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**STLC EUROPE ONE LEASING LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

Registration Number: 5300575

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**Directors and other information**

<b>Directors</b>	Patrick Flynn (resigned on 15 March 2022) Roman Lyadov (Russian national) (resigned on 13 September 2022) Declan Fitzpatrick (resigned on 15 March 2022) Matthew Tracey (appointed on 13 September 2023) Caroline Jones (appointed on 13 September 2023) Patricia O'Connor (appointed on 13 September 2023)
<b>Registered office</b>	3 Dublin Landings, North Wall Quay, Dublin 1, Ireland
<b>Secretary</b>	STLC Europe Forty Leasing Limited (Appointed on 15 March 2022) 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland
	Flynn O'Driscoll (Resigned on 15 March 2022) 1 Grant's Row Lower Mount Street Dublin 2, Ireland D02 HX96
<b>Independent auditor</b>	Grant Thornton Chartered Accountants and Statutory Audit Firm 13-18 City Quay Dublin D02 ED70
<b>Principal bankers</b>	Barclays Bank PLC Molesworth Street One Two Park Place Dublin D02 RF29 Ireland
	J.P. Morgan Bank Luxembourg S.A. Dublin Branch 200 Capital Dock 79 Sir John Rogerson's Quay D02 RK57 Dublin 2, Ireland
<b>Solicitors</b>	A&L Goodbody LLP, IFSC, 3 Dublin Landings, North Wall Quay Dublin 1, Ireland
<b>Parent</b>	GTLK Europe Designated Activity Company ("DAC") - in Liquidation 3 <sup>rd</sup> Floor, 20 on Hatch Street Lower, Dublin 2, Ireland

## Directors' report

The Directors present their annual report and audited financial statements of STLC Europe One Leasing Limited (the "Company") for the year ended 31 December 2021.

### Principal activities, business review and future developments

The Company is a limited liability Company incorporated under the Companies Acts 2014 of Ireland with a registration number of 530075. The principal activity of the Company is the purchase and leasing of aircraft.

The Company is a wholly owned subsidiary of STLC Finance One Limited. STLC Finance One Limited entered into a liquidation process in May 2024. This process is ongoing, however, managements intention is to transfer its entire shareholding in the Company to GTLK Europe DAC – in Liquidation. STLC Finance One Limited is a 100% subsidiary of GTLK Europe DAC - in Liquidation (the "Parent"), a Company incorporated in Ireland with a registered address at 3<sup>rd</sup> Floor, 20 on Hatch Street Lower, Dublin 2, Ireland. The Parent is currently under the management and control of the liquidators pursuant to the Irish High Court order with effect from 31 May 2023. The Parent is a wholly owned subsidiary of JSC "GTLK", a company incorporated in Russia with a registered address at Room 100, Building 73, ul. Respubliki, Salekhard, Yamalo-Nenetsky Avtonomny Okrug, Russian Federation 629008 (the "Ultimate Parent").

As at 31 December 2021, the Company owns five aircraft (the "Aircraft") (2020: five) which were leased under operating leases to a Russian airline.

The Company has attempted to repossess four of the five aircraft from the lessee and remove it from Russia. Despite these attempts, and the termination of the lease, the lessee continued to fly the aircraft. The aircraft has been re-registered in Russia in 2022 and it seems highly unlikely that the Company will be able to repossess the aircraft from the former lessee customer. If the Company does repossess the aircraft, it is uncertain when this would occur, what condition the aircraft would be in and whether the aircraft could be re-leased or sold. At the date of signing the financial statements, the Company has not repossessed the aircraft.

Under IFRS, an asset is defined as "a present economic resource controlled by the entity as a result of past events". As the aircraft has been re-registered in Russia during the financial year, the Company does not have control over it and consequently the aircraft does not meet the definition of an asset. Therefore, the Company has fully impaired the aircraft in full in during the financial year.

One of the aircraft was situated in Geneva during the sanction. The Company were able to obtain control of the aircraft and is currently undergoing maintenance.

The aircraft leased by the Company was partly financed by the senior lender. The senior loan was pre-paid by the Parent Company on March 2022.

Subsequent to the year end, as outlined in the 'Significant Subsequent Events' section in note 21, the Company has been severely impacted by the events which have unfolded in Russia and the Ukraine. Since the year end, the Company issued termination notices in respect of all lease agreements. Four of the aircraft are located in Russian and efforts to repossess same are unlikely to be successful. The fifth aircraft is located in the EU and efforts to remarket same are ongoing. The Directors do not expect the present level of activity to be sustained for the foreseeable future. The Directors continue to seek new opportunities for future growth and development of the Company.

### Principal risks and uncertainties

The following risks and uncertainties, to which the Company is exposed, are addressed in note 19 to these financial statements. These include:

## Directors' report (continued)

### Principal risks and uncertainties (continued)

- Geopolitical risk
- Asset risk
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

### Results and dividends for the year

The results for the year ended 31 December 2021 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 11 and in the Statement of Changes in Equity on page 14.

The Directors approved and paid an interim dividend of US\$2.5million (2020: Nil) on 22<sup>nd</sup> November 2021. The Directors do not recommend payment of a final dividend (2020: US\$ nil).

The Company incurred a loss after taxation of US\$ 130.4 million (2020: profit after taxation of US\$ 8 million). The Company had net liabilities of US\$ 101 million at the end of the year (2020: net assets of US\$ 31.9 million).

### Going concern

The financial statements are prepared on a going concern basis, notwithstanding that the Group, of which the Company is a part, is currently operating under global sanctions and the Company's Parent is subject to an Irish High Court liquidation order.

The Directors believe that the Company is a going concern, having received a letter of support from the Parent, under the management and control of the liquidators, confirming that the Parent will continue to support the Company for at least 12 months from the date of signing the financial statements. The Directors are confident that the Parent has sufficient funds to support the Company in the short term.

Since the year-end, escalating geopolitical tensions resulting from the ongoing armed conflict between Russia and Ukraine have adversely affected the Russian economy. From February 26, 2022, the Group has operated under sanctions imposed by several countries. Please refer to Note 21 for details of significant subsequent events.

Insurance claims related to the four aircraft owned by the Company and currently in Russia are ongoing. It is not possible to reliably estimate the timing or future proceeds of these claims, and the situation is being closely monitored. As a result of the ongoing conflict, the international sanctions and their impact on the Company, an impairment loss of US\$ 141.6 million on these aircraft was recognised at 31 December 2021.

Management is actively pursuing commercial opportunities for the Company's fifth aircraft located in the EU. This process is ongoing, and no formal agreements have been reached as of the date of this report.

The going concern basis applied in these financial statements is heavily dependent on the successful sale of the Company and the continuation of its business under new management. As of the date of signing this report, all liabilities of the Company relate to intercompany debt. The Parent is committed to supporting the Company for at least 12 months from the date of signing the financial statements, and the Directors believe that the Parent has sufficient resources and liquidity to do so.

