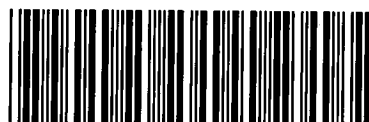


CARGOLOGICAIR LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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CARGOLOGICAIR LIMITED

COMPANY INFORMATION

DIRECTORS	D Grishin A Isaykin (appointed 11 February 2016)
COMPANY SECRETARY	Clyde Secretaries Limited
REGISTERED NUMBER	9468908
REGISTERED OFFICE	Endeavour House Coopers End Road London Stansted Airport CM24 1AL
INDEPENDENT AUDITORS	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ
BANKERS	Barclays Mortlock House Station Road Histon Cambridge CB24 9DE

CARGOLOGICAIR LIMITED

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CARGOLOGICAIR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

RESULTS

The company's income after tax for the financial year is \$324,070 (2015 - loss \$5,124,414).

DIRECTORS

The Directors who served during the year were:

D Grishin

A Isaykin (appointed 11 February 2016)

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

SMALL COMPANIES NOTE

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 12 - 09 - 2017 and signed on its behalf.


D. Grishin
Director

CARGOLOGICAIR LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARGOLOGICAIR LIMITED

We have audited the financial statements of CargoLogicAir Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

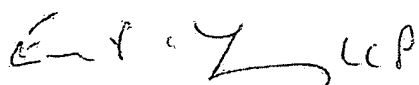
- ▶ the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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

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



Nick Gomer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

12 September 2017

CARGOLOGICAIR LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Year ended 31 December 2016 \$	3 March 2015 to 31 December 2015 \$
Cargo revenue	34,479,071	-
Leasing revenue	4,951,613	-
Cost of sales	(21,994,834)	(979,962)
GROSS PROFIT/(LOSS)	17,435,850	(979,962)
Administrative expenses	(12,557,191)	(3,242,228)
Research and development costs	(4,134,921)	(823,744)
OPERATING PROFIT/(LOSS)	743,738	(5,045,934)
Interest receivable and similar income	8	-
Interest payable and expenses	(419,676)	(78,480)
PROFIT/(LOSS) BEFORE TAX	324,070	(5,124,414)
Tax on profit/(loss)	-	-
PROFIT/(LOSS) FOR THE YEAR	324,070	(5,124,414)

There was no other comprehensive income for 2016 (2015:\$NIL).

The notes on pages 9 to 19 form part of these financial statements.

CARGOLOGICAIR LIMITED
REGISTERED NUMBER: 9468908

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 \$	2015 \$
FIXED ASSETS			
Tangible assets	5	12,449,996	333,777
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	6	5,000,000	1,270,000
Debtors: amounts falling due within one year	6	14,330,424	624,785
Cash at bank and in hand	7	10,005,719	706,226
		<u>29,336,143</u>	<u>2,601,011</u>
Creditors: amounts falling due within one year	8	(11,965,654)	(1,294,467)
NET CURRENT ASSETS		<u>17,370,489</u>	<u>1,306,544</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,820,485</u>	<u>1,640,321</u>
Creditors: amounts falling due after more than one year	9	(11,671,746)	(702,070)
NET ASSETS		<u><u>18,148,739</u></u>	<u><u>938,251</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1,679,442	918,000
Share premium account		21,269,641	5,144,665
Profit and loss account		(4,800,344)	(5,124,414)
		<u><u>18,148,739</u></u>	<u><u>938,251</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


D Grishin
 Director

12-09-2017

The notes on pages 9 to 19 form part of these financial statements.

CARGOLOGICAIR LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2016	918,000	5,144,665	(5,124,414)	938,251
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	324,070	324,070
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>-</u>	<u>-</u>	<u>324,070</u>	<u>324,070</u>
Shares issued during the year	761,442	16,124,976	-	16,886,418
TOTAL TRANSACTIONS WITH OWNERS	<u>761,442</u>	<u>16,124,976</u>	<u>-</u>	<u>16,886,418</u>
AT 31 DECEMBER 2016	<u>1,679,442</u>	<u>21,269,641</u>	<u>(4,800,344)</u>	<u>18,148,739</u>

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CARGOLOGICAIR LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital \$	Share premium account \$	Profit and loss account \$	Total equity \$
COMPREHENSIVE INCOME FOR THE PERIOD				
Loss for the period	-	-	(5,124,414)	(5,124,414)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(5,124,414)	(5,124,414)
Shares issued during the period	918,000	5,144,665	-	6,062,665
TOTAL TRANSACTIONS WITH OWNERS	918,000	5,144,665	-	6,062,665
AT 31 DECEMBER 2015	918,000	5,144,665	(5,124,414)	938,251

The notes on pages 9 to 19 form part of these financial statements.

