

PIONEER AIRCRAFT LEASING UK LIMITED

Annual report and financial statements

FOR THE YEAR ENDED 31 DECEMBER 2020

Registered Company number: 08772039



PIONEER AIRCRAFT LEASING UK LIMITED

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PIONEER AIRCRAFT LEASING UK LIMITED

DIRECTORS AND OTHER INFORMATION

Directors	Charles M Leahy MaplesFS UK Corporate Director No.1 Limited MaplesFS UK Corporate Director No.2 Limited
Company secretary	Maples Fiduciary Services (UK) Limited 11th Floor 200 Aldersgate Street, London, EC1A 4HD United Kingdom
Registered number	08772039
Registered office	11th Floor 200 Aldersgate Street, London, EC1A 4HD United Kingdom
Independent auditor	KPMG Chartered Accountants 1 Harbourmaster Place IFSC, Dublin 1 Ireland
Bankers	Citibank Europe Plc 1 North Wall Quay Dublin 1 Ireland
Solicitors	Clifford Chance 10 Upper Bank Street, London E14 5JJ United Kingdom
Corporate administrator	Maples Fiduciary Services (UK) Limited 11th Floor 200 Aldersgate Street London, EC1A 4HD United Kingdom
Lease manager	Goshawk Management Limited 32 Molesworth Street Dublin 2 Ireland

PIONEER AIRCRAFT LEASING UK LIMITED

DIRECTORS' REPORT AND STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report and the unaudited financial statements of Pioneer Aircraft Leasing UK Limited (the "Company") for the year ended 31 December 2020.

Principal Activities, Business Review and Future Developments

The Company was incorporated in England on 12 November 2013 as a special purpose company whose principal activity is the purchasing, leasing and disposal of jet aircraft. The Company is operated and managed as a single operating segment.

On 8 April 2019, the Company changed its name from GAL MSN 39924 Ltd to Pioneer Aircraft Leasing UK Limited.

On 18 November 2020, the lease with the airline customer was restructured whereby, under the new terms, the ownership of the aircraft has been transferred to Pioneer Aircraft Leasing Four Limited.

Principal Risks and Uncertainties

The Company, in the course of its business activities, is exposed to asset, market, credit, liquidity, operational, geopolitical, and economic risks. The Board of Directors ensures that risks are identified and managed in accordance with the objectives of the Company.

Going Concern

The Directors planned to realise the assets and settle the liabilities of the Company with a view to liquidating the Company within 12 months from the date of signing the financial statements. Following the plan to liquidate the Company, the Directors concluded that the Company is not a going concern. In assessing whether the going concern assumption was appropriate, the Directors considered all available information about the future of the Company. As a result, the financial statements have been prepared on a liquidation basis. Assets and liabilities have been reflected at their respective recoverable or contractual settlement amounts.

Key Performance Indicators

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

- Operating income of US\$2,700,961 (2019: US\$3,600,000); and
- Loss before tax of US\$1,540,593 (2019: loss of US\$3,407,388).

Results for the year and Dividends

The results of the Company for the year ended 31 December 2020 are set out in the Statement of Profit or Loss Account and Other Comprehensive Income on page 6 and in the Balance Sheet on pages 7 to 8. The loss on ordinary activities for the year before taxation amounted to US\$1,540,593 (2019: US\$3,407,388) and after crediting taxation of US\$917,416 (2019: charging taxation of US\$892,782), the loss of US\$623,177 (2019: loss of US\$4,300,620) was transferred to reserves. Shareholders' deficit at 31 December 2020 amounted to US\$55,181 (2019: US\$3,937,853). The Directors did not declare any dividends during the year (2019: US\$Nil).

Total cash and cash equivalents at 31 December 2020 was US\$2,849 (2019: US\$376,845). Total assets at 31 December 2020 was US\$2,850 (2019: US\$32,709,471), and total liabilities was US\$58,031 (2019: US\$36,647,324).

Directors and Secretary and their Interests

The names of the persons who were Directors at any time during the year ended 31 December 2020 are set out below. In accordance with the Articles of Association the Directors are not required to retire by rotation.

**DIRECTORS' REPORT AND STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Directors

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

Secretary

Maples Fiduciary Services (UK) Limited.

Interests

The Directors and the Company Secretary who held office at 31 December 2020 do not have any direct or beneficial interest in the shares, deferred shares, share options and debentures of the Company, or any group company at that date or during the period.