Based on their analysis and all available information, the Directors believe that the Company will be able to meet its obligations as they fall due over the forthcoming twelve-month period. Accordingly, the Directors have concluded that it continues to be appropriate to prepare the financial statements on a going concern basis.

## Directors' report (continued)

### Interest of Directors and Company secretary

The names of the Directors and Company Secretary together with details of appointments and resignations during the reporting period are listed on page 2.

The Directors and secretary including their families or nominees who held office at 31 December 2021 had no interests in the share capital of the Company or any other Group Company at any time during the year.

### Political donations

The Company made no political donations during the year ended 31 December 2021 (2020: US\$ Nil)

### Subsequent events

Details of the subsequent events affecting the Company which have taken place since the end of the reporting period are disclosed in note 21 in the financial statements.

### Relevant audit information

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

### Directors' compliance statement

The Company does not meet the qualifying conditions in accordance with Section 225(7) of the Companies Act 2014 for the requirement to provide a "Compliance Policy Statement".

### Accounting records

The Directors believe that they have complied with the requirements of Section 281 of the Companies Act 2014 with regard to keeping adequate accounting records by employing personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at 2<sup>nd</sup> Floor, 2 Hume Street, Dublin 2, Ireland.

### Audit Committee

As at date of the financial statements, the Company is operating within the thresholds as set out under Section 167 (1) of the Act, and as such the Company does not meet the requirements to establish an audit committee for the current financial year ended 31 December 2021.


### Auditors

Grant Thornton, Chartered Accountants and Statutory Audit Firm will continue in office in accordance with Section 383(2) of the Companies Act 2014.

Signed on behalf of the Board of Directors by:



Matthew Tracey  
Director



Patricia O'Connor  
Director

Date: 11/29/2024

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the consolidated and company financial statements; and
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

Signed on behalf of the Board of Directors by:



Matthew Tracey  
Director



Patricia O'Connor  
Director

Date: 11/29/2024



Independent auditor's report to the members of STLC  
Europe One Leasing Limited



Independent auditor's report to the members of STLC  
Europe One Leasing Limited



Independent auditor's report to the members of STLC  
Europe One Leasing Limited



Independent auditor's report to the members of STLC  
Europe One Leasing Limited

## Statement of profit or loss and other comprehensive income

For the financial year 31 December 2021

In thousands of US Dollars

	Note	2021	2020
<b>Revenue</b>			
Lease revenue	3	29,754	28,386
Other income	4	450	291
<b>Expenses</b>			
Depreciation and amortisation	7,10	(11,272)	(8,585)
Asset impairment	7,10	(141,620)	-
Impairment reversal / (impairment) on financial assets at amortised cost	7	15	(15)
Management fee	18	(973)	(973)
Operating expenses	5,7	(3,552)	(724)
General and administration expenses	6	(102)	(60)
<b>Results from operating expenses</b>		<b>(127,300)</b>	<b>18,320</b>
Finance costs	8	(8,518)	(9,216)
<b>(Loss) / Profit before income tax</b>		<b>(135,818)</b>	<b>9,104</b>
Total tax credit / (charge)	9	5,426	(1,138)
<b>(Loss) / Profit for the financial year</b>		<b>(130,392)</b>	<b>7,966</b>
Other comprehensive income (items that may or may not be reclassified to profit or loss)		-	-
<b>Total comprehensive (loss) / income for the year</b>		<b>(130,392)</b>	<b>7,966</b>

All activities derive from continuing operations. All (losses) / profits and total comprehensive (losses) / income for the financial year and the preceding financial year are attributable to the owners of the Company.

The accompanying notes form an integral part of these financial statements.

## Statement of financial position

As at 31 December 2021

In thousands of US Dollars

	Note	2021	2020
<b>Assets</b>			
Property, plant and equipment	10	24,145	177,037
Other non-current assets	11	-	2,829
<b>Total non-current assets</b>		<b>24,145</b>	<b>179,866</b>
Cash and cash equivalents		2,714	502
Trade and other receivables	12	302	20,153
Other current assets	11	-	723
Receivables from related parties	18	88	88
<b>Total current assets</b>		<b>3,104</b>	<b>21,466</b>
<b>Total assets</b>		<b>27,249</b>	<b>201,332</b>
<b>Equity / (Deficit)</b>			
Share capital	15	1	1
Capital contribution	15	3,076	3,076
Retained (losses) / earnings		(104,039)	28,813
<b>Total equity / (deficit)</b>		<b>(100,962)</b>	<b>31,890</b>
<b>Liabilities</b>			
Loans and borrowings	16	54,212	73,664
Borrowings from shareholder	18	26,101	43,603
Borrowings from related party	18	24,455	20,801
Deferred tax liability	14	-	5,426
<b>Total non-current liabilities</b>		<b>104,768</b>	<b>143,494</b>
Loans and borrowings	16	19,759	19,506
Payable to related parties	18	199	3,517
Trade and other payables	13	3,485	2,925
<b>Total current liabilities</b>		<b>23,443</b>	<b>25,948</b>
<b>Total liabilities</b>		<b>128,211</b>	<b>169,442</b>
<b>Total equity and liabilities</b>		<b>27,249</b>	<b>201,332</b>

The accompanying notes form an integral part of these financial statements.

Signed on behalf of the Board of Directors by:



Director Patricia O'Connor



Director Matthew Tracey

Date 11/29/2024

Statement of cash flows  
 For the financial year 31 December 2021  
 In thousands of US Dollars

	Note	2021	2020
<b>Cash flows from operating activities</b>			
(Loss) / Profit for the financial year		(130,392)	7,966
<b>Adjustments for:</b>			
Depreciation and amortisation	7,10	11,272	8,585
Asset impairment	7,10	141,620	-
Amortisation of deferred lease expenses	5,7	3,552	724
(Impairment reversal) / Impairment of financial asset at amortised cost	7	(15)	15
Finance costs	8	8,518	9,216
Income tax	9	(5,426)	1,138
Decrease / (Increase) in trade and other receivables	12	19,866	(19,808)
Increase in trade and other payables	13	560	862
Movement in related party balances		(3,318)	1,018
Interest paid		(10,002)	(5,886)
Tax paid		-	-
<b>Net cash from operating activities</b>		<b>36,235</b>	<b>3,830</b>
<b>Cash flows from investing activities</b>			
Capitalised maintenance	10	-	(1,860)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(1,860)</b>
<b>Cash flows used in financing activities</b>			
Repayment of loans and borrowings	16	(19,362)	(18,298)
Loans drawn down from related party	18	2,187	1,259
Loans drawn down from Parent	18	-	10,085
Loans drawn down from Parent repaid	18	(14,388)	-
Dividends paid		(2,460)	-
<b>Net cash used in financing activities</b>		<b>(34,023)</b>	<b>(6,954)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,212</b>	<b>(4,984)</b>
Cash and cash equivalents at beginning of the financial year		502	5,486
<b>Cash and cash equivalents at 31 December</b>		<b>2,714</b>	<b>502</b>

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity  
 For the financial year 31 December 2021  
 In thousands of US Dollars

	Share Capital	Capital Contribution	Retained Earnings (Deficit)	Total Equity (Deficit)
<b>As at 1 January 2020</b>	1	3,076	20,847	23,924
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	7,966	7,966
<b>Transaction with shareholders</b>	-	-	-	-
<b>At 31 December 2020</b>	<b>1</b>	<b>3,076</b>	<b>28,813</b>	<b>31,890</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(130,392)	(130,392)
<b>Transaction with shareholders</b>	-	-	-	-
Dividends paid	-	-	(2,460)	(2,460)
<b>At 31 December 2021</b>	<b>1</b>	<b>3,076</b>	<b>(104,039)</b>	<b>(100,962)</b>

All equity is attributable to the holders of the ordinary shares in the Company.