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Endeavour House, Coopers End Road, London Stansted Airport, CM24 1AL.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The directors have prepared cash flow forecasts for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which indicate that the directors have a reasonable expectation that the company will have adequate resources to meet its operating liabilities as they fall due for the foreseeable future.

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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue streams

The company has two revenue streams: Cargo revenue and leasing revenue.

Cargo revenue is recognised when the transportation service is provided. This is normally the delivery of cargo for charter operations or the provision of wet lease services. Under the wet lease agreement, the company receives guaranteed income for a minimum number of block hours. If actual block hours are greater than the minimum, additional revenue is earned. Revenue for minimum and additional block hours are recognised in the month flown. If the minimum block hours threshold is not met, the company still earns and recognises the guaranteed revenue.

The company owns engines which are leased. Income from engine leases is recognised monthly during the term of the lease. Lease income is a fixed amount per engine per month.

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Engines	- Working hours
Office equipment	- 3-5 Years
Aircraft improvements	- Length of the lease
Spare parts	- No depreciation is provided

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Spare parts relating to aircrafts are capitalised at cost as tangible fixed assets as they are expected to be consumed over a period greater than 12 months. In the event that they are brought into use then they are written off over the useful economic life of the asset they replaced. Spare parts are reviewed for impairment and if they are not expected to be utilised then they are charged to the income statement.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured at fair value, net of transaction cost.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at fair value, net of transaction costs and measured subsequently at amortised cost using the effective interest rate method.

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is US Dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Operating leases including aircraft leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the assets are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the lease term. The directors consider the current aircraft leases to be operating leases.

CargoLogicAir has contractual obligations to maintain aircraft held under operating leases. Provisions are created over the term of the lease based on the estimated future costs of major airframe checks, engine shop visits and end of lease liabilities. These costs are discounted to the present value.

The leases also require CargoLogicAir to pay supplemental rent to the lessor. The purpose of these payments is to provide the lessor with collateral should an aircraft be returned in a condition that does not meet requirements of the lease. These supplemental rent payments are non-recoverable and therefore expensed when paid.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (CONTINUED)

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.13 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.14 Research and development

Costs incurred on research and development to evaluate the feasibility of operating aircraft with broader capabilities in unique and oversize cargo lift capabilities are charged to the income statement as they are incurred.

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. AUDITOR'S REMUNERATION

	Year ended 31 December 2016 \$	3 March 2015 to 31 December 2015 \$
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	45,000	29,674
FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
All other services	-	32,100

4. EMPLOYEES

The average number of employees, including directors, during the year was 60 (2015 - 13).

5. TANGIBLE FIXED ASSETS

	Aircraft improvements \$	Engines held for leasing \$	Office equipment \$	Aircraft spare parts \$	Total \$
Cost or valuation					
At 1 January 2016	123,977	-	82,577	145,812	352,366
Additions	11,011	12,579,000	23,579	368,560	12,982,150
Disposals	-	-	-	(145,812)	(145,812)
At 31 December 2016	134,988	12,579,000	106,156	368,560	13,188,704
Depreciation					
At 1 January 2016	7,451	-	11,138	-	18,589
Charge for the year on owned assets	45,524	645,069	29,526	-	720,119
At 31 December 2016	52,975	645,069	40,664	-	738,708
Net book value					
At 31 December 2016	82,013	11,933,931	65,492	368,560	12,449,996
At 31 December 2015	116,526	-	71,439	145,812	333,777

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. DEBTORS

	2016 \$	2015 \$
DUE AFTER MORE THAN ONE YEAR		
Aircraft security deposit	4,730,000	1,000,000
Aircraft maintenance deposit	270,000	270,000
	<u>5,000,000</u>	<u>1,270,000</u>

At 31 December 2015, the company had paid a security deposit amounting to \$1,000,000 to Wells Fargo Bank Northwest, National Association under the terms of operating lease agreement regarding one Boeing 747-400F aircraft. The security deposit is receivable at the end of the lease on 14 December 2018.

