

**CARGOLOGICAIR LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

MONDAY



\*AAFW3ZMH\*

A05

25/10/2021

#124

COMPANIES HOUSE

**CARGOLOGICAIR LTD**

**COMPANY INFORMATION**

<b>DIRECTORS</b>	A Isaykin K Vekshin
<b>COMPANY SECRETARY</b>	Clyde Secretaries Limited
<b>REGISTERED NUMBER</b>	09468908
<b>REGISTERED OFFICE</b>	3 Roundwood Avenue Stockley Park Uxbridge UB11 1AF
<b>INDEPENDENT AUDITOR</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>BANKERS</b>	Citibank Canada Square Canary Wharf London E14 5LB

# **CARGOLOGICAIR LTD**

## **CONTENTS**

	Page
<b>Strategic Report</b>	<b>1 - 6</b>
<b>Directors' Report</b>	<b>7 - 8</b>
<b>Directors' Responsibilities Statement</b>	<b>9</b>
<b>Independent Auditor's Report</b>	<b>10 - 13</b>
<b>Statement of Comprehensive Income</b>	<b>14</b>
<b>Statement of Financial Position</b>	<b>15</b>
<b>Statement of Changes in Equity</b>	<b>16 - 17</b>
<b>Notes to the Financial Statements</b>	<b>18 - 32</b>

## **CARGOLOGICAIR LTD**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **INTRODUCTION**

The Directors of CargoLogicAir Ltd (the 'Company') present their report and financial statements consisting of the Strategic Report, the Directors' Report and the financial statements for the year ended 31 December 2020.

#### **BUSINESS REVIEW**

The Company's principal activity is the worldwide operation of Boeing 747F aircraft on dedicated cargo operations.

In the first quarter of 2020 the Company brought in a new senior leadership team, a new Chief Executive Officer (CEO) and a new Chief Operating Officer. Subsequently a thorough review was initiated of the Company, which led to the voluntary suspension of the Company's Air Operating Certificate (AOC) to allow for the significant planned changes. After successfully restructuring the business and an audit by the UK CAA, the Company's AOC was reinstated.

In April 2020 the Company relaunched its operations, which coincided with the Covid-19 outbreak and the need for immediate capacity to transport vital cargo to fight Covid-19. A large share of its capacity was made available to the UK Government in an effort to support the country with urgently needed medical supplies which included medical masks, test kits, medical gloves, gowns and other PPE supplies.

Following the initial Covid-19 related flights, the Company transitioned into a more regular pattern operating long terms charter programs for global forwarders. This was as a direct result of the reduced passenger belly capacity, subsequently, in partnership with another global cargo airline, scheduled services were launched between UK/Europe and the US. Management expects that humanitarian operations for the healthcare sector will be one of the key business priorities for the Company moving forwards.

Given the increase in demand for the Company's services in 2020, it was not necessary to furlough any employees, however, management considered different options to reduce flight costs and overhead costs to improve the operating costs of the organisation.

The Directors of the Company and the CEO continue to monitor and review cash flow forecasts and will take any necessary actions to ensure continuation of the Company's improved financial position.

#### **Future developments**

The Company continues to invest in personnel development and maintaining the highest ethical and operational standards and these remain the Company's core competitive advantage.

As part of its strategy focused on the development of global humanitarian responses, the Company will continue to develop its relationships with the healthcare sector and its stakeholders. This will allow it to react and provide the best service possible in the eventuality of future natural disasters and epidemics.

To support its ethical stance, the Company seeks to avoid all business related to war in favour of humanitarian related opportunities.

The top financial priority for 2021 has been to repay group debt and commence repayment of group loans to make the Company debt free by the end of 2021.

The Company will continue to build its own brand identity, leveraging its unique position as the only UK-based all-cargo airline operating wide-body freight aircraft. This will help it to continue to develop strong customer relationships underpinned by a route network that is focused on serving and meeting the needs of UK exports and imports.

The Company will develop its commercial offering by building on its charter operations by adding a scheduled service supporting China. This will lay the foundation for further growth in the future. The Company will revisit its fleet sizing to ensure that any upside in market demand can be satisfied. Additionally, the Company seeks to ensure economies of scale are optimised leading to increased profitability.

## **CARGOLOGICAIR LTD**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

In line with this strategy, the Company anticipates that it will continue to expand its network and strengthen operational delivery and commercial capabilities to better serve its global customer base and that, consequently, its aircraft utilisation and revenues will continue to grow.

The Company currently serves the transatlantic market which has seen significant reduction in capacity due to the decline in passenger operations. This has been an opportunity on which the Company has capitalised in 2020 and management only expect capacity to re-balance by the end of 2022 at the earliest.

Additionally, the Company will build on a UK network, launching premium non-stop main-deck services to key UK export and import markets including China.