Issue of Shares

Share capital consists of 1 ordinary shares of £1 issued on 12 November 2013 to GAL MSN Holdco Limited. On 05 June 2019 the entire shareholding of the Company had been transferred to Pioneer Aircraft Holdings Limited.

Political Contributions

No political donations were made by the Company during the year (2019: None).

Events after the end of the Reporting Date

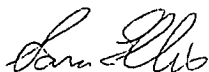
As of March 2022, the novel coronavirus (COVID-19) has spread across the globe, with major outbreaks across China, the Middle East, Europe and America, resulting in widespread restrictions on the ability of people to travel, socialize and leave their homes; resulting in an unprecedented decline in global air traffic.

Global financial markets have reacted sharply to this pandemic, with concerns regarding the economic impact this may have on a global scale, and which is expected to be material for the airline sector, and by extension the aircraft leasing sector. The Company's ability to, among other things, service its obligations is dependent on the continued receipt of rental and other payments from its airline lessee customers. The Directors planned to realise the assets and settle the liabilities of the Company with a view to liquidating the Company within 12 months from the date of signing the financial statements.

There have been no other significant events after the financial period end that would require adjustment or disclosure in these financial statements

**DIRECTORS' REPORT AND STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 6 April 2022 and signed on its behalf.



Sam Ellis

Representing MaplesFS UK Corporate Director No.1 Limited
Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the board and authorised for issue on 6 April 2022.



Sam Ellis

Representing MaplesFS UK Corporate Director No.1 Limited
Director

PIONEER AIRCRAFT LEASING UK LIMITED

**STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 US\$	2019 US\$
Operating income	3	2,700,961	3,600,000
Depreciation	9	(1,284,767)	(1,459,041)
Impairment charge on aircraft	9	(7,847,858)	-
General and administrative expenses	5	<u>(197,665)</u>	<u>(3,065,840)</u>
Net operating loss on continuing activities		<u>(6,629,329)</u>	<u>(924,881)</u>
Other income	4	6,729,932	-
Finance expense	6	(1,641,307)	(2,482,931)
Foreign exchange gain/(loss)		<u>111</u>	<u>(26)</u>
Loss on ordinary activities before taxation		(1,540,593)	(3,407,838)
Taxation	8	<u>917,416</u>	<u>(892,782)</u>
Loss on ordinary activities after taxation		(623,177)	(4,300,620)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u>(623,177)</u>	<u>(4,300,620)</u>

The accompanying notes on pages 10 to 25 form an integral part of these financial statements. All profits and total comprehensive income for the year are attributable to the owners of the Company. The above results were derived from continuing operations.

PIONEER AIRCRAFT LEASING UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
Assets			
Aircraft and related assets	9	-	32,332,625
Cash and cash equivalents	11	2,849	376,845
Other receivables	10	<u>1</u>	<u>1</u>
Total assets		<u>2,850</u>	<u>32,709,471</u>
Capital and reserves			
Share capital	15	1	1
Capital contribution	15	6,946,997	2,441,148
Retained deficit		<u>(7,002,179)</u>	<u>(6,379,002)</u>
Shareholders' deficit		<u>(55,181)</u>	<u>(3,937,853)</u>
Liabilities			
Loans and borrowings	12	-	29,157,862
Lease rental received in advance		-	164,516
Other liabilities	13	58,031	49,035
Income tax payable		-	36,081
Net deferred tax liabilities	8	-	985,234
Maintenance reserves	14	<u>-</u>	<u>6,254,596</u>
Total liabilities		<u>58,031</u>	<u>36,647,324</u>
Total liabilities and equity		<u>2,850</u>	<u>32,709,471</u>

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

We, as Directors of Pioneer Aircraft Leasing UK Limited state that:

- (a) for the year ended 31 December 2020, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies
- (b) the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- (c) the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts
- (d) these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The accompanying notes on pages 10 to 25 form an integral part of these financial statements.

Approved by the board and recognised for issue on 6 April 2022



Sam Ellis

Representing MaplesFS UK Corporate Director No.1 Limited
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Capital contribution	Retained deficit	Total deficit
	US\$	US\$	US\$	US\$
At 1 January 2019	1	-	(2,078,382)	(2,078,381)
Loss for the year	-	-	(4,300,620)	(4,300,620)
Capital contribution received	-	2,441,148	-	2,441,148
At 1 January 2020	1	2,441,148	(6,379,002)	(3,937,853)
Loss for the year			(623,177)	(623,177)
Capital contribution received	-	4,505,849	-	4,505,849
At 31 December 2020	1	6,946,997	(7,002,179)	(55,181)

All equity is attributable to the holders of the Company.