Furthermore, at 31 December 2015, the company had paid a deposit amounting to \$270,000 to Lufthansa Technik AG under the terms of a technical support agreement for the Boeing 747-400F aircraft. The deposit is receivable at the end of the agreement which has a minimum term until 30 April 2018.

On 25 March 2016, the company entered into an operating lease contract for the delivery of a Boeing 747-8F aircraft, which was delivered in July 2016 at a cost of \$14,400,000 per annum. As part of the contract terms the company paid an aircraft security deposit of \$3,600,000. Furthermore, Volga-Dnepr Logistics B.V, a related party of the company, guaranteed unconditional and irrevocable payment of liabilities of the company under the terms of mentioned operating lease agreement. The guarantee is limited by the amount of lease payments for one year commencing from the date of aircraft delivery.

On 23 August 2016, the company entered into an operating lease contract for a Boeing 747-400ERF aircraft which was delivered on 22 April 2017. The company paid a security deposit of \$400,000 to AerCap Global Aviation Trust.

	2016 \$	2015 \$
DUE WITHIN ONE YEAR		
Trade debtors	1,505,353	-
Amounts owed by joint ventures and associated undertakings	11,062,507	-
Other debtors	985,069	359,190
Prepayments and accrued income	777,495	265,595
	<u>14,330,424</u>	<u>624,785</u>

7. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash at bank and in hand	<u>10,005,719</u>	<u>706,226</u>

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. CREDITORS: Amounts falling due within one year

	2016 \$	2015 \$
Trade creditors	3,259,521	437,630
Amounts owed to related parties	2,174,321	87,237
Other creditors	28,684	-
Accruals and deferred income	6,503,128	769,600
	<u>11,965,654</u>	<u>1,294,467</u>

9. CREDITORS: Amounts falling due after more than one year

	2016 \$	2015 \$
Amounts owed to related parties	<u>11,671,746</u>	<u>702,070</u>

On 11 December 2015, the company entered into a US Dollar unsecured loan facility of \$4,800,000 with Mr A Isaykin, the ultimate controlling party and a director. The loan facility matures on 1 February 2019 and bears interest at a rate of 4.35% per annum. The interest is repayable on maturity of the facility.

On 22 December 2015, the company entered into a further US Dollar unsecured loan facility of \$4,000,000 with Mr A Isaykin, the ultimate controlling party and a director. This facility also matures on 1 February 2019 and bears interest at a rate of 4.35% per annum with the interest being repayable on maturity.

At 31 December 2016, the company had drawn down \$8,800,000 of the loan facilities and accrued interest payable of \$374,437.

On 28 January 2016, the company entered into a US Dollar unsecured loan facility of \$250,000 with Volga-Dnepr Gulf, a related party of the company. The loan facility matures on 30 January 2019 and bears interest at a rate of 3.60% per annum. The interest is repayable on maturity of the facility.

At 31 December 2016, the company had drawn down \$250,000 of the loan facilities and accrued interest payable of \$8,450.

On 8 August 2016, the company entered into a US Dollar unsecured loan facility of \$2,200,000 with Volga-Dnepr Logistics, a related party of the company. The Loan facility matures on 28 February 2017 and bears interest at a rate of 4.50% per annum. The interest is repayable on maturity of the facility.

At 31 December 2016, the company had drawn down \$2,200,000 of the loan facilities and accrued interest payable of \$38,859.

In accordance with the terms of the loan facilities, the company will not repay Mr A Isaykin and Mr A Isaykin will not accept repayment from the company of any part of the loan facilities until 1 February 2019 unless prior written consent is obtained from the UK Civil Aviation Authority.

CARGOLOGICAIR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. SHARE CAPITAL

	2016 \$	2015 \$
Shares classified as equity		
Allotted, called up and fully paid		
1,200,001 (2015 - 600,001) Ordinary shares of £1 each	1,679,442	918,000

On 12 January 2016, the company issued 200,000 ordinary shares for a consideration of £8.45 per share, being a total consideration of \$2,286,949, to Cargo Logic Holding Limited, the immediate and ultimate parent undertaking.

On 3 March 2016, the company issued 200,000 ordinary shares for a consideration of \$62.895 per share, being a total consideration of \$12,579,000, to Cargo Logic Holding Limited, the immediate and ultimate parent undertaking.