The Company will build a UK centric network to raise the cost of entry for competitors and will continue to build on its relationship with the UK Department For Transport (DFT) to promote UK bilateral initiatives.

Strategic partnerships and interline network capabilities will be developed with a belly carrier. This will enable lower deck connectivity ex LHR (Heathrow) with a focus on locations such as South America and Africa.

Enhanced handling capabilities at LHR will be developed with a focus on e-commerce and pharma opportunities.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors of the Company have identified the principle risks facing the Company as competitive, legislative and economic.

##### **Competitive risks**

To address competitive risks, the Company reduced its fleet from 4 to 3 aircraft then down to 2 at the start of 2020. This helped the Company to right-size its business and to focus on building a more differentiated product.

However, with an increase in demand for business, the Company's growth ambitions have been reconsidered and the Company is now keen to develop its unique and oversize capabilities. These initiatives, on the back of its B747F fleet which occupies a niche that cannot readily be substituted by belly or other smaller all cargo aircraft, should provide the Company with resilience to address future competitive risk.

##### **Legislative risks**

The Company considers that primary legislative risks relate to potential disruptions of EU market access and traffic rights currently enshrined in the European Open Skies agreements. The Company believes that inter-governmental dialogue will continue and is engaged on a bilateral basis.

The Company has mitigated risk brought about by Brexit by reconfiguring its flight program. With Freedoms of the Air No 3 and 4 granted, the Company has introduced UK legs to address the lack of Freedom 5 to depart from EU countries.

The Company has engaged with government and trade bodies to continually evaluate Brexit related risks and has put in place appropriate actions where risks can be actively mitigated.

The Chief Governance Officer monitors legislation, compliance requirements and regulatory standards to better mitigate business risks and to ensure that all legislative matters that arise are well understood by the Directors and management. The Chief Governance Officer also ensures that relevant structures and processes are implemented in a way that compliance becomes entrenched in regular business processes.

##### **Economic conditions**

The Company's business can also be affected by macro-economic uncertainty outside of its control, such as a weakening customer market, environmental risks or inflationary pressure. The Company monitors the commercial environment and financial health of its customers on an ongoing basis and will respond to any adverse changes in their, or its, outlook accordingly.

## CARGOLOGICAIR LTD

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

As the Company generates most of its revenues in US dollars, a material devaluation of the British Pound could be absorbed. In addition, with commitments from global customers and a diversified route network that extends beyond the UK and the EU, the Company believes that its short-term exposure is limited. Should a more sustained, global shock come about, the Company will re-evaluate appropriate mitigating actions.

#### FINANCIAL KEY PERFORMANCE INDICATORS

	<u>2020</u>	<u>2019</u>
Block hours	5,165	14,055
Aircraft	2	4
Utilisation (Block hours/ aircraft/ month)	215	293

The Company maintained operations in 2020 with two aircraft with an intensified plan to increase utilisation block hours per aircraft. Following limited flying in the first quarter of 2020 due to voluntary grounding of aircraft, utilisation increased dramatically from April based on China PPE shipments. In the second half of 2020 trading resumed to stable levels peaking in December 2020 at 399 hours per aircraft.

	<u>2020</u>	<u>2019</u>
	\$	\$
Cargo revenue	143,808,613	149,209,561
Leasing revenue	3,388,862	7,965,919
Other revenue	<u>1,712,595</u>	<u>1,998,695</u>
	148,910,070	159,174,175

Cargo revenues remained exceptionally strong in 2020 due to the overall market situation and demand, whilst also driven by non-commercial air-cargo such as PPE shipments to the UK.

Leasing revenue decreased following the sale of engines to Volga-Dnepr Airlines (Ireland) Limited in February 2020.

#### SECTION 172 STATEMENT

The Directors work to promote the success of the Company for the benefit of its members and stakeholders according to the provisions set out in Section 172 of the Companies Act 2006. The following disclosures describe how the Directors have addressed the provisions set out in section 172(1)(a) to (f) and form the Directors' statement required under section 414CZA of The Companies Act 2006.

##### Culture

The Directors lead the Company's management in order to achieve overall effectiveness in the Company's business. The Directors demonstrate objective judgement, promote a culture of openness and debate and facilitate effective contributions by the management team. The Company seeks to ensure the alignment of the Company's purpose, values and strategy with the culture of openness, debate and integrity through ongoing dialogue and engagement with the interested parties. The culture of the Company's leadership is considered as part of the annual performance evaluation process.

##### Stakeholder engagement

The Company recognises the importance of maintaining strong relationships with its stakeholders and continues seeking to generate sustainable profits for shareholders having regard to a number of broader matters including the likely consequence of decisions in the long term. This also includes active dialogue and transparency with all its stakeholders.

