

**GAL MSN 41027 LIMITED**  
**Annual report and financial statements**  
**Registered number: 09320708**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

41027

09320708



## **GAL MSN 41027 LIMITED**

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## **GAL MSN 41027 LIMITED**

### **Directors and Other Information**

|                                |                                                                                                                     |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>               | Charles M Leahy<br>MaplesFS UK Corporate Director No.1 Limited<br>MaplesFS UK Corporate Director No.2 Limited       |
| <b>Company secretary</b>       | Maples Fiduciary Services (UK) Limited<br>11th Floor<br>200 Aldersgate Street, London, EC1A 4HD<br>United Kingdom   |
| <b>Registered number</b>       | 09320708                                                                                                            |
| <b>Registered office</b>       | 11th Floor<br>200 Aldersgate Street, London, EC1A 4HD<br>United Kingdom                                             |
| <b>Independent auditor</b>     | KPMG<br>Chartered Accountants<br>1 Harbourmaster Place<br>IFSC, Dublin 1<br>Ireland                                 |
| <b>Bankers</b>                 | Citibank Europe Plc<br>1 North Wall Quay<br>Dublin 1<br>Ireland                                                     |
| <b>Solicitors</b>              | Clifford Chance<br>10 Upper Bank Street<br>London E14 5JJ<br>United Kingdom                                         |
| <b>Corporate administrator</b> | Maples Fiduciary Services (UK) Limited<br>11th Floor<br>200 Aldersgate Street<br>London, EC1A 4HD<br>United Kingdom |
| <b>Lease manager</b>           | Goshawk Management Limited<br>32 Molesworth Street<br>Dublin 2<br>Ireland                                           |

## **GAL MSN 41027 LIMITED**

### **DIRECTORS' REPORT AND STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their annual report and the audited financial statements of GAL MSN 41027 Limited (the "Company") for the year ended 31 December 2021.

#### **Principal Activities, Business Review and Future Developments**

The Company was incorporated in England on 20 November 2014 as a special purpose company whose principal activities are purchasing, leasing and disposal of jet aircraft. The Directors expect these activities to continue for the foreseeable future and will continue to review and seek business opportunities for the Company. The Company is operated and managed as a single operating segment.

In 2020, the Company sold its aircraft to a related party.

#### **Principal Risks and Uncertainties**

The Company, in the course of its business activities, is exposed to asset, market, credit, liquidity, operational, geopolitical, economic and climate risk. The key risks facing the Company and the manner in which these risks have been dealt with are disclosed in the consolidated financial statements of Goshawk Aviation Limited ("GAL") (whose accounts consolidate the accounts of the Company). The Board of Directors ensures that risks are identified and managed in accordance with the objectives of the Company.

#### **Going Concern**

The unpredictable course of the COVID-19 pandemic and the Russia-Ukraine war exposes the outlook for the economic environment the Group operates in to a degree of uncertainty.

The COVID-19 virus is considered a fading risk to the ongoing global recovery in 2022. With continued significant government and central bank support globally, coupled with the ongoing roll out of vaccine and further vaccine booster programmes planned in 2022 the market expectation is that governments are unlikely to reintroduce wide-ranging mobility restrictions in 2022. As a result, it is anticipated any future waves of the virus should have less significant impacts on the economic outlook. Air travel has rebounded to pre-COVID-19 levels in several countries and continues to recover in others. There remains, nonetheless, an ongoing but fading impact from COVID-19 in economies and in the aviation sector in 2022.

The Company and its parent continue to carefully monitor developments in the Ukraine and is engaged with all relevant authorities. The Group will fully adhere to all relevant sanctions, which do not directly impact the Company as its airline customer is not based in, nor does it operate routes to, either Russia or Ukraine.

Group Companies have committed to continue to provide the Company with such financial support as is necessary to enable the Company to continue as a going concern and to meet all the liabilities as they fall due, at least for the next twelve (12) months from the date of signing of the 2021 financial statements of the Company. As a result, the financial statements of the Company are prepared on a going concern basis.

On 16 May 2022, the shareholders of the Company's ultimate Parent GAL, NWS Holdings Limited ("NWS") and Chow Tai Fook Enterprises Limited ("CTFE"), announced that NWS and CTFE had entered into a transaction agreement with SMBC Aviation Capital Limited, pursuant to which SMBC Aviation Capital Limited will purchase the GAL Group. Completion of the transaction remains subject to regulatory approvals and other customary closing conditions.

#### **Key Performance Indicators**

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

- Operating income of US\$Nil (2020: US\$6,524,059); and
- Profit before tax of US\$111,659 (2020: loss of US\$12,901,501).

## **GAL MSN 41027 LIMITED**

### **DIRECTORS' REPORT AND STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **Results for the year and Dividends**

The results of the Company for the year ended 31 December 2021 are set out in the Statement of Profit or Loss Account and Other Comprehensive Income on page 9 and in the Balance Sheet on pages 10. The profit on ordinary activities for the year before taxation amounted to US\$111,659 (2020: loss of US\$12,901,501) and after charging taxation of US\$88,187 (2020: crediting taxation of US\$1,614,990), the profit of US\$23,472 (2020: loss of US\$11,286,511) was transferred to reserves. Shareholders' equity at 31 December 2021 amounted to US\$1,810,302 (2020: US\$1,786,830). The Directors did not declare any dividends during the year (2020: US\$ Nil).

Total cash and cash equivalents at 31 December 2021 was US\$15 (2020: US\$200,184). Total assets at 31 December 2021 was US\$2,310,082 (2020: US\$2,359,159), and total liabilities was US\$499,780 (2020: US\$572,329).

#### **Directors and Secretary and their Interests**

The names of the persons who were Directors at any time during the year ended 31 December 2021 are set out below. In accordance with the Articles of Association the Directors are not required to retire by rotation.

##### **Directors**

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

##### **Secretary**

Maples Fiduciary Services (UK) Limited

##### **Interests**

The Directors and the company secretary who held office at 31 December 2021 do not have any direct or beneficial interest in the shares and debentures of the Company, or any group company at that date or during the year.

#### **Issue of Shares**

Share capital consists of 1 ordinary shares of GBP £1 (US\$2) issued on 20 November 2014 to GAL Holdco No.2 Limited.

#### **Political Contributions**

No political contributions were made by the Company during the year (2020: None).

#### **Events after the end of the Reporting Date**

On 16 May 2022, the shareholders of the Company's ultimate Parent GAL, NWS and CTFE, announced that NWS and CTFE had entered into a transaction agreement with SMBC Aviation Capital Limited, pursuant to which SMBC Aviation Capital Limited will purchase the GAL Group. Completion of the transaction remains subject to regulatory approvals and other customary closing conditions.

In May 2022, the Company received an unconditional and irrevocable equity contribution of US\$1,907,505 from GAL Holdco No.2 Limited.

There were no other events after the reporting date that would require revision of the results or financial position of the Company, or disclosure in the financial statements.

**DIRECTORS' REPORT AND STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Disclosure of information to auditors**

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

**Independent Auditor**

Pursuant to Section 485 of the Companies Act 2006, the auditor, KPMG, Chartered Accountants, will be deemed to be reappointed and will therefore continue in office. The Directors have appointed KPMG as the Company's Auditor.

This report was approved by the board on 27 September 2022 and signed on its behalf.



**Charles M Leahy  
Director**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

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

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

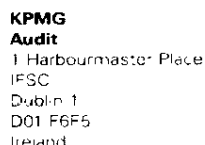
The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are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

Approved by the board and authorised for issue on 27 September 2022.



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Charles Leahy  
Director



## Report on the audit of the financial statements

We have audited the financial statements of GAL MSN 41027 Limited ('the Company') for the year ended 31 December 2021 set out on pages 9 to 28, which comprise the statement of profit or loss and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and ERS 101 Reduced Disclosure Framework.

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date 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, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.



### **Detecting irregularities including fraud**

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: *inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.*

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### **Other information**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.



### **Opinions on other matters prescribed by the Companies Act 2006**

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

### ***Matters on which we are required to report by exception***

Under the Companies Act 2006 we are required 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

We have nothing to report in these respects.

### **Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain *reasonable assurance* about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### ***The purpose of our audit work and to whom we owe our responsibilities***

Our 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.

28 September 2022

**James Gleeson**  
**for and on**  
**behalf of KPMG**  
**Chartered Accountants, Statutory Audit Firm**  
1 Harbourmaster Place  
IFSC  
Dublin 1

**GAL MSN 41027 LIMITED**

**STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

|                                                                 | <b>Note</b> | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|-----------------------------------------------------------------|-------------|----------------------|----------------------|
| Operating income                                                | 3           | -                    | 6,524,059            |
| Depreciation                                                    | 8           | -                    | (2,769,681)          |
| Net impairment on aircraft assets                               | 8           | -                    | (10,796,156)         |
| General and administration expenses                             | 4           | (99,002)             | (533,986)            |
| Other income                                                    |             | 210,661              | 1,073,412            |
| <b>Net operating income/(loss) on continuing activities</b>     |             | <b>111,659</b>       | <b>(6,502,352)</b>   |
| Finance expense                                                 | 5           | -                    | (4,087,490)          |
| Net loss on derivatives                                         | 12          | -                    | (2,312,170)          |
| Foreign exchange gain                                           |             | -                    | 511                  |
| <b>Profit/(loss) on ordinary activities before taxation</b>     |             | <b>111,659</b>       | <b>(12,901,501)</b>  |
| Taxation                                                        | 7           | (88,187)             | 1,614,990            |
| <b>Profit/(loss) on ordinary activities after taxation</b>      |             | <b>23,472</b>        | <b>(11,286,511)</b>  |
| Other comprehensive income                                      |             | -                    | -                    |
| <b>Total comprehensive income/(loss) for the financial year</b> |             | <b>23,472</b>        | <b>(11,286,511)</b>  |

The accompanying notes on pages 12 to 28 form an integral part of these financial statements. All results for the years are attributable to the owners of the Company. The above results were derived from continuing operations.

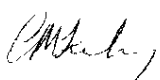
**GAL MSN 41027 LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2021**

|                                                             | Note | 2021<br>US\$     | 2020<br>US\$     |
|-------------------------------------------------------------|------|------------------|------------------|
| <b>Current assets</b>                                       |      |                  |                  |
| Other receivables                                           | 9    | 2,310,067        | 2,158,975        |
| Cash and cash equivalents                                   | 10   | 15               | 200,184          |
| <b>Total current assets</b>                                 |      | <u>2,310,082</u> | <u>2,359,159</u> |
| <b>Total assets</b>                                         |      | <u>2,310,082</u> | <u>2,359,159</u> |
| <b>Liabilities - amounts falling due within one year</b>    |      |                  |                  |
| Other liabilities                                           | 13   | 459,063          | 535,438          |
| Current tax liabilities                                     | 7    | 40,717           | 36,891           |
| <b>Total current liabilities</b>                            |      | <u>499,780</u>   | <u>572,329</u>   |
| <b>Liabilities - amounts falling due more than one year</b> |      |                  |                  |
| <b>Total liabilities</b>                                    |      | <u>499,780</u>   | <u>572,329</u>   |
| <b>Net assets</b>                                           |      | <u>1,810,302</u> | <u>1,786,830</u> |
| <b>Capital and reserves</b>                                 |      |                  |                  |
| Share capital                                               | 14   | 2                | 2                |
| Equity contributions                                        | 14   | 14,786,372       | 14,786,372       |
| Profit or loss account                                      |      | (12,976,072)     | (12,999,544)     |
| <b>Shareholders' equity</b>                                 |      | <u>1,810,302</u> | <u>1,786,830</u> |

The accompanying notes on pages 12 to 28 for an integral part of these financial statements.

Approved by the board and recognised for issue on 27 September 2022.

  
 \_\_\_\_\_  
 Charles M Leahy  
 Director

**GAL MSN 41027 LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

|                                                                       | <b>Called up<br/>share capital<br/>US\$</b> | <b>Equity<br/>contributions<br/>US\$</b> | <b>Profit or<br/>loss<br/>account<br/>US\$</b> | <b>Total equity<br/>/(deficit)<br/>US\$</b> |
|-----------------------------------------------------------------------|---------------------------------------------|------------------------------------------|------------------------------------------------|---------------------------------------------|
| <b>At 1 January 2020</b>                                              | 2                                           | -                                        | (1,713,033)                                    | (1,713,031)                                 |
| <b>Comprehensive loss for the year</b>                                |                                             |                                          |                                                |                                             |
| Loss for the year                                                     | -                                           | -                                        | (11,286,511)                                   | (11,286,511)                                |
| <b>Transactions with shareholders recorded<br/>directly in equity</b> |                                             |                                          |                                                |                                             |
| Equity contributions                                                  | -                                           | 14,786,372                               | -                                              | 14,786,372                                  |
| <b>At 1 January 2021</b>                                              | 2                                           | 14,786,372                               | (12,999,544)                                   | 1,786,830                                   |
| <b>Comprehensive income for the year</b>                              |                                             |                                          |                                                |                                             |
| Profit for the year                                                   | -                                           | -                                        | 23,472                                         | 23,472                                      |
| <b>At 31 December 2021</b>                                            | 2                                           | 14,786,372                               | (12,976,072)                                   | 1,810,302                                   |

All equity is attributable to the holders of the Company.