On 8 August 2016, the company issued 200,000 ordinary shares for a consideration of £6.80 per share, being a total consideration of \$1,920,469, to Cargo Logic Holding Limited, the immediate and ultimate parent undertaking.

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. RELATED PARTY TRANSACTIONS

During the year the company made purchases of \$489,351 (2015: \$87,237) and sales of \$7,484,788 (2015: \$NIL) from Volga-Dnepr UK Limited, a company which is controlled by Mr A Isaykin.

The amount due to them at the year end was \$235,818 (2015: 87,237).

During the year the company were recharged expenses of \$310,840 (2015: \$NIL) from Russian International Limited, a company which is controlled by Mr A Isaykin.

The amount due to them at the year end was \$310,840 (2015: \$NIL).

During the year the company made purchases of \$NIL (2015: \$NIL) and sales of \$4,951,613 (2015: \$NIL) from Volga-Dnepr Gulf Limited, a company which is controlled by Mr A Isaykin.

The amount due from them at the year end was \$NIL (2015: \$NIL).

During the year the company recharged expenses of \$2,362,558 (2015: \$NIL) and made sales of \$24,486,803 (2015: \$NIL) from ABC Limited, a company which is controlled by Mr A Isaykin.

The amount due from them at the year end was \$4,591,000 (2015: \$NIL).

On 11 December 2015, the company entered into a US Dollar unsecured loan facility of \$4,800,000 with Mr A Isaykin, the ultimate controlling party and a director. The loan facility matures on 1 February 2019 and bears interest at a rate of 4.35% per annum. The interest is repayable on maturity of the facility.

On 22 December 2015, the company entered into a further US Dollar unsecured loan facility of \$4,000,000 with Mr A Isaykin, the ultimate controlling party and a director. This facility also matures on 1 February 2019 and bears interest at a rate of 4.35% per annum with the interest being repayable on maturity.

During the year the company had drawn down \$8,800,000 (2015: \$700,000) of the loan facilities and accrued interest payable of \$374,437 (2015: \$2,070).

On 28 January 2016, the company entered into a US Dollar unsecured loan facility of \$250,000 with Volga-Dnepr Gulf, a related party of the company. The loan facility matures on 30 January 2019 and bears interest at a rate of 3.60% per annum. The interest is repayable on maturity of the facility.

At 31 December 2016, the company had drawn down \$250,000 of the loan facilities and accrued interest payable of \$8,450.

On 8 August 2016, the company entered into a US Dollar unsecured loan facility of \$2,200,000 with Volga-Dnepr Logistics, a related party of the company. The Loan facility matures on 28 February 2017 and bears interest at a rate of 4.50% per annum. The interest is repayable on maturity of the facility.

At 31 December 2016, the company had drawn down \$2,200,000 of the loan facilities and accrued interest payable of \$38,859.

In accordance with the terms of the loan facilities, the company will not repay Mr A Isaykin and Mr A Isaykin will not accept repayment from the company of any part of the loan facilities until 1 February 2019 unless prior written consent is obtained from the UK Civil Aviation Authority.

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. PENSION COMMITMENTS

The company makes defined contributions to an employee stakeholder pension schemes and has no other pension obligations other than these contributions. Contributions for the period amounted to \$168,645 (2015: \$12,243). There were no unpaid pension contributions at 31 December 2016 (2015: \$NIL).

13. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 \$	2015 \$
Land and buildings		
Not later than 1 year	153,918	90,730
Later than 1 year and not later than 5 years	54,333	140,942
	<u>208,251</u>	<u>231,672</u>
	2016 \$	2015 \$
Aircraft		
Not later than 1 year	20,626,746	1,200,000
Later than 1 year and not later than 5 years	58,750,000	2,489,329
Later than 5 years	124,800,000	-
	<u>204,176,746</u>	<u>3,689,329</u>
	2016 \$	2015 \$
Vehicles		
Not later than 1 year	3,751	-
Later than 1 year and not later than 5 years	4,689	-
	<u>8,440</u>	<u>-</u>

CARGOLOGICAIR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. OTHER FINANCIAL COMMITMENTS

In October 2015, Volga-Dnepr Airlines (Ireland) Limited and Volga Dnepr Airlines LLC, related parties of the company, guaranteed unconditional and irrevocable payment of liabilities of the company under the terms of operating lease agreement of one Boeing 747 aircraft which the company signed with Wells Fargo Bank Northwest, National Association. The limit of this guarantee amounts to US\$40,000,000.