The Directors consider the Company's key stakeholders to be its parent Company, employees, customers, vendors, local community and the UK CAA. The Company seeks to understand the respective interests of each stakeholder groups so that these may be properly considered in the Board's decisions. The Company does this

## **CARGOLOGICAIR LTD**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

through various methods including direct engagement by the Directors and leadership team; receiving reports and updates from members of management; and coverage in the Board resolutions of relevant stakeholder interests with regard to proposed courses of action.

In 2020 the Company engaged with stakeholders on a range of topics including the Company performance against its strategy and budget, governance and executive remuneration.

The Directors receive regular information through reports from the Company's management team and other non-executive. Directors who have direct dialogue with shareholders. The interests of the stakeholders were considered as part of the Board's decisions throughout the year.

#### **Parent Company**

The parent is Cargo Logic Holding Limited.

The ultimate controlling party is Mr Alexey Isaykin, the majority shareholder of CargoLogicAir Ltd and a Director of the Company.

In 2020 the Company engaged with the shareholder on a range of topics including the Company performance against its strategy and budget, governance and executive remuneration.

The shareholder receives regular information through reports from the Company's CEO and Directors. The interests of the shareholder were considered as part of the Board's decisions throughout the year.

#### **Employees**

In 2020 the Board continued to promote engagement with its global workforce, with the aim to drive more effective employee engagement. During 2020, the following workforce engagement mechanisms were in place:

- Employees were kept informed of performance and strategy through regular presentations and updates from the CEO and Directors;
- The CEO and Directors attend meetings with employees that allows effective engagement and open discussion on the key business issues, policies and the working environment in different parts of the business, with actions agreed on issues raised;
- The HR department attends certain meetings of the Company and its Directors to brief on employee-related matters, including workforce demographics, engagement activities, staff retention rates, diversity, numbers and nature of whistleblowing, disciplinary and grievance procedures, learning and development activity, pay and reward and HR initiatives.

The Company considers that, taken together, these arrangements deliver an effective means of ensuring the CEO and Directors stay alert to the views of the workforce. Regarding health and safety, during the year the CEO and Directors received a regular update on safety performance and safety risk management.

From April, all Head Office staff not needing to be in the office moved to a home working environment. With the existing IT infrastructure in place supporting internet phone calls and Teams meetings, the Company was able to balance continuation of operations with employee safety.

#### **Communities and the environment**

The Company values its relationship with local communities and the environment and understands that it's business has an environment impact. As such, the Company engages with the International Civil Aviation Organization (ICAO) in progressing towards the implementation of a worldwide emissions regulations scheme based on that which the EU introduced three years ago. Future fleet decisions will be made after closely considering their environmental impact.

The Directors have ensured that the aircraft utilised by the Company are already compliant with the current EU scheme. For the future, the Company remains ready to deal with the implementation of the modified EU scheme and is ready to comply with the addition of a UK scheme and any future worldwide arrangements.

## **CARGOLOGICAIR LTD**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **Customers, Suppliers and Others**

Throughout the year the Directors were briefed on major contract renegotiations and strategy relating to key customers and suppliers. This included freight forwarding services and with the landlord of the Company's premises.

The Directors seek to balance the benefits of maintaining strong partnering relationships with key customers and suppliers with the need to obtain value in the best interest of our shareholders.

With regard to its lessors, the Company maintains regular dialogue and has sought to discharge all financial responsibilities in a timely manner.

The Company has key relationships with group companies such as AirBridgeCargo and Volga-Dnepr Airlines who support the Company in various business transactions. Whilst the Company is working to move as many contracts as possible under its own remit, where this is not possible, the Company will work with group companies to procure goods and services to leverage group purchasing economies.

The Company has actively honoured supplier payment plans to ensure that the Company discharges its financial responsibilities. This has had the impact of maintaining the reputation of the Company as a reliable business partner.

#### **CAA**

The Company is regulated by the UK Civil Aviation Authority (CAA) and which requires the Company to demonstrate high operational, financial and safety standards. The Company engages with the CAA through regular audits and meetings between the Company's Postholders and CAA representatives. The CAA also has access to the Company's all-encompassing operational management system to ensure full regulatory compliance.

#### **Streamlined Energy and Carbon Reporting**

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019 requiring companies to make disclosures on energy use and carbon emissions.

The table below represents the Company's energy for the year ended 31 December 2020

		<b>2020</b>
Total UK energy use	MWh	147,588
CO2 emissions, fuel CO2	tCO2	36,197
Emissions, electricity	tCO2	15.54
Intensity ratio	tCO2/flight hour	56.85

The SECR submission has been compiled using the HM Government Environmental Reporting Guidelines. CO2 emissions have been calculated using the 2020 UK Emissions Trading Scheme (ETS) factor which is 3.15 for the Company reporting.

Energy efficiency is always the one of the priorities for the Company. The Company took the following actions to reduce energy use: installing smart meters and other energy monitoring tools; implementing behaviour change initiatives for employees to reduce less energy and promoting the regular check of heating and air equipment.