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

## **GAL MSN 41027 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1. General information**

GAL MSN 41027 Limited (the "Company") is a private limited company incorporated in England on 20 November 2014 as a special purpose company whose principal activities are purchasing, leasing and disposal of jet aircraft and is domiciled in the United Kingdom.

In 2020, the Company sold its aircraft to a related party.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

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

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

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

- A Cash Flow Statement and related notes;
- The effects of new standards and interpretations issued but not yet effective;
- *Disclosure of transactions with related parties under IAS 24, where such transactions are entered into between two or more members of the same Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;*
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the Company;
- Key management personnel compensation;
- Capital management disclosures under IAS 1; and
- Comparative information for certain tables as allowed under FRS 101.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.1 Basis of preparation of financial statements (continued)**

The IASB has issued a number of new and revised IFRSs that are first effective from 1 January or 1 April 2021 as follows:

- Interest rate benchmark reform Phase 2 - amendments to IFRS 9 Financial Instruments ("IFRS 9"), IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments (Amendments), IFRS 4 Insurance Contracts and, IFRS 16 Leases and on foot of IBOR are relevant to the Group's accounting policies; the amendments are effective for annual reporting periods on or after January 1, 2021.
- Definition of Amendments to IFRS 16 on foot of COVID 19 ('COVID-19-Related Rent Concessions beyond 30 June 2021') which provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification were extended by one year. The amendment, which does not impact lessor accounting, is effective for annual reporting periods beginning on or after 1 April 2021.

The impact of the adoption of these amendments had an immaterial impact on the Company's financial statements. A number of other new and amended standards and interpretations came into effect during the year, none of which had a material impact on the financial statements of the Company.

The Company has not elected to early adopt any new accounting standards and interpretation issued but not yet effective before the accounting year beginning on or after 1 January 2022. The financial statements have been prepared in US Dollars (US\$). The financial statements have been prepared on a going concern and a historical cost basis. The preparation of the financial report in conformity with FRS 101 requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed by the Directors on an ongoing basis.

*Judgements*

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

*Estimates*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.1 Basis of preparation of financial statements (continued)**

*Estimation of impairment of assets*

The Company's aircraft that are to be held and used, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. In such circumstances an impairment charge is recognised as a write down of the carrying value of the aircraft to its recoverable amount, being the higher of value in use and fair value less cost to sell.

The fair value less cost to sell is based on current market values from independent appraisers. The market value of aircraft and related assets is the estimated amount for which an aircraft could be exchanged on the date of valuation between a willing buyer and willing seller, in an arm's length transaction after marketing, wherein the parties each had acted knowledgeably, prudently and without compulsion. The calculation of value in use requires the use of judgement in the assessment of estimated future cash flows associated with the aircraft, including an assumed sale of the aircraft at lease end. The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, estimated residual values, economic conditions, technology and airline demand for particular aircraft types. These estimated cash flows are discounted at 5.2% per annum, which management believe is appropriate for each individual aircraft assessed (2020: 5.2%).

*Estimation of useful lives and residual values of assets*

In estimating useful lives and residual values of aircraft the Company relies upon actual industry experience, supported by estimates received from independent appraisers, with the same or similar aircraft types and considering our anticipated utilisation of the aircraft (See Note 2.7). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life.

*Allowance for lease receivable losses under IFRS 9*

The Company recognises an expected credit loss ("ECL") for financial assets in accordance with IFRS 9 'Financial Instruments', which requires estimation of both the timing and quantum of the expected loss. In determining the loss allowance, the Company uses a provision matrix to apply estimated loss rate, taking account of collateral received, including collateral in the form of cash security deposits and letters of credit. The Company applies judgement in determining the level of provision required for each debtor, based on a number of factors including the airline customer credit grade, historical airline customer payment and default rates, the financial strength and position of the airline customer and the experienced credit judgement of the dedicated risk management team.

*Determination of fair values*

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

*Derivatives – interest rate swaps*

The market fair value of the interest rate swaps is based on a discounted cash flow calculation taking into account scheduled repayments using an estimated forward interest rate curve and discounted to its present value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.2 Going concern**

The unpredictable course of the COVID-19 pandemic and the Russia-Ukraine war exposes the outlook for the economic environment the Group operates in to a degree of uncertainty.

The COVID-19 virus is considered a fading risk to the ongoing global recovery in 2022. With continued significant government and central bank support globally, coupled with the ongoing roll out of vaccine and further vaccine booster programmes planned in 2022 the market expectation is that governments are unlikely to reintroduce wide-ranging mobility restrictions in 2022. As a result, it is anticipated any future waves of the virus should have less significant impacts on the economic outlook. Air travel has rebounded to pre-COVID-19 levels in several countries and continues to recover in others. There remains, nonetheless, an ongoing but fading impact from COVID-19 in economies and in the aviation sector in 2022.

The Company and its parent continue to carefully monitor developments in the Ukraine and is engaged with all relevant authorities. The Group will fully adhere to all relevant sanctions, which do not directly impact the Company as its airline customer is not based in, nor does it operate routes to, either Russia or Ukraine.

Group Companies have committed to continue to provide the Company with such financial support as is necessary to enable the Company to continue as a going concern and to meet all the liabilities as they fall due, at least for the next twelve (12) months from the date of signing of the 2021 financial statements of the Company. As a result, the financial statements of the Company are prepared on a going concern basis.

On 16 May 2022, the shareholders of the Company's ultimate Parent GAL, NWS and CTFE, announced that NWS and CTFE had entered into a transaction agreement with SMBC Aviation Capital Limited, pursuant to which SMBC Aviation Capital Limited will purchase the GAL Group. Completion of the transaction remains subject to regulatory approvals and other customary closing conditions.

**2.3 Revenue recognition**

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

*Lease rental income*

Lease rental income is recognised on a straight-line basis over the lease term as it is earned. Lease rental revenue received in advance is recognised as a liability until such time that the Company is entitled to the lease rental revenue. In certain contracts, the lessee is required to redeliver the aircraft in a specified maintenance condition (normal wear and tear expected), with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than specified in the lease, there is normally an end-of-lease compensation adjustment for the difference at redelivery. Amounts received as part of these redelivery adjustments are recorded as other income at lease termination.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.3 Revenue recognition (continued)**

*Lease deferrals & lease modifications*

The Company continues to apply IFRS 16 to all rent concessions, including short term lease rent deferrals, where it assesses if each concession meets the definition of a lease modification. Lease deferrals are accounted for as lease modifications where the lease amendment was not envisaged in the scope of the original lease. However, where the lease deferral does not amend the total consideration, total term or right to use the asset the deferral is not considered to be a lease modification and lease income continues to be recorded in line with the original terms. Where a deferral is considered a lease modification for accounting purposes the Company accounts for the lease as a new lease, reassessing the operating versus finance lease classification and determines a new lease income profile.

**2.4 Finance expense**

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

**2.5 Financial instruments**

*Initial recognition of financial instruments*

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

*Classification and Measurement*

In IFRS 9, the classification and measurement categories are:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

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

*Debt instruments*

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

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

**2.6 Cash and cash equivalents**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.6 Financial instruments (continued)**

*Business model assessment*

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

*The 'SPPI' test*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent solely payments of principal and interest.

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

*Debt instruments at amortised cost*

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

*Debt instruments at FVTPL*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.6 Financial instruments (continued)**

*Impairment*

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

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

*Derecognition*

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

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

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

*Financial liabilities*

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

Following initial recognition, other financial liabilities are measured at amortised cost, using the EIR method.

*Derecognition*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.7 Aircraft**

**Depreciation**

The Company depreciates leased aircraft assets on a straight-line basis to a residual value at the end of the useful economic life.

The useful economic life and residual value of aircraft and related assets are generally estimated as being 25 years from date of manufacture and 15% of cost, respectively. Where more relevant information indicates a different pattern in which the benefits associated with an aircraft are consumed, management adjust the residual value and useful economic life estimates for those specific aircraft.

Residual value and useful economic life estimates of aircraft and related assets are reviewed at a minimum at each annual reporting date considering management's experience and knowledge of the industry, the GAL group's strategy (that relating to the acquisition, disposition and leasing of aircraft) as well as external market factors. Changes are accounted for as a change in accounting estimate.

**Cost**

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

**Disposal of aircraft**

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

**Derecognition**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.8 Other receivables**

Other receivables are initially recorded at cost, which is the equivalent of the fair value. At the end of each reporting period, the Company applies an ECL model to determine if the carrying value of other receivables is impaired. Impairment losses are recognised immediately in the Statement of Profit or Loss Account and Other Comprehensive Income.

**Impairment**

At each reporting date, the carrying values of aircraft assets are assessed for indications of impairment. If any indicator of impairment exists, an estimate of the asset's recoverable amount is calculated.

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

**2.9 Leases**

The Company leases aircraft to airline operators. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating and executing an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental revenue. Leases in which the risks and benefits of ownership transfer to the lessee are classified as finance leases.

**2.10 Share capital**

Ordinary shares are classified as equity.

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

**2.11 Other payables**

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

**2.12 Lease rental received in advance**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.13 Foreign currency translation**

**Functional and presentation currency**

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

**Transactions and balances**

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

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

**2.14 Taxation**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. The amount of current tax payable or receivable in line with IFRIC 23 of the tax amount expected to be paid or received reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also included any tax arising from dividends.

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

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

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

**GAL MSN 41027 LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****3. Operating income**

|                      | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|----------------------|----------------------|----------------------|
| Lease rental revenue | -                    | 6,524,059            |
|                      | <u>-</u>             | <u>6,524,059</u>     |

Prior year's income arises from the leasing of aircraft under operating leases. All income is derived from leasing activities with airlines located in Australia.

**4. General and administration expenses**

|                         | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|-------------------------|----------------------|----------------------|
| Asset management fees   | -                    | 459,062              |
| Other fees and expenses | 99,002               | 74,924               |
|                         | <u>99,002</u>        | <u>533,986</u>       |

**5. Finance expense**

|                              | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|------------------------------|----------------------|----------------------|
| Interest expense on loans    | -                    | 2,615,267            |
| Amortisation of upfront fees | -                    | 493,460              |
| Swap interest expense        | -                    | 978,763              |
|                              | <u>-</u>             | <u>4,087,490</u>     |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**6. Profit/(loss) on ordinary activities before tax**

|                                                        | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|--------------------------------------------------------|----------------------|----------------------|
| <b>The profit/(loss) is arrived at after charging:</b> |                      |                      |
| Directors remuneration (fees)                          | -                    | -                    |
| Directors remuneration (other)                         | -                    | -                    |
| Depreciation                                           | -                    | 2,769,681            |
| Auditors' remuneration - Audit                         | 3,500                | 3,500                |
| Auditors' remuneration - Tax Advisory                  | -                    | -                    |
| Auditors' remuneration - Tax Compliance                | 2,431                | 2,431                |
| Other non-audit services                               | -                    | -                    |
|                                                        | <u>5,931</u>         | <u>2,775,612</u>     |

Maples Fiduciary Services (UK) Limited ("Maples") provides Directors to the Company as part of its service under the corporate service agreement. The Directors did not receive any remuneration during the year (2020: US\$Nil).

As at 31 December 2021, the Directors of the Company were employees or were affiliates of Maples. The Directors may be deemed to have an interest in the fees paid to Maples in their capacity as employees of Maples. Maples provides corporate administration services to the Company at commercial rates. The Directors fees for the year are US\$Nil (2020: US\$Nil).

**7. Taxation**

|                                                        | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|--------------------------------------------------------|----------------------|----------------------|
| <b>Current tax:</b>                                    |                      |                      |
| Income tax expense for the year on ordinary activities | -                    | 36,891               |
| <b>Total current tax</b>                               | <u>-</u>             | <u>36,891</u>        |
| <b>Deferred tax</b>                                    |                      |                      |
| Origination and reversal of timing differences         | 88,186               | (1,651,881)          |
| <b>Total deferred tax</b>                              | <u>88,186</u>        | <u>(1,651,881)</u>   |
| <b>Tax charge/(credit) for the year</b>                | <u>88,186</u>        | <u>(1,614,990)</u>   |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**7. Taxation (continued)**

**Factors affecting tax charge/(credit) for the year**

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

|                                                                                                    | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|----------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Profit/(loss) on ordinary activities before tax                                                    | 111,659              | (12,901,501)         |
| Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%) | 21,215               | (2,451,285)          |
| <b>Effects of:</b>                                                                                 |                      |                      |
| Group relief                                                                                       | -                    | (2,820)              |
| Prior year over/under provision of deferred tax                                                    | 48,161               | -                    |
| Expenses not deductible for tax purposes                                                           | 18,810               | 644,776              |
| Impact of change in tax rates                                                                      | -                    | 194,339              |
| <b>Total tax charge/(credit) for the year</b>                                                      | <b>88,186</b>        | <b>(1,614,990)</b>   |

**Factors that may affect future tax charges**

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016.