The accompanying notes on pages 10 to 25 form an integral part of these financial statements.

PIONEER AIRCRAFT LEASING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Pioneer Aircraft Leasing UK Limited (the "Company") is a private limited company incorporated in England and Wales on 12 November 2013 as a special purpose company whose principal activity is the purchasing, leasing and disposal of jet aircraft and is domiciled in the United Kingdom. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new standards and interpretations issued but not yet effective;
- Disclosures in respect of the compensation of Key Management Personnel and related party transactions entered into between two or more wholly owned members of a group.

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

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

During the year, the Company adopted the following new standards and interpretations: IFRS 16, Leases for the first time on 1 January 2019 and has not restated 2018 comparatives as allowed under the transitional provision of the new standard; IFRS 16 replaces IAS 17, Leases, IFRIC 4, Determining whether an arrangement contains a lease, SIC-15 Operating lease-incentives and SIC-27, Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to recognise most leases in the balance sheet. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information. The Company has assessed and reviewed the impact of IFRS 16 and deemed that it has no impact on future accounting periods other than disclosure impact. Under IFRS 16, the Company as lessor will continue to classify leases as finance and operating leases while for the lessees, the lease becomes a Balance Sheet liability. The Company assessed the classification of leases with reference to the underlying assets and concluded that all leases are operating leases under IFRS 16.

The financial statements have been prepared in US Dollars (US\$). The financial statements have been prepared on a liquidation basis where assets are recognised at recoverable amounts and liabilities at contractual settlement amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

Determination of fair values

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

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

The estimates and underlying assumptions are reviewed by the Directors on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

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

Estimates

The key assumptions and estimation uncertainties that could affect the reported results are those concerning useful lives, residual values and carrying values of the aircraft. The Company reviews the estimated useful lives, residual values and the carrying value of its aircraft assets at the end of each annual reporting year to support the estimates. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Going concern

The Directors planned to realise the assets and settle the liabilities of the Company with a view to liquidating the Company within 12 months from the date of signing the financial statements. Following the plan to liquidate the Company, the Directors concluded that the Company is not a going concern. In assessing whether the going concern assumption was appropriate, the Directors considered all available information about the future of the Company. As a result, the financial statements have been prepared on a liquidation basis. Assets and liabilities have been reflected at their respective recoverable or contractual settlement amounts.

2.3 Revenue recognition

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

Lease rental revenue

Lease rental revenue is recognised on a straight-line basis over the lease term. Lease rental revenue received in advance is recognised as a liability until such time that the Company is entitled to the lease rental revenue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.4 Finance expense

Finance expense comprises of interest expense on borrowings and financing fee amortisation. All borrowing costs are recognised in Statement of Profit or Loss Account and Other Comprehensive Income using the effective interest rate method.

2.5 Cash and cash equivalents

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

2.6 Financial instruments

The Company has adopted IFRS 9 for the financial reporting period commencing 4 April 2019 which introduced new requirements for the recognition and measurement of credit impairment provisions and the classification and measurement of financial instruments.

Initial recognition of financial instruments

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

Classification and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt instrument; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

Debt instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.6 Financial instruments (continued)

Business model assessment

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

The 'SPPI' test

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

Debt instruments at amortised cost

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

Debt instruments at FVTPL

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

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

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

Impairment

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.6 Financial instruments (continued)

Derecognition

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

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

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

Financial liabilities

The Company's financial liability categories are either 'other financial liabilities' or 'financial liabilities at fair value through profit or loss'. Other financial liabilities include 'security deposits', 'loans and borrowings' and 'other payables' in the balance sheet.

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

The financial assets at amortised cost consist of trade receivables and cash.

2.7 Aircraft and related assets

Cost

Aircraft are initially recorded at cost including directly attributable transaction costs on acquisition. Aircraft are subsequently measured at cost less accumulated depreciation and any impairment losses.