#### **Principal decisions**

On 26 February 2020, to improve cash flow, the Company sold 5 D-18T engines to Volga-Dnepr Airlines (Ireland) Limited for \$13,673,000.

On 30 April 2020 the unsecured loan facilities of \$4,800,000 and \$4,000,000 from Mr A Isaykin, together with the accumulated interest, were assigned to Volga-Dnepr Gulf (UAE) FZC.



**CARGOLOGICAIR LTD**

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

Key strategic and operational decisions of the Company were taken by the Directors with regards to the service offering. In 2020, charter operations formed the backbone of the business. This enabled the Company to relaunch operations based on PPE shipments from China. This developed into a commercial charter operation for the second half of the year.

This Report was approved by the Board and signed on its behalf.

  
**N Sultan**  
Chief Executive Officer

Date: 21 October 2021

## **CARGOLOGICAIR LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their report and the financial statements for the year ended 31 December 2020.

The financial risk management objectives and the exposure to financial risks and future developments are disclosed in the Economic Risks section of the Strategic Report, in accordance with Section 414C (11) of the Companies Act 2006.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to \$45,430,411 (2019 - loss \$39,728,620).

The Directors have not recommended that a dividend be paid.

#### **DIRECTORS**

The Directors who served during the year were:

A Isaykin  
K Vekshin

#### **POST BALANCE SHEET EVENTS**

There have been no significant post balance sheet events felt necessary to disclose.

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

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 auditor is 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 auditor is aware of that information.

#### **GOING CONCERN**

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the business review, future developments and principal risks and uncertainties sections in the Strategic Report on pages 1 to 3..

At 31 December 2020 the Company's cash position was \$16,827,845 and it had net current assets of \$12,101,422 and net assets of \$3,370,246.

The Directors have prepared cash flow forecasts for the period to 31 October 2022, including consideration of the impact of Covid-19 on the business, which indicates that the Directors have a reasonable expectation that the Company will have adequate resources to meet its liabilities as they fall due.

During the Covid-19 outbreak, the Company experienced an increase in demand for transportation of vital cargo to fight Covid-19 which resulted in an increase in revenue and profit in the year ended 31 December 2020. This resulted in an improvement in the Company's cash balances and financial position compared with the 31 December 2019 balance sheet date.

The Directors have also considered the sensitivity to changes in the assumptions used in preparing the updated cash flow forecasts and the commitment of financial support from the parent company if the actual cash flows reduced to the extent that this financial support was required.

## **CARGOLOGICAIR LTD**

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

Volga-Dnepr Logistics B.V. has agreed to provide financial support to ensure continuation as a going concern. The Directors of the Company have made appropriate enquiries of the Directors of Volga-Dnepr Logistics B.V. to confirm they are satisfied that Volga-Dnepr Logistics B.V. has sufficient cash funds and loan facilities such that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis.

#### **DIRECTOR QUALIFYING THIRD PARTY INDEMNITY PROVISION**

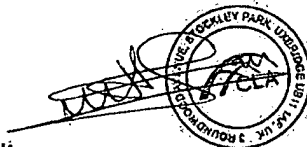
The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought about by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

#### **AUDITOR**

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

This report was approved by the Board on 21 October 2021

and signed on its behalf.

A handwritten signature in black ink is written over a circular corporate seal. The seal contains the text "CARGOLOGICAIR LTD" around the perimeter and "ROCKLEY PARK, UDDINGHAM, LANCASHIRE, ENGLAND" in the center.

**N Sultan**  
Chief Executive Officer

## **CARGOLOGICAIR LTD**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors are responsible for preparing the Strategic Report, 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 judgements 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;
- 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.

## **CARGOLOGICAIR LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARGOLOGICAIR LTD**

#### **OPINION**

We have audited the financial statements of CargoLogicAir Ltd (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### **CONCLUSIONS RELATING TO GOING CONCERN**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **CARGOLOGICAIR LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARGOLOGICAIR LTD (CONTINUED)**

#### **OTHER INFORMATION**

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

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

We have nothing to report in this regard.

#### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

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

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

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **CARGOLOGICAIR LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARGOLOGICAIR LTD (CONTINUED)**

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### **EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation, those laws and regulations relating to health and safety, employee matters and specific regulations as set out by the Civil Aviation Authority.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, legal counsel and internal audit; and journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business.

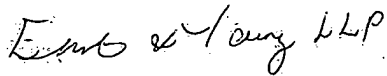
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

## CARGOLOGICAIR LTD

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARGOLOGICAIR LTD (CONTINUED)

#### USE OF OUR REPORT

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

Handwritten signature of JI Gordon in cursive script.