**Deferred tax**

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

|                                     | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|-------------------------------------|----------------------|----------------------|
| <b>Deferred tax assets</b>          |                      |                      |
| At beginning of the year            | 141,537              | 141,537              |
| <b>At end of the year</b>           | <b>141,537</b>       | <b>141,537</b>       |
| <b>Deferred tax liabilities</b>     |                      |                      |
| At beginning of the year            | (141,537)            | (1,793,418)          |
| Movement during the year            | -                    | 1,651,881            |
| <b>At end of the year</b>           | <b>(141,537)</b>     | <b>(141,537)</b>     |
| <b>Net deferred tax liabilities</b> | <b>-</b>             | <b>-</b>             |

**GAL MSN 41027 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**8. Aircraft**

|                                          | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|------------------------------------------|----------------------|----------------------|
| <b>Cost:</b>                             |                      |                      |
| At beginning of the year                 | -                    | 89,892,578           |
| Disposals during the year                | -                    | (89,892,578)         |
| <b>Balance at end of the year</b>        | <u>-</u>             | <u>-</u>             |
| <b>Accumulated depreciation:</b>         |                      |                      |
| At beginning of the year                 | -                    | (13,061,877)         |
| Current year depreciation                | -                    | (2,769,681)          |
| Impairment charge                        | -                    | (10,796,156)         |
| Disposals during the year                | -                    | 26,627,714           |
| <b>Balance at end of the year</b>        | <u>-</u>             | <u>-</u>             |
| <b>Net book value at end of the year</b> | <u>-</u>             | <u>-</u>             |

At 31 December 2021, the Company owned Nil aircraft (2020: Nil). The Company's obligations under the loans payable are secured by charge over, among other things, the Company's aircraft and other assets. During the year ended 31 December 2021, an impairment charge of US\$Nil was recognised (2020: US\$10,796,156).

**9. Other receivables**

|                                      | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|--------------------------------------|----------------------|----------------------|
| Other receivables                    | 9,177                | 4,859                |
| Trade receivables                    | 2,154,116            | 2,154,116            |
| Receivable from other group entities | 146,774              | -                    |
|                                      | <u>2,310,067</u>     | <u>2,158,975</u>     |

Trade receivables comprise overdue amounts in respect of lease rentals from lessees. The other receivables in the table above are neither past due nor impaired.

**10. Cash and cash equivalents**

|                           | <b>2021<br/>US\$</b> | <b>2020<br/>US\$</b> |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | 15                   | 200,184              |
|                           | <u>15</u>            | <u>200,184</u>       |

## GAL MSN 41027 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 11. Loans payable

The balance of the loans as of 31 December 2021 is US\$Nil (2020: US\$Nil), net of unamortised transaction fees of US\$Nil (2020: US\$Nil) as outlined below. Aircraft lease rentals are fixed and structured to ensure that lease payments and cash flows from disposal of aircraft are sufficient to meet the debt funding over the term of the lease.

In 2020, the Company restructured its debt with GAL Dutch Aviation B.V., where the junior loan facility previously provided by GAL Dutch Aviation B.V. was paid down and replaced by a new senior loan and capital contribution from Goshawk Aviation Funding Limited ("GAFL") settling the original junior loan with GAL Dutch Aviation B.V. in full. The senior loan facilities were novated to another Group entity as part of an intra-Group aircraft transfer.

#### 12. Derivative liabilities

The reconciliation of derivative liabilities for the year is as follows:

|                                                                                | 2021<br>US\$ | 2020<br>US\$ |
|--------------------------------------------------------------------------------|--------------|--------------|
| Fair value at beginning of the year                                            | -            | (1,623,920)  |
| Disposals during the year                                                      | -            | 3,936,090    |
| Change in fair value of derivative financial instrument through profit or loss | -            | (2,312,170)  |
| <b>Fair value at end of the year</b>                                           | <b>-</b>     | <b>-</b>     |

A portion of the Company's borrowings are at floating interest rates. To mitigate its exposure to floating interest rates the Company has entered into interest rate swap agreements to swap floating interest rate payments for fixed. The counterparty to the interest rate swap agreements is Investec Bank Plc. Derivatives are classified as Level 2 in the fair value hierarchy as the valuation is based on discounted cash flows using market implied inputs.

#### 13. Other liabilities

|                                 | 2021<br>US\$   | 2020<br>US\$   |
|---------------------------------|----------------|----------------|
| Payable to other group entities | -              | 76,374         |
| Other payables                  | 459,063        | 459,064        |
|                                 | <b>459,063</b> | <b>535,438</b> |

Payable to other group entities includes a balance placed on deposit from GAFL through a cash pooling arrangement and bears a floating overnight interest rate. Payables to other entities, excluding GAFL, are payable on demand and do not bear interest.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**14. Ordinary share capital**

|                                           | 2021<br>US\$ | 2020<br>US\$ |
|-------------------------------------------|--------------|--------------|
| <b>Authorised</b>                         |              |              |
| 1 Ordinary share of £1                    | 2            | 2            |
|                                           | <u>2</u>     | <u>2</u>     |
| <b>Allotted, called up and fully paid</b> |              |              |
| 1 Ordinary share of £1 each               | 2            | 2            |
|                                           | <u>2</u>     | <u>2</u>     |

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

In 2020, the Company received an unconditional and irrevocable equity contributions of US\$14,786,372 from GAFL. No equity contributions were made during the year.

**15. Employees**

Maples was appointed as corporate administrator effective from 5 January 2017. In previous years, the Company has entered into a lease management agreement with Goshawk Management Limited ("GML") to provide leasing and asset management services as per the service agreement however, the Company did not directly employ any persons during the year (2020: None). In May 2020, GML merged with GAL. During the year, Maples received fees of US\$12,173 (2020: US\$12,570) for the provision of administration services to the Company. The fees were paid by GAL.

**16. Capital commitments**

At 31 December 2021 there are no outstanding capital commitments (2020: None).

**17. Related party transactions**

The Company is availing of the exemption available in FRS 101 from disclosing transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member.

**18. Charges of the Company**

There are seven registered charges between the Company and the Security Trustee, Norddeutsche Landesbank Girozentrale.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**19. Events after the end of the Reporting Date**

On 16 May 2022, the shareholders of the Company's ultimate Parent GAL, NWS and CTFE, announced that NWS and CTFE had entered into a transaction agreement with SMBC Aviation Capital Limited, pursuant to which SMBC Aviation Capital Limited will purchase the GAL Group. Completion of the transaction remains subject to regulatory approvals and other customary closing conditions.

In May 2022, the Company received an unconditional and irrevocable equity contribution of US\$1,907,505 from GAL Holdco No.2 Limited.

There were no other events after the reporting date that would require revision of the results or financial position of the Company, or disclosure in the financial statements.

**20. Parent undertaking**

The Company's immediate parent undertaking and controlling party is GAL Holdco No.2 Limited, a UK registered company whose registered office is at 11th Floor, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD. The entire share capital of GAL Holdco No.2 Limited is held by Maples Fiduciary Services (UK) Limited, holding one ordinary share. The entire share capital was transferred from Intertrust Trustees (UK) Limited on 5 January 2017. This share is held in trust for charitable purposes under a declaration of trust.

GAL Holdco No.2 Limited is part of the GAL group, ultimate controlling party. The consolidated financial statements of GAL are appended to these financial statements which are available from Companies House, UK.

NWS and CTFE are the ultimate controlling parties of the GAL group.

**21. Approval of financial statements**

The board of Directors approved these financial statements for issue on 27 September 2022.

# **Goshawk Aviation Limited**

Consolidated financial statements  
for the year ended 31 December 2021

THESE ACCOUNTS  
FORM PART OF THE  
GROUP ACCOUNTS  
OF COMPANY  
No. 9320708

# Goshawk Aviation Limited

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# Goshawk Aviation Limited

## Directors and other information

### Directors

CHENG Chi Him  
CHENG Chi Ming, Brian  
HO Gilbert Chi Hang  
TSANG On Yip Patrick

LEE Chi Hin Jacob (Alternate Director to TSANG  
On Yip Patrick, Alternate Director to CHENG Chi  
Him)  
MA Siu Cheung (Alternate Director to CHENG Chi  
Ming, Brian)

### Company registration number

281736

### Company secretary

Maples Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

### Registered office

Maples Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

### Solicitor

Clifford Chance LLP  
10 Upper Bank Street  
London  
E14 5JJ  
United Kingdom

### Independent auditor

KPMG  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### Banker

Citibank Europe Plc  
1 North Wall Quay  
North Dock  
Dublin 1  
Ireland

# Goshawk Aviation Limited

## Directors' report

### Financial and Operational Highlights

- The Group recorded a profit before tax of US\$64m during the year ended 31 December 2021 (31 December 2020: US\$5m). The Group's 2021 performance maintains a record of continuous operating profitability through the novel coronavirus Covid-19 pandemic ("COVID-19"), reflecting the resilience of our business and the exceptional efforts of our team, as well as the support of our shareholders.
- Ended the year with an owned fleet of 162 aircraft with an average age of 5.9 years, and a diversified customer base of 61 airline customers operating in 35 countries.
- Agreed extension of leases for 15 owned aircraft during the year. This contributed to a very strong lease utilisation of 99% for the year and only 2 owned narrowbody aircraft off-lease at December 2021 (one of which has since been leased to a new lessee in Q1 2022).
- Recorded a net impairment of US\$44.8m during the year ended 31 December 2021 (31 December 2020: US\$72.1m). The Group's portfolio strategy of focusing on young, new-technology aircraft on lease to a highly diversified operator base has resulted in modest impairment resulting from COVID-19 relative to industry peers.
- The contracted leasing profile of the Group remains well positioned to deal with the fading challenges presented by COVID-19, with an average remaining lease term of 5 years and US\$3.5bn of contracted future lease rentals.
- During the year, the Group engaged with and supported a number of its airline customers who sought near term rent relief. Notwithstanding this, the Group maintained a collection rate for the year of 100%, as observed by the movement in trade receivables relative to lease revenue.
- As at 31 December 2021, the Group had 3 aircraft across 2 airline customers which were subject to formal restructuring proceedings.
- The Group has taken important steps over the past year in its effort to address environmental, social, and governance challenges facing our people and the industry we operate in.

### Balance Sheet Highlights

- Total available liquidity of US\$1.4bn held at year end providing more than 6x coverage of contractual commitments and debt maturities occurring over the next 12 months.
- Raised US\$2.1bn of new commercial and private placement debt commitments including:
  - Extension of our revolving credit facility from November 2022 to November 2024 and upsize of the facility during 2021 to US\$1.4bn
  - Extension of our US\$500m secured warehouse facility to July 2023
  - Issuance of US\$203m of unsecured US Private Placement ("USPP") notes making the Group the first aircraft lessor to access the unsecured USPP market since the onset of COVID-19
- The Group deferred the delivery of its long term orderbook, comprising solely of new technology aircraft, now due to deliver in 2023-2027.
- Shareholder equity invested in the Group of US\$1.9bn supporting a capitalisation ratio of 72% at year end.
- Continued focus on maintaining a predominantly unsecured funding model, with unsecured debt representing 63% of total debt outstanding, and total unencumbered assets of US\$4.4bn.
- Total aircraft assets of US\$6.9bn at year end, with narrowbody aircraft representing 78% by asset net book value.

# Goshawk Aviation Limited

## Directors' report (continued)

The Directors present their annual report, together with the audited consolidated financial statements of Goshawk Aviation Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2021.

The annual report includes the Directors' report and the consolidated financial statements, which include a consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the Group as at 31 December 2021 and for the year then ended.

The Group's activities and those of the aircraft industry are undertaken predominantly in US Dollars and this is the functional currency of the Group. The consolidated financial statements are presented in US Dollars.

In April 2020, as part of an internal corporate restructuring, the Company acquired all of the shares in Goshawk Management Holdings (Cayman) Limited. Please refer to note 1 of the 2020 financial statements for further detail.

### Principal activities

The Group is a leading global aircraft leasing company providing comprehensive leasing services to airline lessees across all major geographic regions of the world. The Group specialises in owning, leasing and trading commercial jet aircraft which are on long-term leases to a diverse lessee base. Established in 2013, the Group has grown profitably to become one of the largest aircraft lessors in the world with a total fleet size of 222 owned, managed and committed acquisition aircraft.

The Group's shareholders, NWS Holdings Limited ("NWS") and Chow Tai Fook Enterprises Limited ("CTFE") are long-standing, well-established and experienced investors based in Hong Kong who together provide visionary strategic direction and strong support for the Group's business.

### Directors

The following persons were Directors of the Company during the financial year and until the date of this report:

| <u>Name</u>          | <u>Position</u>    | <u>Alternate to</u>                 | <u>Date Appointed</u> |
|----------------------|--------------------|-------------------------------------|-----------------------|
| TSANG On Yip Patrick | Director           | -                                   | 6 January 2014        |
| CHENG Chi Ming Brian | Director           | -                                   | 2 February 2015       |
| CHENG Chi Him        | Director           | -                                   | 21 March 2018         |
| HO Gilbert Chi Hang  | Director           | -                                   | 30 April 2018         |
| LEE Chi Hin Jacob    | Alternate Director | TSANG On Yip Patrick, CHENG Chi Him | 3 July 2018           |
| MA Siu Cheung        | Alternate Director | CHENG Chi Ming Brian                | 29 October 2018       |

# Goshawk Aviation Limited

## Directors' report (continued)

### Principal risks and uncertainties

The Group is exposed to various risks which could adversely affect the financial performance, position and/or growth potential of the Group. These include geopolitical and economic risks, exposure to the commercial airline industry and COVID-19 (as described below), debt market volatility, leverage risk and financial risks. Please see further details set out in note 22 to the consolidated financial statements.