The accompanying notes form an integral part of these consolidated financial statements.

## Notes to the financial statements

### 1. Reporting entity

STLC Europe One Leasing Limited (the "Company") is a limited liability Company incorporated and domiciled in the Republic of Ireland. The address of the Company's registered office is 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland. The financial statements of the Company are presented for the year ended 31 December 2021.

The Company is a wholly owned subsidiary of STLC Finance One Limited. STLC Finance One Limited entered into a liquidation process in May 2024. This process is ongoing, however, managements intention is to transfer its entire shareholding in the Company to GTLK Europe DAC – in Liquidation. STLC Finance One Limited is a 100% subsidiary of GTLK Europe DAC - in Liquidation (the "Parent"), a Company incorporated in Ireland with a registered address at 3rd Floor, 20 on Hatch Street Lower, Dublin 2, Ireland. The Parent is currently under the management and control of the liquidators pursuant to the Irish High Court order with effect from 31 May 2023. The Parent is a wholly owned subsidiary of JSC "GTLK", a company incorporated in Russia with a registered address at Room 100, Building 73, ul. Respubliki, Salekhard, Yamalo-Nenetsky Avtonomny Okrug, Russian Federation 629008 (the "Ultimate Parent").

The Company's primary business is the purchase and leasing of aircraft.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and as applied in accordance with the Companies Act 2014. The Directors of the Company are of the view that the Company will continue as a going concern.

#### ***Going concern***

The financial statements are prepared on a going concern basis, notwithstanding that the Group, of which the Company is a part, is currently operating under global sanctions and the Company's Parent is subject to an Irish High Court liquidation order.

The Directors believe that the Company is a going concern, having received a letter of support from the Parent, under the management and control of the liquidators, confirming that the Parent will continue to support the Company for at least 12 months from the date of signing the financial statements. The Directors are confident that the Parent has sufficient funds to support the Company in the short term

Since the year-end, escalating geopolitical tensions resulting from the ongoing armed conflict between Russia and Ukraine have adversely affected the Russian economy. From February 26, 2022, the Group has operated under sanctions imposed by several countries. Please refer to Note 21 for details of significant subsequent events.

Insurance claims in respect of the four aircraft owned by the Company that currently remain in Russia are ongoing. At present it is not possible to reliably estimate the timing or future proceeds of these claims. The situation continues to be monitored closely.

Management are actively seeking commercial opportunities for the Company's fifth aircraft located in the EU. This process is ongoing and at the date of this report no formal agreements have been reached.

## Notes to the financial statements

### 2. Accounting policies (continued)

#### ***Going concern (continued)***

The going concern basis applied in these financial statements is heavily dependent on the successful sale of the Company and the continuation of its business under new management. As of the date of signing this report, all liabilities of the Company relate to intercompany debt. The Parent is committed to supporting the Company for at least 12 months from the date of signing the financial statements, and the Directors believe that the Parent has sufficient resources and liquidity to do so.

Based on their analysis and all available information, the Directors believe that the Company will be able to meet its obligations as they fall due over the forthcoming twelve-month period. Accordingly, the Directors have concluded that it continues to be appropriate to prepare the financial statements on a going concern basis.

#### ***Basis of measurement***

The financial statements are stated in United States Dollars ("US\$"), the functional currency of the Company. The Directors of the Company believe that US\$ most accurately represents the economic effects of underlying transactions, events and conditions.

#### ***Significant accounting policies***

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

IFRS applied in the preparation of these financial statements are those that were effective for annual periods beginning on or after 1 January 2021.

#### **Standards, amendments and interpretations that are effective from 1 January 2021 and adopted by the Company during the reporting period:**

The following amendments to existing IFRS became effective for and have been applied in preparing these financial statements.

- COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The application of these amendments did not result in material changes to the Company's financial statements.

#### **Accounting standards in issue that are not yet effective and have not been early adopted:**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early; instead, it will apply them from their effective dates as determined by their dates of EU endorsement.

## Notes to the financial statements

**2. Accounting policies (continued)**

The following amendments are not expected to have a significant impact on the financial statements upon application:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework (Amendments to IFRS 3)
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

**Accounting standards in issue that are not yet effective and have not been early adopted (continued)**

- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Lease Liability in Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

There are no other new standards, amendments to standards and interpretations that are effective subsequent to the financial year-end that would have a material impact on the results or financial position of the Company.

***Significant accounting judgements and estimates***

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates with revisions being recognised prospectively.

Estimates and underlying assumptions are reviewed on an ongoing basis. Information about estimates and underlying assumptions that have a significant risk of resulting in a material adjustment to the results for the year ending 31 December 2021 is included in the following accounting policies:

- Property, plant and equipment (impairment, depreciation) (refer to note 10 for carrying values)
- Recoverability of receivables (refer to note 12 for carrying values)

See the specific accounting policies for more detail of the judgements and estimates used.

## Notes to the financial statements

### 2. Accounting policies (continued)

**The following accounting policies have been applied in the Statement of Comprehensive Income and the Statement of Financial Position:**

#### ***Foreign currencies***

Transactions in foreign currencies are translated to US\$ at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities are retranslated to the functional currency at the currency rate ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency rate are translated using the exchange rate as at the date of initial transaction. Profit or losses arising from foreign currency translation and on settlement of amounts receivable and payable in other currencies are dealt with in the Statement of Comprehensive Income.

#### ***Lease revenue***

Revenue from aircraft on an operating lease is recognised as lease revenue over the term of the lease. The rental income received under an operating lease is recorded on a straight-line basis over the lease term, even if the payments are not made on such a basis. Lease revenue received but unearned under the lease agreements are recorded as “Deferred income” in the Statement of Financial Position until earned.

Supplemental rent is maintenance reserves that are paid by the lessee for future maintenance costs that may be incurred for the Company’s aircraft assets. Supplemental rent is recorded as lease revenue in the Statement of Comprehensive Income as the Company has adopted a component-based depreciation policy for its aircraft assets.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense over the lease term on the same basis as the lease income.