JI Gordon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

Date: 21 October 2021



**CARGOLOGICAIR LTD**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$	2019 \$
Turnover	4	148,910,070	159,174,175
Cost of sales		(85,598,336)	(160,859,084)
<b>Gross profit/(loss)</b>		<u>63,311,734</u>	<u>(1,684,909)</u>
Administrative expenses		(21,632,875)	(37,504,180)
<b>Operating profit/(loss)</b>	5	41,678,859	(39,189,089)
Interest receivable and similar income	9	3,432	60,983
Interest payable and similar expenses	10	(489,020)	(600,514)
<b>Profit/(loss) before tax</b>		<u>41,193,271</u>	<u>(39,728,620)</u>
Tax on profit/(loss)	11	4,237,140	-
<b>Profit/(loss) for the financial year</b>		<u><u>45,430,411</u></u>	<u><u>(39,728,620)</u></u>

There was no other comprehensive income for 2020 (2019: \$NIL).

The notes on pages 18 to 32 form part of these financial statements.

**CARGOLOGICAIR LTD**  
**REGISTERED NUMBER: 09468908**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

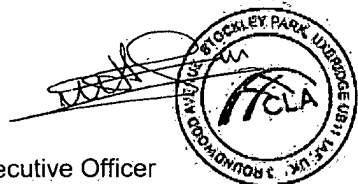
	Note	2020 \$	2019 \$
<b>Fixed assets</b>			
Tangible assets	12	5,105,813	16,589,112
<b>Current assets</b>			
Stocks	13	1,503,902	-
Debtors: amounts falling due after more than one year	14	5,885,894	5,800,000
Debtors: amounts falling due within one year	14	19,334,322	96,981,640
Cash at bank and in hand		16,827,845	659,306
		<u>43,551,963</u>	<u>103,440,946</u>
Creditors: amounts falling due within one year	15	(31,450,541)	(161,804,887)
<b>Net current assets/(liabilities)</b>		<u>12,101,422</u>	<u>(58,363,941)</u>
<b>Total assets less current liabilities</b>		<u>17,207,235</u>	<u>(41,774,829)</u>
Creditors: amounts falling due after more than one year	16	(10,701,337)	(285,336)
<b>Provisions for liabilities</b>			
Other provisions	18	(3,135,652)	-
		<u>(3,135,652)</u>	<u>-</u>
<b>Net assets/(liabilities)</b>		<u><u>3,370,246</u></u>	<u><u>(42,060,165)</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	1,679,442	1,679,442
Share premium account	20	21,269,641	21,269,641
Profit and loss account	20	(19,578,837)	(65,009,248)
		<u><u>3,370,246</u></u>	<u><u>(42,060,165)</u></u>

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

**N Sultan**  
Chief Executive Officer

Date: 21 October, 2021

The notes on pages 18 to 32 form part of these financial statements.



**CARGOLOGICAIR LTD**

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2020	1,679,442	21,269,641	(65,009,248)	(42,060,165)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>				
Profit for the year	-	-	45,430,411	45,430,411
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	45,430,411	45,430,411
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 December 2020</b>	<u>1,679,442</u>	<u>21,269,641</u>	<u>(19,578,837)</u>	<u>3,370,246</u>

The notes on pages 18 to 32 form part of these financial statements.

**CARGOLOGICAIR LTD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2019	1,679,442	21,269,641	(25,280,628)	(2,331,545)
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>				
Loss for the year	-	-	(39,728,620)	(39,728,620)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	-	-	(39,728,620)	(39,728,620)
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 December 2019</b>	<u>1,679,442</u>	<u>21,269,641</u>	<u>(65,009,248)</u>	<u>(42,060,165)</u>

The notes on pages 18 to 32 form part of these financial statements.

## **CARGOLOGICAIR LTD**

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

#### **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 3 Roundwood Avenue, Stockley Park, Uxbridge, UB11 1AF.

The financial statements of CargoLogicAir Ltd (the 'Company') for the year ended 31 December 2020 were authorised for issue by the board of Directors on 21 October 2021 and the statement of financial position was signed on the board's behalf by Mr Nadeem Sultan.

These financial statements were prepared in accordance with Financial Reporting Standard 102.

The Company's financial statements are presented in US Dollars, which is the functional currency of the Company.

The principal accounting policies adopted by the Company are set out in Note 2.

#### **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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS**

The Company has taken the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Cargo Logic Holding Limited as at 31 December 2020 and these financial statements may be obtained from Companies House.

## **CARGOLOGICAIR LTD**

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

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.3 GOING CONCERN**

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the business review, future developments and principal risks and uncertainties sections in the Strategic Report on pages 1 and 2.

At 31 December 2020 the Company's cash position was \$16,827,845 and it had net current assets of \$12,101,422 and net assets of \$3,370,246.

