</u>	<u>6</u>

**Notes to the Financial Statements
for the year ended 31 December 2020**

5 Operating lease

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

	2020 US\$ 000	2019 US\$ 000
Less than one year	1,517	1,389
Between 1 and 2 years	1,517	1,389
Between 2 and 3 years	1,517	1,389
Between 3 and 4 years	1,360	1,389
Between 4 and 5 years	-	1,244
	5,911	6,800

The Company employs multiple strategies to protect the unguaranteed residual value of aircraft on operating leases. 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.

6 Finance costs

	2020 US\$ 000	2019 US\$ 000
Interest and finance charges payable on bank borrowings	736	931
	736	931

Interest is charged to the Company by its immediate parent company at cost plus a 0.4% margin on loan relating to the Company's aircraft.

7 Taxation

Tax charged in the statement of comprehensive income consists of:

	2020 US\$ 000	2019 US\$ 000
Current taxation		
Corporation tax for the financial year	36	-
Deferred tax charged/(credited)	12	(34)
Tax charged/(credited) in the Statement of Comprehensive Income	48	(34)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK of 19%) (2019 - 19%).

**Notes to the Financial Statements
for the year ended 31 December 2020**

7 Taxation (continued)

The differences are reconciled below:

	2020 US\$ 000	2019 US\$ 000
Profit/(loss) before tax	77	(52)
Taxation at statutory rate	(15)	10
At different tax rate	-	(1)
Sale of lessor tax adjustment	8	-
Group relief	(41)	-
Deferred tax not recognised	-	25
Total tax (charge)/credit	(48)	34

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

	2020 US\$ 000	2019 US\$ 000
Accelerated capital allowances	(457)	(202)
Tax losses carried forward	447	203
	(10)	1

Deferred tax

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

	2020 US\$ 000	2019 US\$ 000
At beginning of year	1	(33)
Effect of capital allowances	(255)	(71)
Tax losses	244	105
	(10)	1

8 Aircraft

	2020 US\$000	2019 US\$000
Cost		
At beginning of the year	15,060	15,060
At end of the year	15,060	15,060
Accumulated depreciation		
At beginning of the year	(1,033)	(620)
Aircraft depreciation	(418)	(413)
At end of the year	(1,451)	(1,033)
Net book value at 31 December	13,609	14,027

**Notes to the Financial Statements
for the year ended 31 December 2020**

8 Aircraft (continued)

The aircraft are mortgaged as security for a bank loan held in the immediate parent company.

9 Trade and other receivables

	2020 US\$ 000	2019 US\$ 000
Prepayments	3	-
	3	-

10 Trade and other payables

	2020 US\$ 000	2019 US\$ 000
Trade payables	5	-
Accrued expenses and deferred revenue	8	-
Amounts due to immediate parent company	8,984	13,067
	8,997	13,067

The amounts due to the immediate parent company are unsecured and repayable on demand. Interest is payable on the loans in accordance with Note 6.

11 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:

	2020 US\$ 000	Fair value US\$ 000	2019 US\$ 000	Fair value US\$ 000
Financial liabilities				
At amortised cost:				
Trade and other payables	8,997	8,997	13,067	13,067
	8,997	8,997	13,067	13,067

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.

There are no financial instruments measured at fair value in the Balance sheet.

Notes to the Financial Statements for the year ended 31 December 2020

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

11.1 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.

11.2 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.

Maturity analysis

The following table represents the maturity of financial liabilities:

	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
2020					
Trade and other payables	8,997	8,997	8,997	-	-
	8,997	8,997	8,997	-	-
	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
2019					
Trade and other payables	13,067	13,067	13,067	-	-
	13,067	13,067	13,067	-	-

11.3 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.

11.3.1 Currency risk

The Company has no significant assets or liabilities denominated in currencies other than the United States dollar and was therefore not exposed to currency risk at the balance sheet date.

11.3.2 Interest rate risk

The Company does not have any interest bearing financial assets or liabilities and was therefore not exposed to interest rate risk during the year.

Notes to the Financial Statements for the year ended 31 December 2020

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

11.4 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 2019.

The capital structure of the Company consists of all components of equity aggregating to US\$4,569,000 (2019: US\$961,000).

12 Share capital

	2020 US\$ 000	2019 US\$ 000
Authorised, issued and fully paid		
1,000 ordinary shares of US\$1.00 per share	1	1
	1	1

13 Contributed surplus

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

14 Related party transactions

The Company was charged management fees of US\$160,000 (2019: US\$86,000) by an intermediate parent company during the year.

The Company was charged interest of US\$736,000 (2019: US\$931,000) by its immediate parent company.

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

15 Parent and ultimate parent undertaking

The Company's parent company is SMFL LCI Finance One Limited, a company incorporated in Ireland.

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.

As at 31 December 2020, 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 Tokyo, Nagoya and Fukuoka Stock Exchange.