Maintenance rights assets

Maintenance rights asset represents the value in the difference between the contractual right under the acquired in-place leases to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition. A maintenance right asset represents the fair value of our contractual right under a lease to receive an aircraft in an improved maintenance condition as compared to the maintenance condition on the acquisition date. A maintenance right liability represents our obligation to pay the lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition of the aircraft on the acquisition date. The Company did not recognise any maintenance right liabilities in the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.7 Aircraft and related assets (continued)

Depreciation

Aircraft

The Company depreciates leased aircraft on a straight-line basis to a residual value at the end of the useful economic life. The useful economic life and residual value of aircraft are generally estimated as being 25 years from date of manufacture and 15% of cost, respectively. Where more relevant information indicates a different pattern in which the benefits associated with an aircraft are consumed, management adjust the residual value and useful economic life estimates for those specific aircraft. Residual value and useful economic life estimates of aircraft are reviewed at a minimum at each annual reporting date considering management's experience and knowledge of the industry, the PAFL group's strategy (that relating to the acquisition, disposition and leasing of aircraft) as well as external market factors. Changes are accounted for as a charge in accounting estimate.

Maintenance rights assets

The commencement of amortisation of maintenance rights asset is triggered by maintenance events. Following a maintenance event, the portion of the cost of the event that relates to the maintenance rights asset is capitalised to aircraft asset and is then depreciated on a straight-line basis over the remaining useful economic life of the aircraft. On termination of a lease, any remaining maintenance rights asset is offset against any remaining Maintenance reserves cash balances. Excess maintenance reserves are then released to the Statement of Profit or Loss Account and Other Comprehensive Income, recognised as Other Income.

Disposal of aircraft

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit or Loss Account and Other Comprehensive Income.

Derecognition

Aircraft are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal.

Impairment

At each reporting date, the carrying values of aircraft are assessed for indications of impairment. If any indicator of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use. A previously recognised impairment loss is only reversed if there has been an increase in the asset's recoverable amount since the last impairment loss was recognised. The impairment loss would be reversed to the revised estimate of its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in the prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit or Loss Account and Other Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.8 Other receivables

Other receivables are initially recorded at cost, which is the equivalent of the fair value, and are generally received within 30 days of becoming due and receivable. At the end of each reporting period, the Company applies an expected credit loss model to determine if the carrying value of other receivables is impaired. Impairment losses are recognised immediately in the Statement of Profit or Loss Account and Other Comprehensive Income.

2.9 Leases

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

2.10 Other payables

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

2.11 Lease rental received in advance

Lease rentals received in respect of future rental periods are recognised as a liability in the Balance Sheet. The liability is released to the Statement of Profit or Loss Account and Other Comprehensive Income in the period that the revenue recognition criteria is satisfied.

2.12 Maintenance reserves

In accordance with the terms of the lease agreement, the Lessee has an obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (hereafter referred to as supplemental amounts). Upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Company reimburses the Lessee for the work, up to a maximum of the supplemental amounts received with respect to such work. These supplemental amounts are recorded in the Balance Sheet as maintenance reserves. Amounts not refunded during the lease are recorded as lease revenue at lease termination or at a point in time where the revenue becomes highly probable and reliably measurable.

2.13 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.14 Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting year where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax. Provision is made at the rates expected to apply when the temporary differences reverse based on legislation substantively enacted at the end of the reporting year.

Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

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

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributed to the issue of shares are recognised as a deduction from equity, net of tax effects.

3. Operating income

	2020 US\$	2019 US\$
Lease rental revenue	<u>2,700,961</u>	<u>3,600,000</u>
	<u>2,700,961</u>	<u>3,600,000</u>

Income arises from the leasing of aircraft under operating leases. All income is derived from activities carried out in Australia. The Company has one customer, an airline located in Australia, in the financial year ended 31 December 2020, which accounted for 100% of revenue. There was no contingent rent during the financial year (2019: Nil).

As part of the lease restructuring, the ownership of the aircraft being leased to the airline located in Australia had been transferred to Pioneer Aircraft Leasing Four Limited effective 18 November 2020.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Operating income

In connection with the operating lease, future minimum rentals receivable under this lease are as follows:

	2020 US\$	2019 US\$
Within 1 year	-	3,600,000
Between 1 to 2 years	-	3,600,000
Between 2 to 3 years	-	3,600,000
Between 3 to 4 years	-	3,600,000
Between 4 to 5 years	-	3,600,000
Later than five years	-	8,570,000
	-	26,570,000

4. Other income

	2020 US\$	2019 US\$
Release of maintenance reserves	6,581,672	-
Reversal of other payables	148,260	-
	6,729,932	-

During the year, the Company had released accruals and payables amounting to USD 148,260 for which it was determined that it is highly probable that the contractual obligation are no longer due.