#### ***Leased assets***

##### *The Company as a lessor*

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

#### ***Finance income and costs***

Interest income and expenses are recognised on an accrual basis by reference to the principal outstanding using the effective interest rate method.

#### ***Operating expenses***

Operating expenses have been recognised in the Statement of Profit and loss and Comprehensive Income on an accruals basis.

## Notes to the financial statements

**2. Accounting policies (continued)*****Taxation***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using the tax rate enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future profits will be available against which they can be used. Deferred tax assets are reviewed at the reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will be available against which they can be used.

***Property, plant and equipment***

Aircraft are recorded at cost of the individual components, net of any manufacturer credits and inclusive of applicable technical and legal costs, less accumulated depreciation and impairment loss. Interest and other costs that are directly attributable to the financing of process payments for aircraft are capitalised as part of the cost of those assets.

The Company has adopted component based depreciation on all of its aircraft which it holds, in which the annual depreciation amount is determined based on the computation of the forecast utilisation of the components and the predicted cost of future maintenance. The annual depreciation amount for each component based on component based depreciation is reviewed annually and adjusted if necessary.

Depreciation is calculated to write off the cost of each component of the aircraft, less its estimated residual value, on a straight-line basis over its estimated useful life "EUL" from the date of manufacture in the case of the airframe and from the last maintenance event in the case of other components. The following table outlines the estimated useful life per aircraft component:

<b><u>Component</u></b>	<b><u>Estimated Useful Life</u></b>
6 year check	6 years
8 year check	8 years
10 year check	10 years
12 year check	12 years
Landing Gear	10 years
APU	3-8 years per approved manufacturer maintenance program for APU type/model and adjusted for utilisation and number of performed shop visits
Engine	3-15 years per approved manufacturer maintenance program for engine type/model and adjusted for engine thrust, utilisation, number of performed shop visits and environment
Life Limited Parts (LLP)	8-30 years (for new LLP) per approved manufacturer maintenance program for engine type/model and adjusted for engine thrust and utilisation
Airframe	25 years with 10% residual value

The estimates of useful lives and residual values are reviewed periodically.

## Notes to the financial statements

**2. Accounting policies (continued)*****Property, plant and equipment (continued)***

Aircraft are assessed for recoverability in accordance with IAS 36-Impairment of Assets ("IAS 36"), whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment loss is charged to reduce the carrying value of specific assets to their recoverable amount where an impairment is considered to have occurred. Where the recoverable amount is greater than the carrying value, no adjustment is made to the carrying value unless the asset was previously impaired. For the purpose of measuring an impairment loss, each aircraft is tested individually by comparing carrying value to recoverable amount.

Recoverable amount is the higher of the net realisable value and value in use. Net realisable value is the amount at which an asset could be disposed of less any direct selling costs. The Directors estimate the net realisable value using aircraft specific "maintenance adjusted market values (current condition)" where available or "half-life" appraiser values where current condition is not readily ascertainable. For the current year half-life appraiser values were applied to one aircraft, and a nil value was applied to the four aircraft located in Russia.

A review of technical event cost estimates throughout the fleet was carried out. As required under IAS 8 Accounting Policies, Change in Estimates and Errors the following table outlines the effect of these changes in estimates on the current year depreciation charge and subsequent years:

<i>In thousands of US\$</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026 onwards</b>
Increase/(decrease) in depreciation charge	(420)	(498)	(508)	(35)	445	(2,168)

Value in use is the present value of future cash flows. The key inputs into the value in use calculation are the current contracted rent receipts per the lease agreement, projected maintenance income based on the estimated utilisation in the future, projected maintenance expenses based on third party reports and estimated residual value of the aircraft supplied by an independent appraiser. Where leases are expired, terminated, or otherwise not in effect no value in use is applied.

In the current year due to lease termination post year end no value in use was applied. In the prior year in determining the present value of future cash flows the Directors were of the view that the use of a discount rate of 5.59% was reasonable. This represented the Directors view of what a market participant would apply to equally risky assets.

***Cash and cash equivalents***

Cash and cash equivalents for the purpose of the Statement of Financial Position include cash on hand and deposits repayable on demand with any qualifying financial institution. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice is of not more than 24 hours or one working day has been agreed. Cash includes cash in hand and deposits denominated in foreign currencies.

Cash and cash equivalents for the purpose of Statement of Cash Flows includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

***Trade and other receivables***

Trade and other receivables are stated net of impairment for expected credit losses.

## Notes to the financial statements

### 2. Accounting policies (continued)

#### **Loans and borrowings**

Loans and borrowings are initially booked at fair value less transaction costs and subsequently measured at amortised cost on the Statement of Finance Position using the effective interest method.

#### **Trade and other payables**

Trade and other payables are carried at amortised cost.

#### **Dividends**

Dividends are recognised in the financial statements when they have been appropriately approved or authorised by the Directors.

#### **Share capital**

Ordinary shares are classified as equity as per the Company's Constitution.

#### **Capital contribution**

Any capital contribution received by the Company is reported within equity. In the year in which the capital contribution is made, it is also reported in the reconciliation of movements of equity.

#### **Provisions**

A provision is recognised if, as a result of a past event, a present legal or constructive obligation exists that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### **Financial instruments**

##### *(i) Recognition and measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

## Notes to the financial statements

**2. Accounting policies (continued)*****Financial instruments (continued)****(i) Recognition and measurement (continued)*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial instruments. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. The financial assets held by the Company and Company are trade receivables, cash and other receivables. IFRS 9 uses an expected credit loss (“ECL”) model.

*(ii) Impairment of financial assets*

The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. FRS 9 also covered the impairment of amounts recoverable under leases carried under IAS 17 / IFRS 16.

The financial assets at amortised cost consist of trade receivables and cash. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has recorded ECLs on their financial assets measured at amortised cost in accordance with IFRS 9.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company recognises loss allowances for expected credit loss (“ECL”) on:

- Financial assets measured at amortised cost including operating lease receivables;
- Debt instruments measured at FVOCI; and
- Lease commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL or 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. If there is a significant increase in credit risk under the simplified approach.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are measured as followed:

## Notes to the financial statements

**2. Accounting policies (continued)*****Financial instruments (continued)****(ii) Impairment of financial assets (continued)*

- Financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).
- Financial assets that are credit-impaired: as the difference between the gross carrying amount and the present value of estimated cash flows

The Company applied the simplified approach when calculating lifetime credit losses for lease receivables, loan receivables and contract assets. The Company applied the simplified provision matrix approach to recognise expected credit losses on trade and other receivables.

The Lifetime ECL is calculated by multiplying the lifetime Probability of default (PD) by Loss given default (LGD). PD estimates are calculated based on statistical rating models and assessed using rating tools tailored using both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The Company estimates LGD parameters are based on the history of recovery rates and consider the specific factors associated with the leased asset. LGD is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

*(iii) Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised from the Company's statement of financial position when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## Notes to the financial statements

**2. Accounting policies (continued)*****Financial instruments (continued)******(iii) Derecognition (continued)***

A financial liability is derecognised by the Company when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

***Measurement of fair values***

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

**3. Lease revenue**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Lease rental income	27,600	27,600
Supplemental income	2,154	786
<b>Total lease revenue</b>	<b>29,754</b>	<b>28,386</b>

Lease income arises from the leasing of five (2020: five) aircraft under operating leases and is mainly derived from an operator located in the Emerging Europe region.