#### *Geopolitical and economic risks*

The Group leases aircraft to customers in multiple jurisdictions exposing it to (i) many and varying economic, social, legal and geopolitical risks, (ii) instability in key markets and (iii) global health pandemics. The Directors continue to monitor the development of COVID-19 which continues to evolve. While the global economic recovery has continued through 2021, the Directors are continuing to monitor and assess the potential further impact on the Group. Exposure to multiple jurisdictions may adversely affect the Group's future performance, position and growth potential. The adequacy and timeliness of the Group's response to emerging risks in these jurisdictions are of critical importance to the mitigation of their potential impact on the Group's results and financial position.

#### *Exposure to the commercial airline industry*

As a supplier to and partner of the airline industry, the Group is exposed to the financial condition of the airline industry as all leases of aircraft are to commercial airline customers. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases and natural disasters, fuel costs and the demand for air travel. To the extent that any of these factors adversely affect the airline industry, they may result in (i) downward pressure on lease rates and aircraft values, (ii) higher incidences of lessee defaults, restructuring, and repossessions and (iii) inability to lease aircraft on commercially acceptable terms.

#### *Impact of COVID-19*

The unpredictable course of the COVID-19 pandemic exposes the outlook for the economic environment the Group operates in to a high degree of lingering uncertainty. The Omicron variant led to a resurgence in case counts in Q4 2021, despite this the virus is considered a fading risk to the ongoing global recovery in 2022. With continued significant governmental and central bank support globally, coupled with the ongoing roll out of vaccine and vaccine booster programmes the market expectation is that governments seem unlikely to reintroduce wide-ranging mobility restrictions. In January 2022, the World Health Organization published their expectation that COVID-19 will have abated in Q2 2022. As a result, it is anticipated any future waves of the virus should have minor impacts on the economic outlook.

In addition, although still impacted by COVID-19, most economies are experiencing solid economic recoveries, with healthy household and corporate balance sheets, and strong employment growth. This should provide an additional layer of protection against any potential future consequences of new virus strains.

While it is impossible to predict events like a global pandemic, or the continued pace of global economic recovery, the steps the Group has taken over the past number of years to build a strong resilient Group that is focused on excellence enabled the Group to weather the COVID-19 storm operationally and financially.

There remains, nonetheless, an ongoing but lessening impact from COVID-19 in economies and in the aviation sector. Air travel has rebounded to pre-COVID-19 levels in several countries and continues to recover in others. A number of airlines exited bankruptcy proceedings in Q4 2021, others did not require bankruptcy protection and are now guiding a return to 2019 travel volumes in 2022.

# Goshawk Aviation Limited

## Directors' report (continued)

### CSR

Our Corporate Social Responsibility ("CSR") programme encourages our team to get involved in fundraising and volunteering with philanthropic organisations. We are proud to collaborate with charity partners, locally and internationally, to make a genuine difference for the communities we work in. The Group is very aware of the impact COVID-19 crisis has had on society. The Group maintained its commitments to corporate social responsibility during the pandemic. This included continuing to work closely with the Group's charity partner De Paul, who work with and support some of the most marginalised individuals, couples and families experiencing homelessness in the community. Highlights included a sleep out fund raising event to raise awareness and funding for all charities who work to eliminate homelessness, a Golf Classic and donation of gifts to a Christmas 'Presents for All' initiative.

### ESG

The Group has taken a number of steps to ensure that Environmental, Social and Governance ("ESG") is a priority agenda item. As an active member of Aircraft Leasing Ireland ("ALI"), the Group is committed to working with ALI to develop an ESG charter and framework during 2022. The framework, which is being developed based on aviation's pathway to net zero in 2050, will cover the entire spectrum of ESG. We take an active role in talks on aviation sustainability and sustainability related activities led by ALI, the scope of which includes collaborating and sharing best practices amongst members with respect to sustainability in the aircraft lessor community.

The main driver of lower emissions today in short, medium and long-haul markets is new-technology aircraft. The Group's business strategy has always been to focus on young, new-technology, carbon efficient aircraft, and our current fleet has an average age of 5.9 years. As at 31 December 2021, all of the Group's capital commitments are for new technology aircraft with advanced design features.

Environmental concerns are also at the top of our people agenda, where we actively encourage our employees to act on the environment today, including choosing travel options such as public transport, walking or cycling whenever possible. Our Dublin headquarters is in a LEED Platinum Certified building and we support a number of environmental initiatives including energy efficiency, water conservation and a continued focus on recycling and reducing waste.

The Group recognises the importance of our inclusive environment, which supports the diversity of our team, and allows us to better serve our customers around the globe has built a strong multi-cultural, diverse working environment, where in addition to promoting a positive collaborative work culture, staff are encouraged to engage with and actively participate in a range of physical and mental well-being activities and initiatives offered throughout the year. Our family-friendly policies enable our employees to balance work with external responsibilities. Our team, as at 31 December 2021, had a ratio of 55% male employees to 45% female employees.

The Group is also very active in the community where it contributes to and supports its charity partner De Paul on a number of fund-raising initiatives each year. In addition, the Group's Corporate Social Responsibility Committee actively works to support staff in contributing to other charities and causes annually through a contribution matching initiative.

The Group maintains a robust corporate governance framework through our Group Board, executive committee ("ExCo") and other internal sub board committees.

# Goshawk Aviation Limited

## Directors' report (continued)

### Going concern

The Group's activities, together with the principal factors likely to affect its future development, performance and position are set out above in 'Principal activities' and 'Principal risks and uncertainties'. The results of the Group, its consolidated financial position as at 31 December 2021 and cash flows for the year ended 31 December 2021 are set out in the respective primary consolidated financial statements on pages 10 - 13. In addition, notes 17, 20 and 22 to the consolidated financial statements set out the Group's objectives policies and processes for managing its capital, its risk management objectives, details of its financial instruments and hedging activities, its exposures to credit and liquidity risk and its borrowing facilities.

Due to the capital-intensive nature of the Group's activities, it has commitments for capital expenditure as described in note 23. Additionally, the Group has funded a significant part of its operations with debt financing. The ability of the Group to continue to operate is dependent upon, among other things, its ability to meet its payment obligations, adhere to covenant requirements under the respective loan agreements and to finance its committed capital expenditures.

The Group has considerable financial resources with US\$78m of unrestricted cash and available undrawn debt as at 31 December 2021 of US\$1.3bn (2020: US\$1.4bn) (see undrawn facilities as described in note 22) together with long-term lease contracts with 61 airline operators across different geographic areas (see note 4) as well as unencumbered assets of approximately US\$4.4bn as at 31 December 2021.

As a consequence, the Directors believe that the Group is well placed to navigate any further impact of COVID-19 on the economic environment and have appropriately prepared the accounts on a going concern basis. COVID-19 is considered a fading risk to the global economy in 2022. There remains, nonetheless, an ongoing but lessening impact from COVID-19 in economies and in the aviation sector in which we operate. The Directors continue to monitor current developments with COVID-19 and the extent of its diminishing impact to the Group's operations.

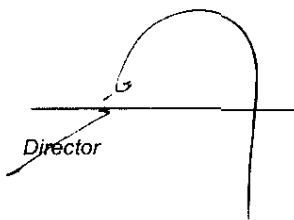
### Events after the end of the reporting date

At the date of this report, no events have occurred which would have a material impact to the financial statements.

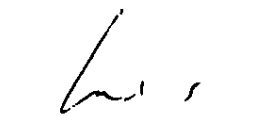
### Auditor

KPMG Chartered Accountants have been appointed as auditor and expressed their willingness to continue in office.

Approved by the board and authorised for issue on 25 February 2022.



Director



Director



**KPMG**  
**Audit**  
1 Harbourmaster Place  
IFSC  
Dublin 1  
D01 F6F5  
Ireland

## **INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GOSHAWK AVIATION LIMITED**

### **1. Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the consolidated financial statements of Goshawk Aviation Limited (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), 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.

#### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion on that information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## **INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GOSHAWK AVIATION LIMITED (CONTINUED)**

### **2 Respective responsibilities and restrictions on use**

#### *Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements*

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as the Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix to this report, which is to be read as an integral part of our report.

Our report is made solely to the Company's shareholders, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company's shareholders 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's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

25 February 2022

KPMG  
Chartered Accountants  
1 Harbourmaster Place,  
IFSC,  
Dublin 1,  
Ireland.



## **Appendix to the Independent Auditor's Report**

### ***Further information regarding the scope of our responsibilities as auditor***

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Goshawk Aviation Limited

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

|                                                                               |       | Year ended<br>31 December<br>2021<br>US\$'000 | Year ended<br>31 December<br>2020<br>US\$'000 |
|-------------------------------------------------------------------------------|-------|-----------------------------------------------|-----------------------------------------------|
|                                                                               | Notes |                                               |                                               |
| <b>Income</b>                                                                 |       |                                               |                                               |
| Lease revenue                                                                 | 4     | 721,963                                       | 762,672                                       |
| Other income                                                                  | 5     | 16,010                                        | 9,903                                         |
| Asset management and advisory fees                                            |       | 2,452                                         | 2,953                                         |
| <b>Total income</b>                                                           |       | <b>740,425</b>                                | <b>775,528</b>                                |
| <b>Expenses</b>                                                               |       |                                               |                                               |
| Depreciation and amortisation of aircraft assets                              | 12    | (327,096)                                     | (330,899)                                     |
| Net impairment on aircraft assets                                             | 6     | (44,758)                                      | (72,142)                                      |
| Depreciation and amortisation - other property assets                         | 13    | (2,044)                                       | (1,985)                                       |
| Loss allowance for trade receivables                                          | 10    | (38,432)                                      | (33,146)                                      |
| Other fees and expenses                                                       | 7     | (51,423)                                      | (62,444)                                      |
| <b>Total expenses</b>                                                         |       | <b>(463,753)</b>                              | <b>(500,616)</b>                              |
| <b>Results from operating activities</b>                                      |       | <b>276,672</b>                                | <b>274,912</b>                                |
| Finance income                                                                | 3     | 2,310                                         | 1,953                                         |
| Finance expense                                                               | 3     | (231,814)                                     | (246,239)                                     |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 3     | 16,912                                        | (24,847)                                      |
| <b>Net finance cost</b>                                                       |       | <b>(212,592)</b>                              | <b>(269,133)</b>                              |
| Share of profit/(loss) of equity accounted investees                          | 11    | 101                                           | (753)                                         |
| <b>Profit before income tax</b>                                               |       | <b>64,181</b>                                 | <b>5,026</b>                                  |
| Income tax expense                                                            | 8     | (988)                                         | (390)                                         |
| <b>Profit for the year</b>                                                    |       | <b>63,193</b>                                 | <b>4,636</b>                                  |
| <b>Other comprehensive income/(loss):</b>                                     |       |                                               |                                               |
| <b>Items that may be reclassified to profit or loss</b>                       |       |                                               |                                               |
| Cash flow hedges - effective portion of changes in fair value net of tax      |       | 80,943                                        | (79,014)                                      |
| Cash flow hedges - reclassified to profit or loss                             |       | 3,214                                         | 3,300                                         |
| Total other comprehensive income/(loss), net of tax                           | 20    | 84,157                                        | (75,714)                                      |
| <b>Total comprehensive income/(loss) for the year</b>                         |       | <b>147,350</b>                                | <b>(71,078)</b>                               |

Income relates to continuing operations. All profits and total comprehensive income for the year and the preceding financial year are attributable to the owners of the Company. The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.