5. General and administration expenses

	2020 US\$	2019 US\$
Asset management fees	72,277	168,889
Other fees and expenses	125,388	29,789
Write off of other receivables	-	2,867,162
	197,665	3,065,840

Write off of other receivables in 2019 amounting to US\$2,867,162 relates to net receivables from previous related parties that are deemed uncollectible.

6. Finance expense

	2020 US\$	2019 US\$
Interest expense on loans	1,641,307	2,198,676
Amortisation of upfront fees		284,255
	1,641,307	2,482,931

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Loss on ordinary activities before tax

	2020 US\$	2019 US\$
The loss is arrived at after charging:		
Directors remuneration (fees)	-	-
Directors remuneration (other)	-	-
Depreciation	1,284,767	1,459,041
Auditors' remuneration - Audit	2,563	2,563
Auditors' remuneration - Tax Advisory	-	-
Auditors' remuneration - Tax Compliance	77,484	6,578
Other non-audit services	<u>-</u>	<u>-</u>
	<u>1,364,814</u>	<u>1,468,182</u>

Maples Fiduciary Services (UK) Limited ("Maples") provides directors to the Company as part of its service under the corporate service agreement. The directors did not receive any remuneration during the year (2019: US\$Nil). Please refer to Note 19 for details.

Auditors' remuneration arises solely on fees incurred for the statutory audit and it has been borne by Company's consolidating parent and will not be recharged to the Company.

8. Taxation

	2020 US\$	2019 US\$
Current tax:		
Adjustments in respect of prior periods	<u>67,818</u>	<u>-</u>
Total current tax	<u>67,818</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(985,234)	892,782
Changes in tax rates	-	-
Adjustments to tax charge in respect of previous periods	<u>-</u>	<u>-</u>
Total deferred tax	<u>(985,234)</u>	<u>892,782</u>
Tax (credit)/charge for the year	<u>(917,416)</u>	<u>892,782</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 US\$	2019 US\$
Loss on ordinary activities before tax	(1,540,593)	(3,407,838)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(292,713)	(647,489)
Effects of:		
Adjustments to tax charge in respect of previous periods	67,818	-
Expenses not deductible for tax purposes	-	124,166
Write off of deferred tax assets	-	1,140,819
Other timing difference	(692,521)	275,286
Impact of change in tax rates	-	-
Total tax (credit)/charge for the year	(917,416)	892,782

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the company's future tax charges accordingly.

Deferred tax

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year which are available for carry forward and an excess of capital allowances over accounting depreciation. The reconciliation of deferred tax assets and liabilities for the year is as follows:

	2020 US\$	2019 US\$
Deferred tax liabilities		
At beginning of the year	(985,234)	(92,452)
Deferred tax credited/ (charged) to the profit and loss account	958,234	(892,782)
Net deferred tax liabilities	-	(985,234)
The deferred tax balance is composed of:		
	2020 US\$	2019 US\$
Capital allowances in excess of depreciation	-	(985,234)
Tax losses carried forward	-	-
Net deferred tax liabilities	(985,234)	(985,234)

**NOTES TO THE FINANCIAL STATEMENTS
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9. Aircraft and related assets

	Aircraft US\$	Maintenance rights assets US\$	Total US\$
Cost:			
Balance at 1 January 2020	39,247,398	858,412	40,105,810
Additions during the year	-	-	-
Impairment charge during the year	(7,630,880)	(216,978)	(7,847,858)
Disposals during the year	(31,616,518)	(641,434)	(32,257,952)
Balance at 31 December 2020	-	-	-
Accumulated depreciation:			
Balance at 1 January 2020	(7,773,185)	-	(7,773,185)
Current year depreciation	(1,284,767)	-	(1,284,767)
Disposals during the year	9,057,952	-	9,057,952
Balance at 31 December 2020	-	-	-
Net book value			
At 31 December 2018	31,474,213	858,412	32,332,625
At 31 December 2019	-	-	-

The Directors of the Company undertake a review to determine whether an impairment provision is required in respect of the Company's aircraft and related assets. In the assessment of impairment, the Directors have considered the aircraft's current appraised maintenance adjusted market value and if there is an indication of impairment, assessed its value in use. In determining the aircraft's value in use, consideration is given to contractual cash flows expected to be received under the current lease arrangements, as well as future proceeds expected from disposal activities at end of lease. During the year, the Directors, in applying IAS 36, determined that the recoverable amount of aircraft and related components are higher than the carrying value. As a result, the Company has recognised an impairment charge of US\$7,847,858 on the aircraft – US\$7,630,880 on aircraft (metal) and US\$216,978 on maintenance rights assets (2019: Nil).