At 31 December 2021, the contracted cash lease rentals to be received under non-cancellable operating leases in respect of aircraft in the portfolio comprised:

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
No later than one year and overdue	27,140	48,760
Later than one year and no later than two years	27,600	27,600
Later than two years and not later than three years	27,600	27,600
Later than three years and no later than four years	21,160	27,600
Later than four years and no later than five years	-	21,160
Later than five years	-	-
<b>Total contracted lease revenue</b>	<b>103,500</b>	<b>152,720</b>

On 25th February 2022, EU adopted Regulation 2022/328, as a part of its package of sanctions and export controls imposed in response to the Russian government actions involving Ukraine. On 25 March 2022, due to sanctions implications the Company issued termination notices in relation to the lease agreements. Please see further details in note 21 'Significant Subsequent Events'.

## Notes to the financial statements

**4. Other income**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Late payment interest	450	291
<b>Total other income</b>	<b>450</b>	<b>291</b>

Late payment interest arose on rental deferrals under forbearance agreements.

**5. Operating expenses**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Amortisation of deferred lease expense	3,552	724
<b>Total operating expenses</b>	<b>3,552</b>	<b>724</b>

Deferred fees relates to initial direct cost incurred in negotiating and arranging operating leases which have been capitalised and are being amortised in line with the underlying lease agreement in accordance with the Company's accounting policy.

Lease deferred expenses totalling US\$2.8 million were impaired in full as at 31 December 2021 due to the fact that on 25 March 2022, due to sanctions implications the Company issued termination notices in relation to the lease agreements. Please see further details in note 21 'Significant Subsequent Events'.

**6. General and administration expenses**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Administrative expenses	8	(13)
Legal and professional fees	94	73
<b>Total general and administration expenses</b>	<b>102</b>	<b>60</b>

The Company did not employ any persons during the financial year (2020: none). Staff are employed directly by the Parent and the cost of employees is borne by the Parent. The Company had three Directors during the financial year (2020: three Directors) and the estimated cost of services provided by the Directors and borne by the Parent during the current year is US\$ 5k (2020: US\$ 5k).

During the current year, the Company has not paid any fees or other remuneration to the Directors related to the Directorship role they provided to the Company as part of their group-wide executive management role. The amount of US\$ 5k (2020: US\$ 5k) is an estimated allocation of the emoluments paid or payable by the Parent to those individuals in relation to their group wide executive management role. The estimated allocation is based on an estimate of the qualifying services, including management of the affairs of the Company, they provided to the Company during the financial year.

## Notes to the financial statements

**7. Statutory information**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
The loss / profit for the year has been arrived at after charging:		
Auditors' remuneration exclusive of VAT:		
Statutory auditors' remuneration	17	6
<b>Total</b>	<b>17</b>	<b>6</b>
Depreciation and amortisation of:		
Property, plant and equipment (depreciation)	11,272	8,585
Amortisation of deferred fee	3,552	724
(Impairment reversal) / impairment loss of financial assets at amortised cost	(15)	15
Asset impairment	141,620	-
<b>Total</b>	<b>156,429</b>	<b>9,324</b>

**8. Finance costs**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Interest expense		
- Interest on related party loans	(3,533)	(3,163)
- Third party interest	(4,743)	(5,810)
- Amortisation of deferred costs	(242)	(243)
<b>Finance costs</b>	<b>(8,518)</b>	<b>(9,216)</b>

**9. Income tax expense included in the determination of profit or loss for the year**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
<b>Current tax expense</b>		
Current period	-	-
Adjustments for prior periods	-	-
<b>Total current tax expense</b>	<b>-</b>	<b>-</b>
<b>Deferred tax (asset) / liability</b>		
Origination and reversal of temporary differences	(5,426)	1,138
Adjustment for prior periods	-	-
<b>Total deferred tax (credit) / charge</b>	<b>(5,426)</b>	<b>1,138</b>
<b>Total income tax (credit) / charge</b>	<b>(5,426)</b>	<b>1,138</b>
<b>Reconciliation of effective tax rate</b>		
<i>In thousands of US\$</i>		
(Loss) / Profit for the year	(135,818)	9,104
Income tax using the Company's domestic tax rate (12.5%)	(16,977)	1,138
Movement in unrecognised deferred tax asset	11,551	-
<b>Total tax (credit) / charge</b>	<b>(5,426)</b>	<b>1,138</b>

## Notes to the financial statements

**9. Income tax expense included in the determination of profit or loss for the year (continued)**

In assessing the ability to realise the deferred tax assets, all available evidence is considered and weighed to determine whether derecognition of a deferred tax asset is needed or should be removed. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company had a deferred tax asset of US\$ 11.6 million at 31 December 2021 which has not been recognised (2020: US\$ nil). The Company's deferred tax asset arises due to unrelieved trading losses forward. Although these unrelieved trading losses are available to offset any future taxable income of the Company, the Directors have decided not to recognise this asset at this point in time as, due to the nature of the business in which the Company operates, it is not possible to forecast profit or loss levels with sufficient accuracy to estimate the amount of any deferred tax asset that will be recoverable.

**10. Property, plant and equipment**

<i>In thousands of US\$</i>	<b>Aircraft and engines</b>	<b>Total</b>
<b>Cost</b>		
Balance at 31 December 2019	272,707	272,707
Additions	-	-
Balance at 31 December 2020	272,707	272,707
Additions	-	-
Balance at 31 December 2021	272,707	272,707
<b>Depreciation</b>		
Balance at 31 December 2019	(88,945)	(88,945)
Depreciation for the year	(8,585)	(8,585)
Capitalised Maintenance	1,860	1,860
Balance at 31 December 2020	(95,670)	(95,670)
Depreciation for the year	(11,272)	(11,272)
Asset impairment	(141,620)	(141,620)
Balance at 31 December 2021	(248,562)	(248,562)
<b>Carrying amounts</b>		
At 31 December 2020	177,037	177,037
At 31 December 2021	24,145	24,145

As of 31 December 2021, the Company owned five aircraft (2020: five aircraft).

Four of the aircraft which are located in Russia were impaired to zero the fifth aircraft was impaired to half-life appraiser value.

## Notes to the financial statements

**11. Other assets**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Deferred charges	-	723
<b>Total other current assets</b>	<b>-</b>	<b>723</b>
Deferred charges	-	2,829
<b>Total other non-current assets</b>	<b>-</b>	<b>2,829</b>

**Deferred charges**

Initial direct costs associated with negotiating and arranging a lease are capitalised as deferred charges. This asset is amortised over the respective lease terms and amortisation recorded as part of operating expenses. Deferred charges totalling US\$ 2.8 million were impaired in full at 31 December 2021 as the leases were terminated post year end due to sanctions.