# Goshawk Aviation Limited

## Consolidated statement of financial position as at 31 December 2021

|                                      | Notes | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------------------|-------|------------------|------------------|
| <b>Assets</b>                        |       |                  |                  |
| <b>Non-current assets</b>            |       |                  |                  |
| Aircraft and related assets          | 12    | 6,898,114        | 7,265,601        |
| Other property assets                | 13    | 9,620            | 11,664           |
| Goodwill                             | 25    | 185,673          | 185,673          |
| Lease incentive asset                | 14    | 17,486           | 16,368           |
| Aircraft purchase deposits           | 15    | 294,476          | 220,758          |
| Equity accounted investees           | 11    | 6,934            | 6,833            |
| Other receivables                    | 10    | 5,013            | 4,904            |
| <b>Total non-current assets</b>      |       | <b>7,417,316</b> | <b>7,711,801</b> |
| <b>Current assets</b>                |       |                  |                  |
| Cash and cash equivalents            | 9     | 78,030           | 79,891           |
| Restricted cash                      | 9     | 104,972          | 77,911           |
| Other receivables                    | 10    | 180,047          | 185,564          |
| <b>Total current assets</b>          |       | <b>363,049</b>   | <b>343,366</b>   |
| <b>Total assets</b>                  |       | <b>7,780,365</b> | <b>8,055,167</b> |
| <b>Equity</b>                        |       |                  |                  |
| Share capital and equity             | 21    | 1,945,264        | 1,985,434        |
| Retained earnings                    | 21    | 52,910           | (10,283)         |
| Hedging reserve                      | 21    | (85,059)         | (169,216)        |
| <b>Total equity</b>                  |       | <b>1,913,115</b> | <b>1,805,935</b> |
| <b>Liabilities</b>                   |       |                  |                  |
| <b>Non-current liabilities</b>       |       |                  |                  |
| Loans and borrowings                 | 17    | 4,984,983        | 5,026,337        |
| Maintenance reserves                 | 18    | 316,196          | 298,039          |
| Security deposits                    | 19    | 48,248           | 56,679           |
| Lessor contribution liabilities      | 14    | 32,365           | 48,026           |
| Derivative financial instruments     | 20    | 121,599          | 232,897          |
| Deferred tax liabilities             | 8     | 30,648           | 19,786           |
| <b>Total non-current liabilities</b> |       | <b>5,534,039</b> | <b>5,681,764</b> |
| <b>Current liabilities</b>           |       |                  |                  |
| Deferred income                      |       | 31,894           | 43,190           |
| Loans and borrowings                 | 17    | 124,914          | 382,281          |
| Maintenance reserves                 | 18    | 94,034           | 76,940           |
| Security deposits                    | 19    | 796              | 2,902            |
| Lessor contribution liabilities      | 14    | 27,324           | -                |
| Other payables                       | 16    | 54,249           | 62,155           |
| <b>Total current liabilities</b>     |       | <b>333,211</b>   | <b>567,468</b>   |
| <b>Total liabilities</b>             |       | <b>5,867,250</b> | <b>6,249,232</b> |
| <b>Total equity and liabilities</b>  |       | <b>7,780,365</b> | <b>8,055,167</b> |

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.

# Goshawk Aviation Limited

## Consolidated statement of cash flows for the year ended 31 December 2021

|                                                         |       | Year ended<br>31 December<br>2021<br>US\$'000 | Year ended<br>31 December<br>2020<br>US\$'000 |
|---------------------------------------------------------|-------|-----------------------------------------------|-----------------------------------------------|
|                                                         | Notes |                                               |                                               |
| <b>Cash flows from operating activities</b>             |       |                                               |                                               |
| Profit for the year                                     |       | 63,193                                        | 4,636                                         |
| <b>Adjust for:</b>                                      |       |                                               |                                               |
| Depreciation, impairment & amortisation                 |       | 398,238                                       | 449,818                                       |
| Loan interest charge                                    |       | 218,650                                       | 231,255                                       |
| Maintenance reserve release                             | 18    | (3,551)                                       | (24,706)                                      |
| (Gain)/loss on derivative financial instruments         | 3     | (16,912)                                      | 24,847                                        |
| Gains on repurchase of financial instruments            | 3     | (2,095)                                       | (1,158)                                       |
| Group share of (profit)/loss in Associates              | 11    | (101)                                         | 753                                           |
| Non-cash (income)/expenses                              | 13    | (587)                                         | 596                                           |
| Accretion of interest on lease liability                | 13(b) | 459                                           | 449                                           |
| <b>Changes in operating assets &amp; liabilities</b>    |       |                                               |                                               |
| Decrease/(increase) in other receivables                |       | 5,407                                         | (146,806)                                     |
| Increase in maintenance reserves                        |       | 36,823                                        | 33,232                                        |
| Decrease in security deposits                           |       | (11,653)                                      | (15,573)                                      |
| Decrease in deferred revenue                            |       | (11,296)                                      | (8,886)                                       |
| Decrease/(increase) in other payables                   |       | (5,317)                                       | 4,896                                         |
| <b>Net cash flows from operating activities</b>         |       | <b>671,258</b>                                | <b>553,353</b>                                |
| <b>Cash flows from investing activities</b>             |       |                                               |                                               |
| (Increase)/decrease in restricted cash                  | 9     | (27,061)                                      | 9,192                                         |
| Purchase of aircraft                                    | 12    | (668)                                         | (60,854)                                      |
| Aircraft deposits paid                                  | 15    | (73,718)                                      | (41,687)                                      |
| Aircraft deposits returned/reclassified                 | 15    | -                                             | 4,750                                         |
| Purchase of office equipment                            | 13    | -                                             | (248)                                         |
| Lessor contributions paid                               |       | (3,257)                                       | (401)                                         |
| <b>Net cash flows from investing activities</b>         |       | <b>(104,704)</b>                              | <b>(89,248)</b>                               |
| <b>Cash flows from financing activities</b>             |       |                                               |                                               |
| Repayment of loans and borrowings                       |       | (776,738)                                     | (267,818)                                     |
| Drawdown of loans and borrowings                        |       | 478,344                                       | 75,890                                        |
| Interest paid                                           |       | (220,607)                                     | (232,466)                                     |
| Debt financing fees paid                                |       | (7,953)                                       | (4,535)                                       |
| Repayment of lease liabilities                          | 13    | (1,291)                                       | (1,255)                                       |
| Equity contributions                                    | 21    | -                                             | 14,072                                        |
| Dividends paid                                          | 21    | -                                             | (84,311)                                      |
| Equity repayments                                       | 21    | (40,170)                                      | (6,296)                                       |
| <b>Net cash flows from financing activities</b>         |       | <b>(568,415)</b>                              | <b>(506,719)</b>                              |
| Net movement in cash and cash equivalents               |       | (1,861)                                       | (42,614)                                      |
| Cash and cash equivalents at the beginning of the year  |       | 79,891                                        | 122,505                                       |
| <b>Cash and cash equivalents at the end of the year</b> | 9     | <b>78,030</b>                                 | <b>79,891</b>                                 |

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.

# Goshawk Aviation Limited

## Consolidated statement of changes in equity for the year ended 31 December 2021

|                                                                       | Share<br>capital<br>US\$'000 | Equity<br>contributions<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Total equity<br>US\$'000 |
|-----------------------------------------------------------------------|------------------------------|-------------------------------------|----------------------------------|--------------------------------|--------------------------|
| <b>Balance at 1 January 2020</b>                                      | <b>362,026</b>               | <b>1,615,632</b>                    | <b>69,392</b>                    | <b>(93,502)</b>                | <b>1,953,548</b>         |
| <b>Total comprehensive income for the year ended 31 December 2020</b> |                              |                                     |                                  |                                |                          |
| Profit for the year                                                   | -                            | -                                   | 4,636                            | -                              | 4,636                    |
| Other comprehensive income for the year                               | -                            | -                                   | -                                | (75,714)                       | (75,714)                 |
| <b>Transactions with shareholders, recorded directly in equity</b>    |                              |                                     |                                  |                                |                          |
| Equity contributions                                                  | -                            | 14,072                              | -                                | -                              | 14,072                   |
| Equity repayments                                                     | -                            | (6,296)                             | -                                | -                              | (6,296)                  |
| Dividend distributions to preference shareholders                     | -                            | -                                   | (72,154)                         | -                              | (72,154)                 |
| Dividend distribution - GMHC                                          | -                            | -                                   | (12,157)                         | -                              | (12,157)                 |
| <b>Balance at 31 December 2020</b>                                    | <b>362,026</b>               | <b>1,623,408</b>                    | <b>(10,283)</b>                  | <b>(169,216)</b>               | <b>1,805,935</b>         |
| <b>Total comprehensive income for the year ended 31 December 2021</b> |                              |                                     |                                  |                                |                          |
| Profit for the year                                                   | -                            | -                                   | 63,193                           | -                              | 63,193                   |
| Other comprehensive income for the year                               | -                            | -                                   | -                                | 84,157                         | 84,157                   |
| <b>Transactions with shareholders, recorded directly in equity</b>    |                              |                                     |                                  |                                |                          |
| Equity repayments                                                     | -                            | (40,170)                            | -                                | -                              | (40,170)                 |
| <b>Balance at 31 December 2021</b>                                    | <b>362,026</b>               | <b>1,583,238</b>                    | <b>52,910</b>                    | <b>(85,059)</b>                | <b>1,913,115</b>         |

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 1 General information

Goshawk Aviation Limited ("GAL") is a limited liability company incorporated on 9 October 2013 in the Cayman Islands (registered no. 281736), whose registered office is at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. GAL is the parent entity of the Goshawk Aviation Group, which comprises of a group of entities, which collectively make up the "Group". The principal activities of the Group are investments in commercial aircraft and aircraft leasing.

*In April 2020, GAL acquired 100% of the shares and voting interest of a related entity Goshawk Management Holdings (Cayman) Limited ("GMHC"), for consideration of US\$100, granting it control of GMHC and its subsidiaries (the "GMHC Group"). Historically, and throughout the reporting periods, the GAL and GMHC Groups were jointly controlled entities by the Controlling Shareholders Natal Global Limited and Zion Sky Holdings Limited. Acquiring the GMHC Group enabled the Group to rationalise its corporate structure in 2020.*

### 2 Significant accounting policies

#### 2 (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

IFRS applied by the Group in the preparation of these consolidated financial statements are those that were effective as at 31 December 2021.

#### Basis of consolidation

The consolidated financial statements include the assets, liabilities, results of operations, and cash flows of the Group and its subsidiaries including certain structured entities it controls. The Group controls an entity when (1) it has the power to direct the activities of the entity which have the most significant impact on the entity's risks and/or returns; (2) it is exposed to significant risks and/or returns arising from the entity; and (3) it can use its power to affect the risks and/or returns to which it is exposed.

The Group's consolidated financial statements have been prepared using uniform accounting policies for comparable transactions and events in similar circumstances. All intercompany transactions, balances and unrealised gains and losses on transactions are eliminated on consolidation.

#### Subsidiaries

Subsidiaries are corporations or other legal entities controlled by the Group, generally through directly holding more than half of the voting power of the entity. Control of subsidiaries is determined based on the power exercisable through ownership of voting rights. As a result, the Group controls and consolidates subsidiaries when it holds the majority of the voting rights of the subsidiary, unless there is evidence that another investor has control over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls an entity. Subsidiaries are consolidated from the date the Company obtains control and continue to be consolidated until the date that the control ceases to exist.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as explained in the policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that is a price directly observable or estimated using another valuation technique. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Directors have prepared the consolidated financial statements on the going concern basis as it is expected that the Group will have sufficient financial and other resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Key factors likely to affect the principal activities of the Group, and as a result the Group's future performance and financial position, are considered in note 22; this includes consideration of any further impact of the global COVID-19 pandemic on the aviation sector.

Due to the capital-intensive nature of the Group's principal activities, it has commitments for capital expenditure as described in note 23. Additionally, the Group has funded a significant part of its operations with debt financing. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations and adhere to debt covenant requirements under the respective loan agreements and to finance its committed capital expenditure.

The Group's Directors assess its ability to meet its obligations, including obligations under debt covenant agreements, on an ongoing basis and for a period of at least 12 months from the date of approval of the financial statements. That assessment includes consideration of the significant financial resources available to the Group (see undrawn facilities as described in note 17), together with long-term lease contracts in place with 61 airline operators across different geographic areas (see note 4) as well as considerable unencumbered assets of approximately US\$4.4bn at 31 December 2021.

Consequently, the Directors believe that the Group is well placed to navigate any further impact of COVID-19 on the economic environment and have appropriately prepared the accounts on a going concern basis. COVID-19 is considered a fading risk to the global economy in 2022. However, there remains, an ongoing but lessening impact from COVID-19 to both the wider economies and the aviation sector in which we operate. The Directors continue to monitor current developments in the COVID-19 situation and the extent of its diminishing impact to the Group's operations.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the periods presented unless otherwise stated.

The consolidated financial statements are presented in United States Dollars ("US\$"), which is also the Company and its subsidiaries functional currency. All values are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (b) Basis of preparation (continued)

#### Changes in accounting policies

##### *New and amended Standards and interpretations during the year*

The IASB has issued the following amendments to IFRSs that are first effective from 1 January 2021 or 1 April 2021 as follows:

- Interest rate benchmark reform Phase 2 - amendments to IFRS 9 Financial Instruments ("IFRS 9"), IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments (Amendments), IFRS 4 Insurance Contracts and, IFRS 16 Leases and on foot of IBOR are relevant to the Group's accounting policies; the amendments are effective for accounting periods on or after January 1, 2021. The Group elected to early adopt changes introduced by Phase 1 in 2020; further detail on the impact of IBOR Phase 1 & 2 is set out below.
- Amendments to IFRS 16 on foot of COVID 19 ('COVID-19-Related Rent Concessions beyond 30 June 2021') which provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification were extended by one year. The amendment, which does not impact lessor accounting, is effective for accounting periods beginning on or after 1 April 2021.

The impact of the adoption of these amendments has not had a material impact on the Group's consolidated financial statements.

A number of other new and amended standards and interpretations came into effect during the year, none of which had a material impact on the financial statements of the Group.

The Group has not elected to early adopt any new accounting standards and/or interpretations issued but not yet effective before the accounting year beginning on or after 1 January 2021. The revised and new accounting standards and interpretations issued but not yet effective before the accounting year beginning on or after 1 January 2022 are set out below.