The aircraft was sold to Pioneer Aircraft Leasing Four Limited effective 18 November 2020 as part of the lease restructuring. At 31 December 2020, the Company therefore didn't own any aircraft (2019: One). The Company's obligations under the loans payable are secured by charge over, among other things, the Company's aircraft and other assets.

Maintenance rights assets

As at 31 December 2020, the carrying value of the maintenance rights assets is US\$Nil following the sale of the aircraft (2019: US\$858,412). Generally, under leases, the lessee is obligated to comply with certain return conditions, which require them to undertake maintenance on the aircraft prior to its redelivery or to make a cash compensation sufficient to allow such work to be undertaken. Maintenance rights assets represent the value difference of the return of the aircraft on lease when compared to the maintenance condition of the aircraft at date of acquisition.

PIONEER AIRCRAFT LEASING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Other receivables

	2020 US\$	2019 US\$
Share capital receivable	1	1
Receivable from other group entities	-	-
Other receivables	-	-
	<u>1</u>	<u>1</u>

The Company's rent income receivables are secured by deposits, letters of credit and maintenance provisions that the Company holds on behalf of its customers.

An expected credit loss (ECL) of US\$Nil was recognised for the other receivables in the table above are neither past due nor impaired. Receivables from other group entities are available on demand and do not bear interest.

11. Cash and cash equivalents

	2020 US\$	2019 US\$
Cash at bank and in hand	<u>2,849</u>	<u>376,845</u>
	<u>2,849</u>	<u>376,845</u>

12. Loans payable

The balance of the loans as of 31 December 2020 is US\$Nil (2019: US\$29,157,862), net of unamortised transaction fees of US\$Nil (2019: US\$Nil) as outlined below. Aircraft lease rentals are fixed and structured to ensure that lease payments are sufficient to meet the debt funding over the term of the lease. The maturity date of the loans is 15 June 2026.

Costs and fees incurred to secure the loans payable are capitalised and amortised over the term of the loans.

	2020 US\$	2019 US\$
Loan type:		
Senior loan	-	23,575,552
Junior loan	-	5,582,310
Total Loans Payable	-	29,157,862
Unamortised loan establishment fee	-	-
	-	-
Net Loans Payable	-	29,157,862

**NOTES TO THE FINANCIAL STATEMENTS
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12. Loans payable (continued)

The loans payable are classified as current liability as they are repayable on demand as per the loan agreement.

Key terms of debt facilities

The terms of outstanding debt facilities were as follows (excluding capitalised loans fees).

At 31 December 2020

	Nominal Interest Rate (%)	2020 US\$
Fixed rate loans		
Senior loans – Series A	4.19	-
Senior Loans – Series B	5.17	-
Senior Loans – Series C	7.13	-
Junior Loan	15.12	-
		<u>-</u>

At 31 December 2019

	Nominal Interest Rate (%)	2019 US\$
Fixed rate loans		
Senior loans – Series A	4.19	19,114,509
Senior Loans – Series B	5.17	3,350,367
Senior Loans – Series C	7.13	1,110,676
Junior Loan	15.12	5,582,310
		<u>29,157,862</u>

The aircraft is pledged as security to the Security Trustee, as outlined in the security assignment. The aircraft has also been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deeds. The recourse of the Lenders and the other parties to the transaction documents is limited to the assets secured by the Company in favour of the Security Trustee and to any monies received by the Company pursuant to the transaction documents. None of these parties has a right to wind-up or take any other insolvency proceedings against the Company.