**12. Trade and other receivables**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Trade receivables	283	20,149
Prepayments	19	19
Less impairment allowance	-	(15)
<b>Net trade and other receivables</b>	<b>302</b>	<b>20,153</b>

Trade receivables represent rent and other charges related to the lease of aircraft to lessees, owing by lessees.

The Company had the following activity in allowance for impairment of receivables:

<i>In thousands of US\$</i>	
Balance at 1 January 2020	-
Charge for the year	15
Balance at 31 December 2020	15
Credit for the year	(15)
Balance at 31 December 2021	-

Information about the Company's exposure to credit and market risks and impairment losses for trade receivables is included in note 19.

**13. Trade and other payables**

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Deferred income	1,514	1,054
Other liabilities and accruals	10	11
Trade and other payables	1,961	1,860
<b>Total current trade and other payables</b>	<b>3,485</b>	<b>2,925</b>

## Notes to the financial statements

**14. Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of US\$</i>	<b>Assets 2021</b>	<b>Liabilities 2021</b>	<b>Net 2021</b>
Property, plant and equipment	-	(2,844)	(2,844)
Trade losses	14,395	-	14,395
Tax assets / (liabilities)	14,395	(2,844)	11,551
Set off	(2,844)	2,844	-
Deferred tax asset not recognised	(11,551)	-	(11,551)
Net tax liabilities	-	-	-

<i>In thousands of US\$</i>	<b>Assets 2020</b>	<b>Liabilities 2020</b>	<b>Net 2020</b>
Property, plant and equipment	-	(19,310)	(19,310)
Trade losses	13,884	-	13,884
Tax assets / (liabilities)	13,884	(19,310)	(5,426)
Set off	(13,884)	13,884	-
Net tax liabilities	-	(5,426)	(5,426)

At 31 December 2021, the Company had an unrecognised deferred tax asset of US\$ 11.6 million (2020: US\$ nil) in respect of tax losses due to concerns around the timing of recovery. The Company is allowed to carry forward tax losses for an indefinite period of time to be offset against income of the same trade.

**15. Share capital and capital contribution**

<i>In thousands of US\$</i>	<b>Share capital</b>	<b>Capital contribution</b>
At 31 December 2020	1	3,076
At 31 December 2021	1	3,076

The issued share capital of the Company at 31 December 2021 and 31 December 2020 comprised 1,000 ordinary shares of EUR 1 each issued and fully paid.

**16. Loans and borrowings**

The contractual terms of the Company's interest-bearing loans and borrowings are:

<i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Secured bank loans	74,583	93,945
Accrued and unpaid interest	307	386
Total bank loans	74,890	94,331
Debt issuance costs	(919)	(1,161)
Net loans and borrowings	73,971	93,170

## Notes to the financial statements

## 16. Loans and borrowings (continued)

<i>In thousands of US\$</i>	2021	2020
<b>Non-current liabilities</b>		
Secured bank loans	54,889	74,583
Debt issuance costs	(677)	(919)
<b>Non-current loans and borrowings</b>	<b>54,212</b>	<b>73,664</b>
<b>Current liabilities</b>		
Secured bank loans	20,001	19,748
Debt issuance costs	(242)	(242)
<b>Current loans and borrowings</b>	<b>19,759</b>	<b>19,506</b>

Amortisation of debt issuance costs included in finance expenses was US\$ 242k during the year ended 31 December 2021 (2020: US\$ 243k). The unamortised debt issuance costs amortise over the term of the related borrowing.

**Movements**

<i>In thousands of US\$</i>	Total
<b>Balance at 31 December 2020</b>	<b>93,170</b>
<b>Charges from finance cashflows</b>	
Loans repaid	(19,362)
<b>Total charges from finance cashflows</b>	<b>(19,362)</b>
<b>Other charges</b>	
Interest paid	(4,822)
Interest expense	4,743
Debt issuance costs amortised	242
<b>Total other charges</b>	<b>163</b>
<b>Balance at 31 December 2021</b>	<b>73,971</b>

Terms and conditions of outstanding loans at 31 December 2021 were as follows:

<i>In thousands of US\$</i>	Average nominal interest rate	Year of maturity	2021
<b>Fixed rate loans:</b>			
Secured bank loans	5.66%-5.665%	2025	74,583
<b>Total interest-bearing liabilities</b>			<b>74,583</b>

Terms and conditions of outstanding loans at 31 December 2020 were as follows:

<i>In thousands of USD</i>	Average nominal interest rate	Year of maturity	2020
<b>Fixed rate loans:</b>			
Secured bank loans	5.66%-5.665%	2025	93,945
<b>Total interest-bearing liabilities</b>			<b>93,945</b>

## Notes to the financial statements

**16. Loans and borrowings (continued)**

Number of aircraft and vessels used as collateral for the following facilities:

<b>Facility:</b>	<b>2021</b>	<b>2020</b>
Secured bank loan	5 Aircraft	5 Aircraft

In addition, the secured bank loans are guaranteed by the Ultimate Parent.

Due to sanctions, the secured bank loan was called in earlier. The loan was repaid in full on 28<sup>th</sup> March 2022 and was refinanced with an intergroup loan from the Parent.

The aggregate principal repayment amounts of loans for each of the fiscal years subsequent to 31 December 2021 is as follows:

<i>In thousands of US\$</i>	<b>Principal cash flows</b>		<b>Contractual cash flow *</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Due within one year	19,694	19,362	23,395	24,185
Due between one and five years	54,889	74,583	59,549	82,944
<b>Total</b>	<b>74,583</b>	<b>93,945</b>	<b>82,944</b>	<b>107,129</b>

\* Contractual cash flows include both scheduled payments of principal and interest.

The loans were repaid early in 2022. As a result, the actual total principal and interest payments made subsequent to 31 December 2021 amounted to US\$ 77.18 million.

**17. Financial instruments fair value**

The following table shows the carrying values and fair values of financial assets and liabilities. Where the carrying value of financial assets and financial liabilities is a reasonable approximation of fair value no adjustment to fair value is recognised. Financial assets and liabilities are deemed to be within Level 2 of the fair value hierarchy.

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<i>In thousands of US\$</i>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
Cash and cash equivalents	2,714	2,714	502	502
Trade and other receivables	283	283	20,149	20,149
Receivables from related parties	88	88	88	88
<b>Financial assets</b>	<b>3,085</b>	<b>3,085</b>	<b>20,739</b>	<b>20,739</b>
Borrowings from shareholder	(26,101)	(26,101)	(43,603)	(43,603)
Borrowings from related party	(24,455)	(24,455)	(20,801)	(20,801)
Loans and borrowings	(74,890)	(77,089)	(94,331)	(96,746)
Trade and other payables	(1,971)	(1,971)	(1,871)	(1,871)
Payables to related parties	(199)	(199)	(3,517)	(3,517)
<b>Financial liabilities</b>	<b>(127,616)</b>	<b>(129,815)</b>	<b>(164,123)</b>	<b>(166,538)</b>
<b>Net financial liabilities</b>	<b>(124,531)</b>	<b>(126,730)</b>	<b>(143,384)</b>	<b>(145,799)</b>

The fair value of financial assets and financial liabilities are measured as the net present value of the future cash flows in relation to the financial assets and liabilities discounted at the underlying interest rate as adjusted for movements in market interest rates with the exception of borrowings from shareholder and related parties.