In December 2015 the Volga-Dnepr Logistics B V, a related party of the company, guaranteed unconditional and irrevocable payment of all certain and contingent liabilities of the company to any third parties in case of its liquidation and administration.

15. CONTINGENT LIABILITIES

At 31 December 2016 the company had no contingent liabilities.

16. CONTROLLING PARTY

The company is a wholly owned undertaking of Cargo Logic Holding Limited which is incorporated in England and Wales. The ultimate controlling party is Mr A Isaykin, the sole shareholder of Cargo Logic Holding Limited and a director of the company.

17. SUBSEQUENT EVENTS

The following significant non-adjusting events occurred subsequent to the year-end:

The company took delivery of a Boeing 747/400ERF (G-CLBA) aircraft in April 2017 under a four year operating lease, which increased the fleet to three Boeing 747s.

The company signed an extension of the operating lease on the Boeing 747/400F (G-CLAA) in August 2017. As a result, the return date for this aircraft has been extended by six years, from December 2018 to December 2024.

Registered number:

CARGOLOGICAIR LIMITED

DETAILED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

CARGOLOGICAIR LIMITED

**DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 \$	2015 \$
Turnover	39,430,684	-
Cost Of Sales	(21,994,834)	(979,962)
GROSS PROFIT/(LOSS)	<u>17,435,850</u>	<u>(979,962)</u>
LESS: OVERHEADS		
Administration expenses	(16,692,112)	(4,065,972)
OPERATING PROFIT/(LOSS)	<u>743,738</u>	<u>(5,045,934)</u>
Interest receivable	8	-
Interest payable	(419,676)	(78,480)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	<u><u>324,070</u></u>	<u><u>(5,124,414)</u></u>

CARGOLOGICAIR LIMITED

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 \$	2015 \$
TURNOVER		
United Kingdom	8,004,788	-
Rest of Europe	24,814,803	-
Rest of the World	6,611,093	-
	<u>39,430,684</u>	<u>-</u>
	2016 \$	2015 \$
COST OF SALES		
Airport Charges	36,644	52,970
Airport Fuel	131,101	93,843
Airport Handling	461,756	12,170
Navigation	23,046	8,786
Traffic Agents (Permits)	1,548	538
Fixed Maintenance	4,489,626	413,345
Variable Maintenance	6,344,376	88,276
Lease Aircraft	9,064,950	229,032
Lease Unitpool Pallets	-	41,550
Aircraft Insurance	314,016	32,000
Leasehold Depreciation	34,618	7,452
Engine Depreciation	645,069	-
Hotac	448,084	-
	<u>21,994,834</u>	<u>979,962</u>

CARGOLOGICAIR LIMITED

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 \$	2015 \$
ADMINISTRATIVE EXPENSES		
Staff salaries	6,009,222	1,011,715
Staff national insurance	729,473	113,797
Staff pension costs	162,172	12,243
Staff training	567,627	207,405
Staff welfare	247,997	81,848
Motor vehicle leasing	6,014	-
Entertainment	5,130	657
Hotels, travel and subsistence	793,028	104,470
Telephone and fax	68,780	8,043
Computer costs	442,542	283,434
Advertising and promotion	115,501	17,245
Legal and professional	1,972,900	851,309
Auditor's remuneration	45,000	29,674
Auditor's remuneration - non-audit	6,420	32,100
Bank charges	8,503	183
Difference on foreign exchange	198,531	19,742
Sundry expenses	4,305	13,775
Rent	218,844	75,081
Rates	42,247	-
Insurances	10,372	4,435
Sundry establishment expenses	184,328	64,268
Depreciation - office equipment	40,433	11,137
Management Fees	489,351	-
Recruitment Expenses	65,057	6,331
CAA Certification	123,414	293,336
Research and development costs	4,134,921	823,744
	<u>16,692,112</u>	<u>4,065,972</u>
	2016 \$	2015 \$
INTEREST RECEIVABLE		
Bank interest receivable	<u>8</u>	<u>-</u>
	2016 \$	2015 \$
INTEREST PAYABLE		
Other loan interest payable	419,676	2,070
Foreign exchange losses arising on share issues	-	76,410
	<u>419,676</u>	<u>78,480</u>