The Directors have prepared cash flow forecasts for the period to 31 October 2022, including consideration of the impact of Covid-19 on the business, which indicates that the Directors have a reasonable expectation that the Company will have adequate resources to meet its liabilities as they fall due.

During the Covid-19 outbreak, the Company has experienced an increase in demand for transportation of vital cargo to fight Covid-19 which resulted in an increase in revenue and profit in the year ended 31 December 2020. This resulted in an improvement in the Company's cash balances and financial position compared with the 31 December 2019 balance sheet date.

The Directors have also considered the sensitivity to changes in the assumptions used in preparing the updated cash flow forecasts and the commitment of financial support from the parent company if the actual cash flows reduced to the extent that this financial support was required.

Volga-Dnepr Logistics B.V. has agreed to provide financial support to ensure continuation as a going concern. The Directors of the Company have made appropriate enquiries of the Directors of Volga-Dnepr Logistics B.V. to confirm they are satisfied that Volga-Dnepr Logistics B.V. has sufficient cash funds and loan facilities such that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis.

### **2.4 REVENUE**

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. The following criteria must also be met before revenue is recognised:

#### **Revenue streams**

The Company has three revenue streams: Cargo revenue, leasing revenue and other revenue consisting of commissions together with supplementary charges.

Cargo revenue is recognised when the transportation service is provided. This is normally the delivery of cargo for scheduled and charter operations, or the provision of wet lease services on a flight-hour basis for Aircraft, Crew, Maintenance and Insurance (ACMI). Where minimum flight-hour or blocked-space tonnage thresholds under relevant contracts are not met, the Company recognises the contractually committed minimum revenues.

The Company owned engines which were leased until their sale on 26 February 2020. Income from engine leases is recognised monthly during the term of the lease. Lease income is a fixed amount per engine per month.

Commissions are recognised when the transportation services are provided, supplementary income is recognised when the service is performed.

## **CARGOLOGICAIR LTD**

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

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.5 TANGIBLE FIXED ASSETS**

Tangible fixed assets 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 profit or loss.

Spare parts relating to aircraft 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 Statement of Comprehensive Income.

### **2.6 IMPAIRMENT OF FIXED ASSETS AND GOODWILL**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### **2.7 STOCK**

Spare parts not expected to be consumed over a period greater than 12 months are classified as stocks. Stock is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the weighted average purchase cost of the spare parts. At each reporting date, stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately.

### **2.8 DEBTORS**

Short term debtors are measured at transaction price, less any impairment.

## **CARGOLOGICAIR LTD**

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

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.9 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.

### **2.10 FINANCIAL INSTRUMENTS**

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

### **2.11 LIABILITIES**

#### **a. Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

#### **b. Loans payable**

Loans are initially recognised at fair value, net of transactions costs incurred. Loans are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. Loans are classified as creditors: amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

### **2.12 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'interest receivable or payable'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.



## **CARGOLOGICAIR LTD**

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

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.13 INTEREST PAYABLE**

Interest payable is charged to profit or loss 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.

##### **2.14 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 Statement of Comprehensive Income on a straight line basis over the lease term. The Directors consider the current aircraft leases to be operating leases.

The Company 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.

The leases also require the Company 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.

##### **2.15 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 profit or loss 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.

##### **2.16 PROVISIONS FOR LIABILITIES**

Provisions are recognised when the Company has a present obligation (legal or constructive) because of a past event it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the increase in the provision due to unwinding the provision is recognised as a finance cost.

## **CARGOLOGICAIR LTD**

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

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.17 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. 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 is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

## **3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

#### *Aircraft maintenance*

There is a contractual commitment to either return the aircraft in a certain condition or compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In addition, there is a commitment to maintain aircraft during the term of the lease. Both these elements involve the use of estimates to determine the amount of provisions to be recorded and the respective periods over which such amounts are charged to the Statement of Comprehensive Income.

#### *Operating lease commitments*

The Company has entered into property and equipment leases as a lessee and a lessor. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

# CARGOLOGICAIR LTD

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

### 4. TURNOVER

An analysis of turnover by class of business is as follows:

	2020 \$	2019 \$
Cargo revenue	143,808,613	149,209,561
Leasing revenue	3,388,862	7,965,919
Other revenue	1,712,595	1,998,695
	<u>148,910,070</u>	<u>159,174,175</u>

Analysis of turnover by country of destination:

	2020 \$	2019 \$
United Kingdom	24,816,432	7,877,355
Rest of Europe	31,833,580	35,664,863
Rest of the world	92,260,058	115,631,957
	<u>148,910,070</u>	<u>159,174,175</u>

### 5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2020 \$	2019 \$
Depreciation of tangible fixed assets	339,931	1,464,395
Exchange differences	584,718	(36,098)
Operating lease rentals	<u>30,911,711</u>	<u>40,347,891</u>

**CARGOLOGICAIR LTD**

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

**6. AUDITOR'S REMUNERATION**

	2020 \$	2019 \$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	71,000	87,000

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**7. EMPLOYEES**

Staff costs, including Directors' remuneration, were as follows:

	2020 \$	2019 \$
Wages and salaries	13,089,518	22,018,068
Social security costs	1,675,684	2,837,283
Cost of defined contribution scheme	677,050	933,868
	<u>15,442,252</u>	<u>25,789,219</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Administration	74	108
Aircrew	73	110
	<u>147</u>	<u>218</u>

**8. DIRECTORS' REMUNERATION**

	2020 \$	2019 \$
Directors' emoluments	214,161	145,784

The highest paid Director received remuneration of \$139,339 (2019 - \$145,784).