The carrying value for borrowings from shareholder and related parties is the same as the fair value as the loan has a payable on demand feature and is not discounted on initial recognition.

## Notes to the financial statements

**18. Related party transactions**

The Company considers GTLK Europe DAC, its subsidiaries and all entities controlled by GTLK Europe DAC as related parties.

**(a) Balances with related parties**

<i>In thousands of USD</i>	<b>Borrowing from related parties (i)</b>	<b>Borrowing from shareholder (ii)</b>
Balance at 31 December 2019	18,301	<b>31,596</b>
Advanced during the year	1,259	<b>10,085</b>
Net movement in interest accrual	1,241	<b>1,922</b>
Balance at 31 December 2020	20,801	<b>43,603</b>
Advanced during the year	2,187	-
Net movement in interest accrual	1,467	<b>(3,114)</b>
Repayments during the year	-	<b>(14,388)</b>
Balance at 31 December 2021	24,455	<b>26,101</b>

- (i) The Company drew down US\$ 2.2 million under an existing loan agreement with a related party, being a company under common control, during the year. The outstanding loan with the related party is repayable in 2025. Interest on the loan from the related party accrues at a rate of 6.94%. Early repayments by agreement of both parties to the loan agreement is permitted.
- (ii) During prior years, the Company entered into a loan agreement with the Parent. The outstanding loan with the Parent is repayable in 2025. Interest on the loan from the Parent accrues at rate of 5.6%. Early repayments by agreement of both parties to the loan agreement is permitted.

**(b) Transactions with related parties**

<b>Payables</b> <i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Payables to the Parent	44	3,360
Payables to companies under common control	155	157
Total	199	3,517

<b>Receivables</b> <i>In thousands of US\$</i>	<b>2021</b>	<b>2020</b>
Receivables from companies under common control	88	88
Total	88	88

Balances with related parties are receivable/payable on demand and non-interest bearing.

**(c) Expenses**

During the year ended 31 December 2021, the Company incurred interest expenses of US\$ 3.5 million (2020: US\$ 3.2 million) on loans from related parties.

The Company also incurred US\$ 973k (2020: US\$ 973k) in management fees payable to the Parent during the year.

## Notes to the financial statements

### 19. Risks and uncertainties

The Company's Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's exposure to risk on its financial instruments and the management of such risk is carried out on an ongoing basis. The Company's activities and the role of each party to the transaction are clearly defined and documented.

The Directors monitor the Company's performance, reviewing management accounts on the performance of the loan and lease portfolio. Such review is designed to ensure that the terms of the documentation have been complied with and that no unforeseen risks have arisen.

#### **Geopolitical Risk**

Since the year end, the escalation of geopolitical tension resulting from the ongoing armed conflict between Russia and Ukraine has had a negative impact on the economy of the Russian Federation. Since 26 February 2022 the Group, of which the Company is a part, has operated under sanctions imposed by a number of countries. According to official data, the Ultimate Parent Company, JSC GTLK, was included in the fifth package of sanctions imposed by the European Union (hereinafter — the EU). For further information refer to note 21 significant subsequent events.

The conflict has and will continue to have short and long-term consequences on the aviation industry. As a result of the ongoing conflict, the international sanctions and their impact on the Company, an impairment of US\$ 141.6 million on the aircraft was recognised at 31 December 2021. In addition, deferred lease expenses totalling US\$ 2.8 million were impaired in full. Management is taking all measures necessary to ensure compliance with sanctions and to ensure the stability of the Group's operations (including subsidiaries' operations). The Directors are actively monitoring the situation and continue to manage the company's assets within investment and risk parameters that have been established.

#### **Asset risk**

The Company bears the risk of re-leasing or selling the aircraft in its fleet at the end of their lease terms. If demand for aircraft decreases market lease rates may fall, and should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The Directors have employed personnel with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft as required in order to reduce this risk.

The Company is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Company through a reduced demand for aircraft in the fleet and / or reduced market rates, higher incidences of lessee default and an increase in aircraft on the ground.

The Company periodically performs reviews of its carrying values of aircraft and associated assets, trade receivables, notes receivables and the recoverable amount of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties. There is a material risk to the value of the Company's operating lease asset that were in the process of repossession. There is a significant level of uncertainty in terms of timing when, and if, this aircraft redeliver to the Company and as a result these aircraft may suffer deterioration in maintenance condition due to inadequate maintenance and lack of components. Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of current market value or specific maintenance condition of the aircraft. A decrease in current market value due to the on-going and evolving geopolitical situation in Ukraine / Russia and the Covid-19 outbreak may result in additional impairment of related assets.

## Notes to the financial statements

**19. Risks and uncertainties (continued)****Foreign exchange risk**

The Company has a minimum exposure to foreign exchange risk as the majority of transactions are denominated in US dollars.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has fixed interest rates per annum on loans and is therefore not exposed to fluctuations in interest rates. As a result, no sensitivity analysis is included.

**Credit risk**

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their obligations. The Company holds cash balances which are invested on a short term basis and are classified as cash and cash equivalents. These deposits and other financial instruments give rise to credit risk on amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty. The Company typically does not enter into deposits with a duration of more than three months.

Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty. The Company typically does not enter into deposits with a duration of more than three months.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure before security. Receivables from related parties are neither past due nor impaired. The maximum exposure to credit risk at the reporting date was:

<i>In thousands of US\$</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents		2,714	502
Receivable from related parties	18	88	88
Trade and other receivables	12	283	20,149
<b>Total</b>		<b>3,085</b>	<b>20,739</b>

Receivables represent rent, maintenance and other charges related to the lease of aircraft to lessees. The Company's leasing arrangements require lessees to pay rentals in advance and to provide security deposits letters of credit and pay maintenance reserves. However, an early termination of a lease due to a credit event may expose the Company to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee or selling of aircraft.

The Company continues to monitor the economic environment of its customers including lease deferrals entered during the COVID pandemic and subsequent lease terminations due to the impact of the Russian-Ukraine war, as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances.

Receivables from related parties represent trading balances with entities within the Group. These are unsecured and have no fixed term of repayments. No interest was charged on these receivables during year ended 31 December 2021.