#### **Interest Rate Benchmark Reform**

The Interest Rate Benchmark Reform ("IBOR") Amendments to IFRS 9, IAS 39 and IFRS 7 include a number of reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives risk to uncertainties about the timing and or amount of benchmarking-based cash flows of the hedged item or the hedging instrument.

In the prior year, the Group early adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty, before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 Insurance Contracts and IFRS 16 (Phase 2 Amendments). The Phase 2 amendments address issues that arise upon replacing the existing interest rate benchmark with two alternative interest rates and introduces additional disclosure requirements. The amendments are effective for annual periods beginning on or after 1 January 2021.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (b) Basis of preparation (continued)

#### Interest Rate Benchmark Reform (continued)

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 which were issued in August 2020. These amendments enable the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (“ARR”) (also referred to as ‘risk free rates’ or “RFR”s) without giving rise to accounting impacts that would not provide useful information to users of financial statements. Both the Phase 1 and Phase 2 amendments are relevant to the Group because they impact hedge accounting relationships that are linked to interest rate benchmark exposures. Hedge relationships within the scope of IBOR reform Phase 2, are the same as those that were in the scope of Phase 1.

Details of key market developments in 2021 include:

- In March 2021, the ICE Benchmark Administration (IBA) announced that the publication of LIBOR settings will cease immediately after 31 December 2021 for all sterling, Japanese yen, Swiss franc, and Euro settings, as well as 1-week and 2-month US LIBOR settings. The remaining US LIBOR settings will cease to be published immediately after 30 June 2023.
- In July 2021, the Alternative Reference Rate Committee formally recommended the CME Group’s forward looking Secured Overnight Financing Rate (“SOFR”) term rates.
- To help support the transition of legacy derivative contracts, the International Swaps and Derivatives Association developed the IBOR Fallbacks Protocol (“ISDA Protocol”), which took effect on 25 January 2021. The ISDA Protocol provides an efficient transition mechanism for mutually adhering counterparties to incorporate prescribed fallback rates into legacy derivative contracts.

The Group is progressing its transition planning and continues to monitor industry and regulatory developments closely. As all the Group’s floating rate debt is denominated in US dollars, the current period actions in response to the reform have been limited and primarily focused on reviewing legacy US LIBOR contracts language and agreeing appropriate fallback language in new US floating rate debt contracts. As a result, there were no benchmark reform accounting adjustments required in the twelve months to 31 December 2021.

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform including the impact on hedge accounting relationships, appear in note 22.

The Group actively monitors development and changes in accounting standards from the IASB, as well as requirements from other relevant bodies. The Group is currently assessing the impact of the following amended standards and interpretations which are first effective on or after 1 January 2022:

- **Property, plant and equipment:** Proceeds before intended use – amendments to IFRS 16 (effective for accounting periods on or after 1 January 2022)
- **Conceptual Framework:** amendments to IFRS 3 (effective for accounting periods on or after 1 January 2022)
- **Onerous contracts:** amendments to IAS 37 (effective for accounting periods on or after 1 January 2022)
- **Classification of Liabilities as Current or Non-Current:** amendments to IAS 1 (effective for accounting periods on or after 1 January 2022)

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (b) Basis of preparation (continued)

#### Interest Rate Benchmark Reform (continued)

- **Accounting policies:** amendments to IAS 1 and IFRS practice statement no.2 regarding the Effective Date of Amendments on Disclosure of Accounting Policies (effective for accounting periods on or after 1 January 2023)
- **Accounting estimates:** amendments to IAS 8 regarding the definition of Accounting Estimates (effective for accounting periods on or after 1 January 2022)
- **Annual improvements cycle 2018-2020:** amendments to four standards arising from the IASB's annual improvement project (effective for accounting periods on or after 1 January 2022)
- **Presentation of Financial Statements:** amendments to IAS 1 (effective for accounting periods on or after 1 January 2023)
- **IFRS 17 Insurance Contracts** issued 18 May 2017, as amended 25 June 2020 (effective for accounting periods on or after 1 January 2023)
- **IASB Annual improvements cycle:** amendments to IFRS 17 Insurance Contracts (effective for accounting periods on or after 1 January 2023)
- **Disclosures of accounting policies:** amendments to IAS 1 and IFRS Practice Statement 2 (effective for accounting periods beginning on or after 1 January 2023)
- **Deferred tax:** amendments to IAS 12 effective 1 January 2023
- **Tax - Amendments to IAS 12:** deferred tax related to assets and liabilities arising from a single transaction (effective for accounting periods beginning on or after 1 January 2023)

The Group is currently assessing the impact of these forthcoming requirements. No material impact is currently expected.

### 2 (c) Securitisation

Securitisation is the process by which aircraft and related assets are transformed into securities. The Group securitises aircraft and related assets by transferring the assets to a third party, and as part of a securitisation, certain assets may be retained ("retained interest"). The Group assesses each securitisation structure to determine if the transfer of assets to the ABS vehicle qualifies for derecognition of the assets and non-consolidation of the special purpose entity ("SPE").

Where the Group retains an interest in the SPE by virtue of an E Note holding, the Group assesses if that retention is an investment in associate or a debt security in scope of IFRS 9, measured at fair value through profit or loss.

At the year end, the Group retained an interest in only one external SPE, which is accounted for as an investment in associate.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (d) Investments in Associates

Entities over which the Group has significant influence are associates. Significant influence is the power to participate in the financial operating policy decisions of the investee but does not have control or joint control over these entities. Associates are accounted for using the equity method of accounting. Investments in associates are carried on the consolidated statement of financial position initially at cost and increased or decreased to recognise the Group's share of the profit or loss of the associate, capital transactions, including the receipt of any dividends and write-downs to reflect any impairment in the value of such entities. The share of the profit or loss of the associate, together with any gains and losses realised on disposition, are reported in the consolidated statement of profit or loss and other comprehensive income.

At the end of each reporting period, the Group assesses whether there is any objective evidence that the investment in an associate is impaired. The Group calculates the amount of impairment as the difference between its recoverable amount and its carrying value. Recoverable amount is deemed to be the higher of its fair value and value in use.

### 2 (e) Foreign currency

The financial statements are presented in US\$ and accordingly foreign currency transactions are translated at the spot rate of exchange on the day the transaction occurs.

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at exchange rates prevailing at the end of the reporting period. Non-monetary assets are stated at cost based on the exchange rate prevailing at the date of acquisition of the asset. All exchange differences are included in the consolidated statement of profit or loss and other comprehensive income.

### 2 (f) Revenue recognition

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

#### *Revenue from contracts with customers*

On 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, which establishes the principles for recognising revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. The Group, as a lessor, recognises substantially all of revenue from leases under IFRS 16 Leases.

#### *Lease income*

Lease rental income is recognised on a straight-line basis over the lease term as it is earned. Lease rental revenue received in advance is recognised as a liability (deferred income) until such time that the Group is entitled to the lease rental revenue. The Group recognise variable lease payments linked to utilisation of the aircraft as lease income.

For past-due rentals on all leases, an impairment provision is established under IFRS 9. An impairment provision is established based on managements' expert assessment of collectability and to the extent past-due rentals exceed related security deposits held. Impairment charges are expensed through the consolidated statement of profit or loss and other comprehensive income and presented separately on the face of the statement of profit or loss and other comprehensive income.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (f) Revenue recognition (continued)

In certain contracts, the lessee is required to re-deliver the aircraft in a specified maintenance condition (normal wear and tear expected), with reference to major life-limited components of the aircraft. To the extent that such components are re-delivered in a different condition than specified in the lease, there is normally an end-of-lease compensation adjustment for the difference at re-delivery. Amounts received as part of these re-delivery adjustments are recorded as other income at lease termination.

The Group recognises amounts recorded as maintenance reserves that are not expected to be reimbursed to lessees as income.

#### *Finance income*

Finance income accrues using the effective interest ("EIR") method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

#### *Service fee income*

Fee income from the provision of asset management and servicing to third parties is recognised in the accounting period in which the services are rendered in line with IFRS 15 Revenue from Contracts with Customers.

### 2 (g) Finance expense

Finance expense comprises interest expense on borrowings, financing fee amortisation, interest rate swap settlements and amortisation of fair value adjustments arising from business combinations. All borrowing costs are recognised in profit or loss using the EIR method.

### 2 (h) Cash and restricted cash

Cash and cash equivalents, excluding restricted cash, comprises demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash. Restricted cash comprises security deposits and maintenance reserves received from lessees under the terms of various leases and collateral placed with counterparties in relation to derivative positions.

Under certain of the Group's debt arrangements, payments received from lessees may be subject to withdrawal restrictions; such cash balances are considered restricted cash.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (i) Leases

The Group leases aircraft to airline operators. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### **Group as a Lessor**

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating and executing an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental revenue.

Leases in which the risks and benefits of ownership transfer to the lessee are classified as finance leases.

#### *Lease deferrals & lease modifications*

Due to the unprecedented impact of the COVID-19 pandemic the Group received a number of requests from lessees, requesting a deferral of their lease payments in 2021. We have worked with our aircraft clients to manage the challenges of the pandemic during the period and in certain cases agreed lease payment deferrals. In some cases, the original terms of the associated lease were renegotiated or otherwise modified, resulting in changes to the contractual terms of the lease impacting the contractual cash flows which constitutes a lease modification.

The Group continues to apply IFRS 16 Leases to all rent concessions, including short term lease rent deferrals, where it assesses if each concession meets the definition of a lease modification. Lease deferrals are accounted for as lease modifications where the lease amendment was not envisaged in the scope of the original lease. However, where the lease deferral does not amend the total consideration, total term or right to use the asset the deferral is not considered to be a lease modification and lease income continues to be recorded in line with the original terms. Where a deferral is considered a lease modification for accounting purposes the Group accounts for the lease as a new lease, reassessing the operating versus finance lease classification and determines a new lease income profile.

#### **Group as a Lessee**

The Group adopted IFRS 16 Leases, for the first time on 1 January 2019. IFRS 16 replaced IAS 17 Leases; the standard introduced a single on balance sheet model for lessees. The Group has recorded a right of use asset as at 31 December 2021 of US\$6.0m (2020: US\$7.0m) representing their rights to use underlying assets and lease liabilities as at 31 December 2021 of US\$6.9m (2020: US\$8.3m) representing their obligation to make lease payments.

The lease liability is recognised in the consolidated statement of financial position. The associated right of use asset is recognised within other property, plant and equipment, refer to note 13 for further detail. Lease rental payments are allocated between the finance liability and the finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period in order to produce a constant period rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (j) Aircraft and related assets

#### Cost

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

The Group recognises maintenance rights assets and lease premium assets in relation to the acquisition of aircraft that were purchased on lease. Maintenance rights assets and lease premium assets have been disclosed separately in the notes to the consolidated financial statements. Further details are disclosed in note 12.

#### *Maintenance rights asset*

A maintenance rights asset represents the value in the difference between the fair value of our contractual right under the acquired in-place leases to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

A maintenance rights liability represents our obligation to pay the lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition of the aircraft on the acquisition date. The Group has not recognised any maintenance rights liabilities in 2021 (2020: nil).

#### *Lease premium*

At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair market value. A lease premium is recognised when it is determined that the acquired lease terms are above market value; lease discounts are recognised when it is determined that the acquired lease terms are below fair market value. Lease premiums and discounts are capitalised as a portion of the aircraft and related assets value and depreciated on a straight-line basis over the lease term.

#### Depreciation/Amortisation

##### *Aircraft*

The Group depreciates leased aircraft on a straight-line basis to a residual value at the end of the useful economic life.

Aircraft held for lease are depreciated on a straight-line basis over the estimated useful lives of 23 to 35 years from the date of manufacture, to an estimated residual values of 15% of cost. Where more relevant information indicates a different pattern in which the benefits associated with an aircraft are consumed, management adjust the residual value and useful economic life estimates for those specific aircraft. Residual value and useful economic life estimates of aircraft are reviewed at a minimum at each annual reporting date, considering managements' experience and knowledge of the industry, the Group's strategy (relating to the acquisition, disposition and leasing of aircraft) as well as external market factors. Changes are accounted for as a change in accounting estimate.

##### *Maintenance rights asset*

The commencement of amortisation of a maintenance rights asset is triggered by qualifying maintenance events. Following a maintenance event, the portion of the cost of the event that relates to the maintenance rights asset is capitalised to the aircraft asset and is then depreciated on a straight-line basis over the remaining useful economic life of the aircraft. On termination of a lease, any remaining maintenance rights assets are offset against any remaining maintenance reserve cash balances. Excess maintenance reserves are then released to the profit or loss and recognised as income.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (j) Aircraft and related assets (continued)

#### *Lease premium*

Lease premium assets are amortised on a straight-line basis over the remaining term of the related lease.

The assets' residual values, useful lives, and depreciation/amortisation methods are reviewed and adjusted if appropriate at each financial year end.

#### *Disposal of aircraft*

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

#### *Derecognition*

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

#### *Impairment*

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

### 2 (k) Lease incentive assets

Lessor contributions represent contractual obligations on the part of the Group to contribute to a lessee's cost of a next planned maintenance event which is expected to occur during the lease. A lessor contribution liability is established at the commencement of a lease representing the best estimate of the contractually obligated contribution. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under the current lease contract and makes adjustments as necessary.