**9. INTEREST RECEIVABLE**

	2020 \$	2019 \$
Bank interest receivable	3,432	60,983

**CARGOLOGICAIR LTD**

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

**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020 \$	2019 \$
Other interest payable	53,324	85,606
Interest payable on loans from related parties	435,696	514,908
	<u>489,020</u>	<u>600,514</u>

**11. TAXATION**

	2020 \$	2019 \$
<b>Corporation tax</b>		
Current tax on profits for the year	3,572,253	-
<b>Total current tax</b>	<u>3,572,253</u>	<u>-</u>
<b>Deferred tax</b>		
Recognition of tax losses carried forward	(7,809,393)	-
<b>Total deferred tax</b>	<u>(7,809,393)</u>	<u>-</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>(4,237,140)</u>	<u>-</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 \$	2019 \$
Profit/(loss) on ordinary activities before tax	41,193,271	(39,728,620)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	7,826,721	(7,548,438)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	530,681	70,898
Utilisation of tax losses	(4,785,149)	-
Recognition of deferred tax asset for carried forward tax losses	(7,809,393)	-
Unrelieved tax losses carried forward	-	7,416,395
Unrecognised deferred tax on non-taxable interest	-	61,145
<b>Total tax charge for the year</b>	<u>(4,237,140)</u>	<u>-</u>

# CARGOLOGICAIR LTD

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

### 11. TAXATION (CONTINUED)

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has tax losses arising in the UK of \$41,102,070 that are available indefinitely for offset against future taxable profits.

In March 2021, the Chancellor announced that the UK corporation tax rate would increase to 25% in 2023. The deferred tax asset is calculated at the enacted rate of 19% in the balance sheet as at 31 December 2020.

### 12. TANGIBLE FIXED ASSETS

	Aircraft improvements \$	Engines \$	Office equipment \$	Spare parts \$	Total \$
<b>Cost or valuation</b>					
At 1 January 2020	1,010,357	15,034,559	628,631	4,378,805	21,052,352
Additions	1,921,837	-	4,715	1,163,498	3,090,050
Disposals	-	(15,034,559)	(22,696)	(119,485)	(15,176,740)
Reclassification to stock	-	-	-	(1,802,526)	(1,802,526)
At 31 December 2020	2,932,194	-	610,650	3,620,292	7,163,136
<b>Depreciation</b>					
At 1 January 2020	360,040	3,621,494	481,706	-	4,463,240
Charge for the year on owned assets	220,803	-	119,128	-	339,931
Disposals	-	(3,621,494)	(22,696)	-	(3,644,190)
Impairment charge	-	-	-	898,342	898,342
At 31 December 2020	580,843	-	578,138	898,342	2,057,323
<b>Net book value</b>					
At 31 December 2020	2,351,351	-	32,512	2,721,950	5,105,813
At 31 December 2019	650,317	11,413,065	146,925	4,378,805	16,589,112

The Company recommenced flying in April 2020 with a reduced fleet of two aircraft. The Company performed an comprehensive assessment of inventory and identified items that would be expected to be consumed within one year, these items have been reclassified from fixed assets to stock.

# CARGOLOGICAIR LTD

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

### 13. STOCK

	2020	2019
	\$	\$
Consumables	1,503,902	-

The impairment loss recognised in the Statement of Comprehensive Income is \$376,392 (2019 - £Nil).

### 14. DEBTORS

	2020	2019
	\$	\$
<b>Due after more than one year</b>		
Other debtors	3,000,000	5,800,000
Deferred tax asset	2,885,894	-
	<u>5,885,894</u>	<u>5,800,000</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 recoverable at the end of the lease on 1 September 2024.

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. As part of the contract terms the Company paid an aircraft security deposit of \$1,200,000. On 14 February 2020, the lease was novated. On 23 November 2020 the Company paid an additional security deposit of \$1,000,000. The deposit less a contractual deduction of \$200,000 is recoverable at the end of the lease on 21 April 2027.

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. As part of the contract terms the Company paid an aircraft security deposit of \$3,600,000. The security deposit was recovered on the return of the aircraft in January 2020.