13. Other liabilities

	2020 US\$	2019 US\$
Loan interest payable	-	-
Other payables	57,245	26,966
Payable to other group entities	<u>786</u>	<u>22,069</u>
	<u>58,031</u>	<u>49,035</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Maintenance reserves

	2020 US\$	2019 US\$
At the beginning of the year	6,254,596	5,353,744
Lessee contributions during the year	327,076	900,852
Released to the statement of profit or loss	(6,581,672)	-
At the end of the year	-	6,254,596

15. Ordinary share capital

	2020 US\$	2019 US\$
Authorised		
1- Ordinary share of £1	<u>1</u>	<u>1</u>
Allotted, called up and fully unpaid		
1- Ordinary share of £1 each	<u>1</u>	<u>1</u>

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

During the year, the Company received an unconditional and irrevocable capital contribution of US\$4.51 million from Pioneer Aircraft Finance Limited (2019: US\$2.44 million from GAL MSN Holdco Limited, previous shareholder).

16. Employees

Maples was appointed as corporate administrator effective from 5 January 2017. The Company has entered into a lease management agreement with GML to provide leasing and asset management services as per the service agreement however, the Company did not directly employ any persons during the year. During the year ended 31 December 2020, the fees charged by Maples has been borne by the Company's ultimate parent company and will not be recharged to the Company and were paid by the ultimate parent company.

17. Capital commitments

At 31 December 2020 there are no outstanding capital commitments (2019: None).

18. Ultimate parent undertaking and controlling entity

The Company's immediate parent is Pioneer Aircraft Holdings Limited, an Irish registered company whose registered office is at 32 Molesworth Street, Dublin 2, Ireland. The ultimate parent company is PAFL. MaplesFS Limited holds the entire issued share capital of PAFL in trust for charitable purposes pursuant to the terms of a declaration of a trust.

The Company meets the definition of a structured entity under IFRS. In accordance with the requirements of IFRS 10 "Consolidated Financial Statements", the Company's accounts are consolidated within the group accounts of Pioneer Aircraft Finance Limited, for the year ended 31 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Related party transactions

GML acts as leasing and asset manager of the Company. The fees charged by GML for year ended 31 December 2020 was US\$ 72,277 (2019: US\$168,889). The balance payable to GML as at 31 December 2020 was US\$10,039 (2019: receivable of US\$16,605).

As at 31 December 2020, the Directors of the Company were employees or were affiliates of Maples. The Directors may be deemed to have an interest in the fees paid to Maples in their capacity as employees of Maples. Maples provides corporate administration services to the Company at commercial rates.

Junior financing of US\$15,004,281 was provided by GAL Dutch Finance B.V. on inception. On 5 June 2019, the junior loan was novated upon acquisition of the Company by PAFL, whereby PAFL is the new lender. Total interest charged for the year in respect of the junior financing was US\$743,308 (2019: US\$1,195,891) of which US\$Nil (2019: US\$Nil) was accrued and payable as of year end. The total balance payable in respect of the junior loan provided at 31 December 2020 is US\$Nil (2019: US\$5,582,310).

Blue Agave Dutch Aviation B.V. is the lender of the Company for the senior loans. On 5 June 2019, the junior loan was novated upon acquisition of the Company by PAFL, whereby PAFL is the new lender. Total interest charged for the year in respect of the senior financing was US\$897,999 (2019: US\$1,002,785) of which US\$Nil (2019: US\$Nil) was accrued and payable as of year end. The total balance payable in respect of the senior loan provided at 31 December 2020 is US\$Nil (2019: US\$23,575,552).

The balance receivable from other group entities at 31 December 2020 was US\$Nil (2019: US\$Nil).

The other receivable balance from GAL as at 31 December 2020 was US\$Nil (2019: US\$Nil).

The balance payable to PAFL, excluding the intercompany loans, as at 31 December 2020 was US\$786 (2019: US\$22,069).

20. Events after the end of the Reporting Date

As of March 2022, the novel coronavirus (COVID-19) has spread across the globe, with major outbreaks across China, the Middle East, Europe and America, resulting in widespread restrictions on the ability of people to travel, socialize and leave their homes; resulting in an unprecedented decline in global air traffic.

Global financial markets have reacted sharply to this pandemic, with concerns regarding the economic impact this may have on a global scale, and which is expected to be material for the airline sector, and by extension the aircraft leasing sector. The Company's ability to, among other things, service its obligations is dependent on the continued receipt of rental and other payments from its airline lessee customers. The Directors planned to realise the assets and settle the liabilities of the Company with a view to liquidating the Company within 12 months from the date of signing the financial statements.

There have been no other significant events after the financial period end that would require adjustment or disclosure in these financial statements

21. Approval of financial statements

The board of Directors approved these financial statements for issue on 6 April 2022.