Lessor contributions represent a lease incentive asset which is recognised for this amount which is amortised over the life of the associated lease as a charge against lease revenue. When aircraft are sold, the portion of the accrued liability not specifically assigned to the buyer is derecognised as part of the gain or loss on disposal of aircraft.

### 2 (l) Assets and liabilities held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continued use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (m) Maintenance reserves

In certain of the aircraft lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (hereafter referred to as maintenance reserves). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the maintenance reserves received with respect to such work.

These maintenance reserves are recorded in the consolidated statement of financial position as a cash asset and related liability.

Amounts not refunded during the lease are recorded as income at lease termination or at a point in time where the income becomes highly probable and reliably measurable. On termination of a lease, remaining maintenance reserve cash balances are offset against remaining maintenance rights assets to the extent cash reserves are held for qualifying events not completed during the lease term. Excess maintenance reserves are then released to the profit or loss and recognised as income.

### 2 (n) Aircraft purchase deposits

Aircraft purchase deposits relate to pre-delivery payments provided to airlines or manufacturers prior to the delivery of the aircraft. Aircraft purchase deposits are initially recorded at cost, which is equivalent of the fair value. At the end of each reporting period, the carrying amounts are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

### 2 (o) Financial Instruments

The Group adopted IFRS 9 Financial Instruments from 1 January 2019. IFRS 9 introduced new requirements for the recognition and measurement of credit impairment provisions and the classification and measurement of financial instruments. As permitted, the Group elected to adopt the simplified approach in IFRS 9 to determine the loss allowance for lease receivables. The Group on initial application of IFRS 9 elected to continue to apply IAS 39 for hedge accounting. On 1 January 2021, the Group subsequently transitioned to IFRS 9 for hedge accounting which did not have a material impact on the consolidated financial statements of the Group.

#### Initial recognition of financial instruments

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

#### Classification and Measurement

In IFRS 9, the classification and measurement categories are:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL")

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (o) Financial Instruments (continued)

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

#### ***Debt instruments***

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

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

#### ***Business model assessment***

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

#### ***The SPPI test***

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the assets' cash flows represent solely payments of principal and interest.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual cash flows introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

#### ***Debt instruments at amortised cost***

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

#### ***Debt instruments at FVTPL***

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

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

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

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (o) Financial Instruments (continued)

#### Impairment

IFRS 9 replaced the 'incurred' loss model in IAS 39 with a forward-looking expected credit loss ("ECL") impairment model. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The impairment model applies to:

- financial assets that are debt instruments measured at amortised cost or FVTOCI
- *finance and operating lease receivables (in scope of IFRS 16); and*
- contract assets

The Group applied the simplified approach to recognise lifetime expected credit losses for its trade receivables, lease receivables and contract assets as required or permitted by IFRS 9. There was no material impact on transition.

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

#### Derecognition

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

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

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

#### Financial liabilities

The Group's financial liability categories are either 'other financial liabilities' or 'financial liabilities at fair value through profit or loss'. Other financial liabilities include 'security deposits', 'loans and borrowings' and 'other payables' in the consolidated statement of financial position.

Following initial recognition, other financial liabilities are measured at amortised cost, using the EIR method.

#### Derecognition

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

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (p) Derivative instruments and hedge accounting

#### IFRS 9 Financial Instruments

On initial application of IFRS 9, the Group elected as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. On 1 January 2021, the Group subsequently transitioned to IFRS 9 for hedge accounting which did not have a material impact on the consolidated financial statements of the Group.

#### Derivative financial instruments and hedging

##### *Non-hedging derivative instruments*

Certain derivative transactions, while providing effective economic hedges to the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IFRS and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

##### *Hedge accounted derivative instruments*

The Group uses derivative instruments as part of its asset and liability management activities to manage specific exposures to interest rate risks and foreign currency risks.

On the date a derivative contract is entered into, the Group may designate it as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a future cash flow attributable to a recognised asset or liability, or a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.

The criteria for a derivative instrument to be accounted for as a hedge include:

- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship before hedge accounting is applied;
- Hedge documentation showing that there is a sufficient economic relationship between the hedge item and the hedging instrument.
- The hedge is effective at inception and on an ongoing basis.

##### *Cash flow hedges*

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income and in the cash flow hedge reserve within equity. The ineffective portion of the changes in the fair value of the derivatives is recognised immediately in profit or loss.

If a cash flow hedge no longer meets the criteria for hedge accounting or the hedging derivative expires or is sold, terminated or exercised, then the hedge accounting is discontinued, and the amount recognised in other comprehensive income remains in the hedging reserve until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is reclassified to profit or loss.

In the prior year, the Group early adopted the Phase 1 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty, before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

### 2 (q) Other receivables

Other receivables are initially recorded at cost, which is the equivalent of the fair value. Other receivables also include long term loans which are accounted for at FVTPL.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### **2 (r) Other payables**

Other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments, within 12 months from the date of the consolidated statement of financial position, in respect of the purchase of these goods and services. In addition, this balance includes accrued interest on borrowings and derivative financial instruments.

### **2 (s) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### **2 (t) Taxation**

The Group consists of a number of tax paying and non-tax paying entities due to tax laws applicable in each entity's respective domicile. Unless stated below, each entity within the Group is liable to tax assessment in the relevant jurisdiction of that entity.

Goshawk Aviation Limited

Under current Cayman Island law, the Company will not be subject to any income, withholding or capital gains taxes in the Cayman Islands.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### **2 (u) Share capital**

Ordinary shares and preference shares are classified as equity. Preference shareholders are paid dividends at the discretion of the Directors of the Company. In the event of liquidation, preference share equity ranks lower than other contractual debt agreements.

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

### **2 (v) Equity contributions**

Equity contributions represent loans advanced by the shareholders where the Company has a contractual right to settle the loans in the form of cash or the delivery of a pre-determined fixed number of the Company's preference shares.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (w) Significant accounting judgements, estimates and assumptions

#### General

In preparing the financial statements management is required to make judgements, estimates and assumptions that are essential to the understanding of operations and financial condition and affect the reported amount of assets, liabilities, net income, expenses and related disclosures. *Estimates made by management are based on historical experience and other assumptions that are believed reasonable, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.*

The Group has established procedures to ensure the accounting policies are consistently applied and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

The following are critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in the financial statements.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### (i) Significant Judgements:

*The most significant judgements made in applying the Group's accounting policies that have the most significant effects on the amounts recognised in the financial statements are described below:*

The COVID-19 pandemic continued to evolve through 2021 and impact the economic environment in which the Group operates. The virus, including the Omicron variant, is considered a fading risk to ongoing global recovery in 2022. However, there remains, ongoing but lessening impacts from COVID-19 in both the economies and the aviation sector in which we operate. While a diminishing risk, this could continue to negatively impact our financial results as the duration of the pandemic remains uncertain.

The World Health Organization in January 2022 declared an expectation that COVID-19 will have abated by early Q2 2022; it is further anticipated any future waves of the virus should have minor impacts on the economic outlook.

While the global economic outlook is positive there remains continued uncertainty. As a result, the current environment requires particularly complex judgements and estimates in certain areas. Management is closely monitoring the evolving situation and potential impacts.

#### *Lease Classification*

Determining the classification of lease arrangements entered into by the Group requires the application of judgement as to whether these are operating or finance leases (see '2(i) Leases'). All leases entered into by the Group as lessor have been classified as operating leases.

#### (ii) Estimates:

Assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are described below:

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (w) Significant accounting judgements, estimates and assumptions (continued)

#### (iii) Estimates (continued):

##### *Estimation of impairment of assets*

The Group's aircraft and related lease incentive assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. In such circumstances an impairment charge is recognised as a write down of the carrying value of the aircraft to its recoverable amount, being the higher of value in use and fair value less cost to sell.

The fair value less cost to sell is based on current market values from independent appraisers. The market value of aircraft and related assets is the estimated amount for which an aircraft could be exchanged on the date of valuation between a willing buyer and willing seller, in an arm's length transaction after marketing, wherein the parties each had acted knowledgeably, prudently and without compulsion.

The calculation of value in use requires the use of judgement in the assessment of estimated future cash flows associated with the aircraft, including an eventual disposition of the aircraft. The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, estimated residual values, estimated future lease rates for similar aircraft, economic conditions, technology and airline demand for particular aircraft types. These estimated cash flows are discounted at 5.2% per annum, which management believe is appropriate for each individual aircraft assessed (2020: 5.2%).

##### *Allowance for lease receivable losses under IFRS 9*

The Group recognises ECL for financial assets in accordance with IFRS 9 Financial Instruments, which requires estimation of both the timing and quantum of the expected loss.

In determining the loss allowance, the Group uses a provision matrix to apply an estimated loss rate, taking account of collateral received, including collateral in the form of cash security deposits and letters of credit. The Group applies judgement in determining the level of provision required for each debtor, based on a number of factors including the airline customer credit grade, historical airline customer payment and default rates, the financial strength and position of the airline customer and the experienced credit judgement of the dedicated Risk Management team.

##### *Estimation of useful lives and residual values of assets*

In estimating useful lives and residual values of aircraft the Group relies upon actual industry experience, supported by estimates received from independent appraisers, with the same or similar aircraft types and considering our anticipated utilisation of the aircraft (see '2(j) Aircraft and related assets – Depreciation/Amortisation').

In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life.

##### *Determination of fair values*

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

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 2 (w) Significant accounting judgements, estimates and assumptions (continued)

Derivatives – interest rate swaps

The market fair value of the interest rate swaps is based on a discounted cash flow calculation taking into account scheduled repayments using an estimated forward interest rate curve and discounted to its present value.

### 2 (x) Operating segments

The Group operates one operating segment, in accordance with IFRS 8 Operating Segments for the purchase and leasing of aircraft.

In line with IFRS 8, the Group reports revenue from external customers for each major group of product and service. The main products from which the Group earns external revenue includes aircraft leasing, trading assets, asset management servicing and treasury assets.

The Executive Committee, as the Chief Operating Decision Maker, is responsible for implementing the strategic management of the Group as guided by the Board. The Executive Committee reviews key performance indicators and internal management reports on a monthly basis.

### 2 (y) Business combinations and goodwill

With the exception of business combinations of entities under common control, which are accounted for using the merger basis of accounting, business combinations are otherwise accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit ("CGU") which has been determined to be the total aircraft asset portfolio at the date of testing, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Management is required to use judgement in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the asset when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the asset disposed of and the portion of the CGU retained.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 3. Finance income and expense

|                                                                               | 2021<br>US\$'000 | 2020<br>US\$'000 |
|-------------------------------------------------------------------------------|------------------|------------------|
| Finance income                                                                | 215              | 795              |
| Gains on repurchase of financial instruments                                  | 2,095            | 1,158            |
| <b>Total finance income</b>                                                   | <b>2,310</b>     | <b>1,953</b>     |
| Finance expense on financial liabilities                                      |                  |                  |
| - External finance expense                                                    | (226,290)        | (241,122)        |
| - Interest on lease liabilities                                               | (459)            | (449)            |
| - Amortisation of fair value adjustments                                      | (5,065)          | (4,668)          |
| <b>Total finance expense</b>                                                  | <b>(231,814)</b> | <b>(246,239)</b> |
| <b>Net gain/(loss) on derivative financial instruments</b>                    |                  |                  |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 16,912           | (24,847)         |
| <b>Net finance costs</b>                                                      | <b>(212,592)</b> | <b>(269,133)</b> |

Finance income reflects interest earned on cash on deposit and cash at bank. Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash on deposit earns interest at fixed rates as agreed with the bank. During the year ended 31 December 2021, the Group crystallised a gain on the repurchase of financial instruments of US\$2.1m (2020: US\$1.2m).

The fair value release relates to identifiable liabilities assumed through business combinations that are measured at fair value as at acquisition date. The fair value adjustment is amortised and included as fair value release within finance expenses in the statement of profit and loss and other comprehensive income.

### 4. Lease revenue

#### *Lease revenue from operating leases*

Lease revenue is derived from leasing commercial aircraft to various operators around the world.

During the year ended 31 December 2021, the Group recognised lease revenue on 161 aircraft (2020: 162 aircraft) on lease contracts with 62 operators (2020: 63 operators).

The largest exposure to one individual lessee is 11% and 11% of the total lease revenue in 2020 and 2021, respectively.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 4. Lease revenue (continued)

During the year ended 31 December 2021, the Group recorded the following lease rentals from operators in the following regions:

|                         | <b>2021</b>     | <b>2020</b>     |
|-------------------------|-----------------|-----------------|
|                         | <b>US\$'000</b> | <b>US\$'000</b> |
| Asia (ex-China & India) | 210,125         | 213,690         |
| Europe                  | 122,642         | 136,703         |
| India                   | 119,126         | 119,703         |
| Americas                | 113,903         | 111,495         |
| Middle East             | 72,910          | 75,272          |
| China                   | 44,956          | 55,459          |
| Africa                  | 19,514          | 27,021          |
| Australia               | 18,787          | 23,329          |
| <b>Total</b>            | <b>721,963</b>  | <b>762,672</b>  |

Included in lease revenue is variable lease revenue linked to utilisation of aircraft of US\$15.1m (2020: US\$1.5m).