	2020	2019
	\$	\$
<b>Due within one year</b>		
Trade debtors	2,109,842	6,941,102
Amounts owed by related parties	8,800,221	81,767,374
Other debtors	1,812,708	1,085,362
Prepayments and accrued income	1,688,052	7,187,802
Deferred taxation	4,923,499	-
	<u>19,334,322</u>	<u>96,981,640</u>

# CARGOLOGICAIR LTD

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

### 15. CREDITORS: Amounts falling due within one year

	2020 \$	2019 \$
Trade creditors	1,860,372	18,421,182
Amounts owed to related parties	20,806,504	130,346,319
Corporation tax	310,183	-
Other taxation and social security	456,371	1,876,696
Other creditors	151,768	7,488
Accruals and deferred income	7,865,343	11,153,202
	<u>31,450,541</u>	<u>161,804,887</u>

On 28 January 2016, the Company entered into a US Dollar unsecured loan facility of \$250,000 with Volga Dnepr Gulf, a company controlled by Mr A Isaykin. The loan facility matures on 1 February 2021 and bears interest at a rate of 3.60% per annum. The interest is repayable on maturity of the facility. This loan together with trading balances are included within amounts owed to related parties.

The Company has drawn down \$250,000 (2019: \$250,000) of the loan facilities and accrued interest payable of \$44,336 (2019: \$35,336).

### 16. CREDITORS: Amounts falling due after more than one year

	2020 \$	2019 \$
Amounts owed to related parties	<u>10,701,337</u>	<u>285,336</u>

On 30 April 2020 the unsecured loan facilities of \$4,800,000 and \$4,000,000 from Mr A Isaykin included in amounts falling due within one year at 31 December 2019, together with the accumulated interest, were assigned to Volga-Dnepr Gulf (UAE) FZC. The loans mature on 1 February 2024 and bear interest at a rate of 4.35% per annum with the interest being repayable on maturity. The accumulated interest payable at 31 December 2020 was \$1,901,337.

### 17. DEFERRED TAXATION

	2020 \$
Charged to profit or loss	7,809,393
<b>At end of year</b>	<u><u>7,809,393</u></u>



# CARGOLOGICAIR LTD

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

### 17. DEFERRED TAXATION (CONTINUED)

The deferred tax asset is made up as follows:

	2020 \$	2019 \$
Tax losses carried forward	7,809,393	-

### 18. PROVISIONS

	Maintenance of aircraft \$
Charged to profit or loss	974,645
Reclassification from accruals	3,081,007
Utilised in year	(920,000)
<b>At 31 December 2020</b>	<b>3,135,652</b>

During the year the Company conducted a comprehensive review of its long term contractual obligations under aircraft leases. These contractual obligations have been reclassified as provisions for liabilities as the timing and estimation of the value of these obligations are uncertain.

### 19. SHARE CAPITAL

	2020 \$	2019 \$
<b>Allotted, called up and fully paid</b>		
1,679,442 (2019 - 1,679,442) Ordinary shares of £1 each	1,679,442	1,679,442

### 20. RESERVES

#### Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

#### Profit and loss account

This reserve represents accumulated comprehensive income of the period less any dividends paid.

## CARGOLOGICAIR LTD

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

#### 21. RELATED PARTY TRANSACTIONS

The Company has traded with related parties during the year as follows:

Sales to related party companies controlled by Mr A Isaykin, totalled \$30,751,389 (2019: \$100,765,389).

Purchases from related party companies controlled by Mr A Isaykin, totalled \$53,700,749 (2019: \$98,736,111).

Amounts, in respect of trading activities, owed to related parties, controlled by Mr A Isaykin, at the year end totalled \$20,512,069 (2019: \$117,502,667). Amounts, in respect of trading activities, owed by related controlled by Mr A Isaykin, at the year end totalled \$8,447,843 (2019: \$80,953,428).

Total loans due to related parties at the year end totalled \$10,995,673 (2019: \$13,139,855). Refer to Notes 15 and 16 for further details.

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 an 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 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.

#### 22. 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 \$677,050 (2019: \$933,868). There were no unpaid pension contributions at 31 December 2020 (2019: \$NIL).

#### 23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 \$	2019 \$
<b>Leasehold property</b>		
Not later than 1 year	-	9,877
	<u>-</u>	<u>9,877</u>

# CARGOLOGICAIR LTD

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

	2020 \$	2019 \$
<b>Aircraft</b>		
Not later than 1 year	8,487,741	29,543,146
Later than 1 year and not later than 5 years	29,740,081	83,895,898
Later than 5 years	6,280,000	79,338,082
	<u>44,507,822</u>	<u>192,777,126</u>
	2020 \$	2019 \$
<b>Vehicles</b>		
Not later than 1 year	-	1,430
Later than 1 year and not later than 5 years	-	-
	<u>-</u>	<u>1,430</u>

### 24. 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.