## Notes to the financial statements

**19. Risks and uncertainties (continued)****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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company has funded a significant part of its operations with debt financing. The ability of the Company to continue to operate is dependent upon its ability to meet its payment obligations and adhere to covenant requirements under the respective loan agreements, which are dependent, among other things, upon the factors outlined above. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<i>In thousands of US\$</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>12 months or less</b>	<b>Between 1 and five years</b>	<b>After 5 years</b>
<i>2021</i>					
Borrowings from shareholder	26,101	28,687	-	28,687	-
Borrowings from related party	24,455	29,297	-	29,297	-
Loans and borrowings	74,890	82,944	23,395	59,549	-
Payables to related parties	199	199	199	-	-
Trade and other payables	1,971	1,971	1,971	-	-
<b>Total</b>	<b>127,616</b>	<b>143,098</b>	<b>25,565</b>	<b>117,533</b>	<b>-</b>

<i>In thousands of US\$</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>12 months or less</b>	<b>Between 1 and five years</b>	<b>After 5 years</b>
<i>2020</i>					
Borrowings from shareholder	43,603	49,913	-	49,913	-
Borrowings from related party	20,801	26,456	-	26,452	-
Loans and borrowings	94,331	107,129	24,185	82,944	-
Payables to related parties	3,517	3,517	3,517	-	-
Trade and other payables	1,871	1,871	1,871	-	-
<b>Total</b>	<b>164,123</b>	<b>188,886</b>	<b>29,573</b>	<b>159,309</b>	<b>-</b>

Due to sanctions, 3<sup>rd</sup> party loans and borrowings were called in earlier and were repaid in full on 28<sup>th</sup> March 2022. The early repayment was financed by an intergroup loan from the Parent. It is not expected that the cash flows in the maturity analysis for borrowings from shareholders, related parties and trade and other payables could occur significantly earlier, or at significantly different amounts.

**20. Commitments and contingent liabilities**

Please refer to note 16 for the future commitment to long term loans and note 19 for the future commitments to related party loans. There have been no other capital commitments other than those stated above as at 31 December 2021.

There were no contingent liabilities at 31 December 2021. Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits change from previously disclosed contingent liabilities, provisions are recognised in the year in which the changes in probability occur.

## Notes to the financial statements

### 21. Significant subsequent events

Since the year end, the escalation of geopolitical tension resulting from the ongoing armed conflict between Russia and Ukraine has had a negative impact on the economy of the Russian Federation. The European Union, the USA and a number of other countries imposed new sanctions on a number of Russian state-owned and commercial entities, including banks, individuals and certain industries, as well as restrictions on certain types of transactions. Some international companies announced the suspension of operations in Russia or the termination of product supplies to Russia. These factors caused a substantially increased instability in financial markets, frequent and significant price changes, weakening of the rouble against key world currencies, volatility of demand and prices in international oil and gas markets.

Since 26 February 2022 the Group, of which the Company is a part, has operated under sanctions imposed by a number of countries. According to official data, the Ultimate Parent Company, JSC GTLK, was included in the fifth package of sanctions imposed by the European Union (hereinafter — the EU).

The sanctions, among other implications, provide for:

- Prohibition to provide insurance and reinsurance, directly or indirectly, in relation to aircraft to any person, entity or body in Russia or for use in Russia;
- Prohibition to sell, supply, transfer or export, directly or indirectly, goods and technology suited for use in aviation or the space industry to any natural or legal person, entity or body in Russia;
- Prohibition to provide any one or any combination of the following activities; overhaul, repair, inspection, replacement, modification or defect rectification of an aircraft or component to any natural or legal person, entity or body in Russia or for use in Russia.

The Group factors these sanctions into its operations, regularly monitors them and analyses their effect on the financial position and financial performance.

In March 2022, due to sanctions a third-party financier called in its loan to the Company. On 28<sup>th</sup> March 2022 the loan was repaid in fully and was refinanced with an intergroup loan from the Parent.

On 25 March 2022, the Company issued termination notices in respect of the lease agreements with a Russian lessee. Insurance claims related to the four aircraft owned by the Company and currently in Russia are ongoing. It is not possible to reliably estimate the timing or future proceeds of these claims, and the situation is being closely monitored. Management is actively pursuing commercial opportunities for the Company's fifth aircraft located in the EU. This process is ongoing, and no formal agreements have been reached as of the date of this report.

On 21 April 2022 the United Kingdom imposed sanctions on the Group followed by the U.S. on 2 August 2022.

On 31 May 2023 by order of the Irish High Court the Company's Parent together with one of the Parents subsidiaries, GTLK Europe Capital DAC, were placed into liquidation. Damien Murran and Julian Moroney of Teneo Restructuring Ireland were appointed as joint liquidators.

The conflict between Russian and Ukraine is a significant geopolitical and economic event for the global economy and in particular the aviation industry and there is uncertainty over how the future development of this conflict will affect the Company. As a result of the ongoing conflict, the international sanctions and their impact on the Company, an impairment of US\$ 141.6 million on aircraft was recognised at 31 December 2021. In addition, deferred lease expenses totalling US\$ 2.8 million were impaired in full. Management is taking all measures necessary to ensure compliance with sanctions and to ensure the stability of the Group's operations (including subsidiaries' operations).

## Notes to the financial statements

### **21. Significant subsequent events (continued)**

Management is taking all measures necessary to ensure compliance with sanctions and to ensure the stability of the Group's operations (including subsidiaries' operations).

There have been no other significant events since the year end until the date of signing of this report that would require adjustment or disclosure in these financial statements.

### **22. Immediate and ultimate parent Company**

The Company is a wholly owned subsidiary of STLC Finance One Limited. STLC Finance One Limited entered into a liquidation process in May 2024. This process is ongoing, however, managements intention is to transfer its entire shareholding in the Company to GTLK Europe DAC – in Liquidation.. STLC Finance One Limited is a 100% subsidiary of GTLK Europe DAC - in Liquidation (the "Parent"), a Company incorporated in Ireland with a registered address at 3rd Floor, 20 on Hatch Street Lower, Dublin 2, Ireland. The Parent is currently under the management and control of the liquidators pursuant to the Irish High Court order with effect from 31 May 2023. The Parent is a wholly owned subsidiary of JSC "GTLK", a company incorporated in Russia with a registered address at Room 100, Building 73, ul. Respubliki, Salekhard, Yamalo-Nenetsky Avtonomny Okrug, Russian Federation 629008 (the "Ultimate Parent").

On the 11th July 2023, pursuant to a High Court order, the court declared that the presumption of control by 'JSC GTLK' (the "Ultimate Parent") is rebutted in circumstances where the joint liquidators have been appointed to the companies by the High Court. As a result, the restrictive measures under Article 2 of Council Regulation (EU) No 269/2014 is rebutted and the assets of the Company are under the control of the joint liquidators who are the only persons entitled to deal with the assets of the Company.

### **23. Charges**

The Company has six charges registered with the companies' registration office in favour of a third-party financier at 31 December 2021. These charges were subsequently satisfied in 2022.

### **24. Approval of financial statements**

The financial statements were approved by the Board of Directors and authorised for issue on 22 November 2024.