As at the end of each reporting period, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases in the following regions:

|                         | <b>Due within<br/>one year</b> | <b>Due between<br/>one and five<br/>years</b> | <b>Due after five<br/>years</b> | <b>Total</b>     |
|-------------------------|--------------------------------|-----------------------------------------------|---------------------------------|------------------|
| <b>31 December 2021</b> | <b>US\$'000</b>                | <b>US\$'000</b>                               | <b>US\$'000</b>                 | <b>US\$'000</b>  |
| Asia (ex-China & India) | 201,362                        | 682,817                                       | 269,775                         | 1,153,954        |
| Europe                  | 111,140                        | 339,241                                       | 178,455                         | 628,836          |
| Americas                | 108,504                        | 346,616                                       | 129,602                         | 584,722          |
| Middle East             | 71,280                         | 250,144                                       | 181,066                         | 502,490          |
| India                   | 102,980                        | 189,624                                       | 42,057                          | 334,661          |
| China                   | 41,062                         | 88,159                                        | 1,943                           | 131,164          |
| Africa                  | 21,159                         | 76,078                                        | 6,568                           | 103,805          |
| Australia               | 13,277                         | 51,908                                        | 7,888                           | 73,073           |
| <b>Total</b>            | <b>670,764</b>                 | <b>2,024,587</b>                              | <b>817,354</b>                  | <b>3,512,705</b> |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 4. Lease revenue (continued)

|                         | Due within<br>one year | Due between<br>one and five<br>years | Due after five<br>years | Total            |
|-------------------------|------------------------|--------------------------------------|-------------------------|------------------|
| 31 December 2020        | US\$'000               | US\$'000                             | US\$'000                | US\$'000         |
| Asia (ex-China & India) | 212,545                | 764,388                              | 409,116                 | 1,386,049        |
| Europe                  | 130,384                | 398,646                              | 239,745                 | 768,775          |
| Americas                | 100,006                | 345,664                              | 186,929                 | 632,599          |
| Middle East             | 74,368                 | 264,436                              | 232,620                 | 571,424          |
| India                   | 121,453                | 275,812                              | 60,745                  | 458,010          |
| China                   | 54,193                 | 158,745                              | 6,938                   | 219,876          |
| Africa                  | 17,793                 | 71,172                               | 23,181                  | 112,146          |
| Australia               | 8,694                  | 59,616                               | 22,332                  | 90,642           |
| <b>Total</b>            | <b>719,436</b>         | <b>2,338,479</b>                     | <b>1,181,606</b>        | <b>4,239,521</b> |

### 5. Other income

During the year ended 31 December 2021, the Group recognised other income in relation to the following items:

|                                         | 2021<br>US\$'000 | 2020<br>US\$'000 |
|-----------------------------------------|------------------|------------------|
| Other income from lessees               | 14,040           | 9,903            |
| Maintenance reserves released (note 18) | 1,970            | -                |
| <b>Total</b>                            | <b>16,010</b>    | <b>9,903</b>     |

Other income from lessees primarily relates to security deposit releases and default and late payment interest from lessees.

Net impairment of aircraft assets is presented net of maintenance reserves released in conjunction with impairment charges on aircraft, see note 6 'Net impairment of aircraft assets' for further detail. Maintenance reserves released in the normal course of the lease is recorded as other income.

### 6. Net Impairment of aircraft assets

The Group recorded a net impairment charge after release of related maintenance reserves during the year ended 31 December 2021 of US\$44.8m (2020: US\$72.1m). The gross impairment charge during the year ended 31 December 2021 was US\$48.3m (2020: US\$96.8m).

Aircraft are assessed for recoverability in accordance with IAS 36 - Impairment of Assets ("IAS 36") at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. During the year to 31 December 2021, management assessed the Group's aircraft and related assets for impairment due to a deterioration in the inherent value of these aircraft as evidenced by the significant declines in current market values, primarily as a result of the effects of COVID-19.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 6. Net Impairment of aircraft assets (continued)

Management develops the key assumptions used in the recoverability assessment based on their knowledge of active lease contracts, current and future expectations of the global demand for aircraft types and historical experience in the aircraft leasing market and aviation industry, as well as estimates of market values, taking into consideration current independent external appraiser valuation data. When recoverability is measured, on a value in use basis, a discount rate of 5.2% (2020: 5.2%) is applied to future cash flows, which is considered to reflect the risks inherent in the cash flows.

A sensitivity analysis was performed to determine the potential impact of the below movements;

- 40bps increase in the discount rate used to determine discounted future cash flows
- 40bps decrease in the discount rate used to determine discounted future cash flows

None of the above movements in the discount rate would have led to a material adjustment to the Group's impairment charge for the year ended 31 December 2021.

Estimates of current market values, future cash flows and discount rates are by their nature uncertain and require significant management judgement, particularly in the current economic environment where the COVID-19 pandemic, while a fading risk, continues to add uncertainty. The factors considered in estimating the future cash flows are impacted by future lessee performance under active lease contracts (including agreed deferral arrangements), changes/modifications in contracted lease rates, changes in future projected lease rates, transition costs, estimated downtime, estimated residual values, economic conditions and airline demand for aircraft types. These estimates reflect the best estimate of management at the reporting date, using all currently available information.

|                                          | 2021<br>US\$'000 | 2020<br>US\$'000 |
|------------------------------------------|------------------|------------------|
| Impairment charge (note 12,14)           | 48,309           | 96,848           |
| Maintenance reserves released (note 18)  | (3,551)          | (24,706)         |
| <b>Net impairment of aircraft assets</b> | <b>44,758</b>    | <b>72,142</b>    |

### 7. Other fees and expenses

|                                      | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| Employee compensation and benefits   | 26,293           | 29,548           |
| Assurance and tax fees               | 1,782            | 2,752            |
| Professional and administrative fees | 11,099           | 21,331           |
| Insurance                            | 2,570            | 2,179            |
| Travel                               | 314              | 507              |
| Office costs                         | 520              | 681              |
| Other operating costs                | 8,845            | 5,446            |
|                                      | <b>51,423</b>    | <b>62,444</b>    |

The Group had 87 permanent employees as at 31 December 2021 (2020: 91). Other operating costs are primarily made up of fleet management costs, lease transition expenses, aircraft valuation fees and bank charges.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 8. Taxation

|                                                                    | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------------------------------------------------|------------------|------------------|
| <b>a) Analysis of tax charge/(credit) for the year</b>             |                  |                  |
| Current tax:                                                       |                  |                  |
| Foreign corporation tax charge/(credit) on net profit for the year | 355              | 1,479            |
| Income tax expense/(credit) for the year on ordinary activities    | 355              | 1,479            |
| Deferred tax:                                                      |                  |                  |
| Origination and reversal of temporary differences                  | 633              | (1,089)          |
| Deferred tax expense for the year on ordinary activities           | 633              | (1,089)          |
| <b>Income tax expense</b>                                          | <b>988</b>       | <b>390</b>       |

### **b) Factors affecting current tax charge for the year**

While the Company is incorporated under the laws of the Cayman Islands, its aircraft are primarily acquired by subsidiaries which are tax resident in Ireland.

The reconciliation of current tax on profits on ordinary activities to prima facie tax receivable/payable. The prima facie tax on profit differs from the income tax provided in the financial statements as follows:

|                                                                    | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------------------------------------------------|------------------|------------------|
| Profit on ordinary activities before taxation                      | 64,181           | 5,026            |
| Irish tax at statutory corporation tax rate of 12.5%               | 8,022            | 628              |
| <b>Effects of:</b>                                                 |                  |                  |
| Prior year (over)/under provision of tax                           | (788)            | (338)            |
| Non-taxable income / non-deductible expenses                       | 236              | 1,165            |
| Movement on unrecognised deferred tax assets / valuation allowance | (6,937)          | (392)            |
| Impact of change in tax rates                                      | -                | 373              |
| Income taxable at higher rate                                      | 1,130            | 1,402            |
| Impact of additional foreign taxes                                 | 652              | -                |
| Impact of tax rate differential in foreign jurisdictions           | (1,327)          | (2,448)          |
| <b>Income tax expense</b>                                          | <b>988</b>       | <b>390</b>       |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 8. Taxation (continued)

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year which are available for carry forward and an excess of capital allowances over accounting depreciation.

The reconciliation of deferred tax assets and liabilities for the year is as follows:

|                                     | 2021<br>US\$'000 | 2020<br>US\$'000 |
|-------------------------------------|------------------|------------------|
| <b>Deferred tax assets</b>          |                  |                  |
| At beginning of the year            | 298,272          | 216,056          |
| Movement during the year            | 76,212           | 82,216           |
| <b>At end of the year</b>           | <b>374,484</b>   | <b>298,272</b>   |
| <b>Deferred tax liabilities</b>     |                  |                  |
| At beginning of the year            | 318,058          | 241,831          |
| Movement during the year            | 87,074           | 76,227           |
| <b>At end of the year</b>           | <b>405,132</b>   | <b>318,058</b>   |
| <b>Net deferred tax liabilities</b> | <b>30,648</b>    | <b>19,786</b>    |

The Group's net deferred tax liability is attributable to temporary differences arising on aircraft and related assets at year-end, partially offset by deferred tax assets in respect of the carry forward of unused tax losses and amounts recognised directly in equity in relation to cash flow hedges.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 9. Cash and restricted cash

Cash at bank and deposits earn interest at floating rates based on daily bank deposit rates.

|                                                  | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------------------------------|------------------|------------------|
| <i>Unrestricted bank balances</i>                |                  |                  |
| Cash and cash equivalents                        | 78,030           | 79,891           |
| <i>Restricted cash</i>                           |                  |                  |
| Bank balances subject to withdrawal restrictions | 104,972          | 77,911           |
| <b>Total cash and restricted cash</b>            | <b>183,002</b>   | <b>157,802</b>   |

Under certain of the Group's debt arrangements, payments received from lessees may be subject to withdrawal restrictions and are thus classified as restricted cash.

### 10. Other receivables

|                          | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------|------------------|------------------|
| <b>Other receivables</b> |                  |                  |
| Other taxes (i)          | 8,351            | 10,436           |
| Loan receivables (ii)    | 4,136            | 3,502            |
| Other receivables        | 6,636            | 4,636            |
| Trade receivables (iii)  | 161,297          | 167,382          |
| Prepaid expenses         | 3,031            | 3,174            |
| Current tax receivable   | 1,609            | 1,338            |
|                          | <b>185,060</b>   | <b>190,468</b>   |
| Current                  | 180,047          | 185,564          |
| Non-current              | 5,013            | 4,904            |

- (i) Other taxes includes a receivable of US\$8.2m (2020: US\$10.3m) in relation to Value Added Tax ("VAT"), the majority of which relates to VAT on historical asset management fees. This is expected to be recovered in 2022.
- (ii) The Group has recognised a receivable of US\$3.5m (2020: US\$3.5m) in relation to loans provided to third parties on the sale of aircraft. These loans are classified as non-current, being repayable in 2029. A receivable of US\$0.6m is also recognised from an airline customer who has recently restructured, payment for which will commence in 2023.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 10. Other receivables (continued)

(iii) Trade receivables comprise of overdue amounts in respect of lease rentals from lessees.

#### Expected credit loss

During the year to 31 December 2021, the Group recognised a charge related to allowance for impairment of trade and other receivables of US\$38.4m (2020: US\$33.1m). The charge during the year relates to a number of lessees and is based on net lease exposure and the continued impact of the COVID-19 pandemic through 2021.

The movement in the loss allowance for impairment for trade receivables is as follows:

|                                                          | 2021<br>US\$'000 | 2020<br>US\$'000 |
|----------------------------------------------------------|------------------|------------------|
| <b>Expected credit allowance on doubtful receivables</b> |                  |                  |
| At beginning of the year                                 | 36,419           | 4,559            |
| Loss allowance for trade receivables                     | 38,432           | 33,146           |
| Loss allowance offset against trade receivables          | (30,441)         | (1,286)          |
| <b>At end of the year</b>                                | <b>44,410</b>    | <b>36,419</b>    |

As at 31 December, the receivables balance, net of expected credit allowance, by geographic region was:

|                         | 2021<br>US\$'000 | %           | 2020<br>US\$'000 | %           |
|-------------------------|------------------|-------------|------------------|-------------|
| Asia (ex-China & India) | 93,585           | 58%         | 66,301           | 40%         |
| India                   | 24,851           | 16%         | 18,827           | 11%         |
| Europe                  | 11,579           | 7%          | 42,862           | 26%         |
| China                   | 11,176           | 7%          | 13,717           | 8%          |
| Africa                  | 7,029            | 4%          | 9,817            | 6%          |
| Australia               | 6,647            | 4%          | 6,612            | 4%          |
| Americas                | 5,754            | 4%          | 7,230            | 4%          |
| Middle East             | 676              | 0%          | 2,016            | 1%          |
| <b>Total</b>            | <b>161,297</b>   | <b>100%</b> | <b>167,382</b>   | <b>100%</b> |

The Group's exposure to credit risk relates to the leasing of aircraft. The recovery of trade receivables is highly dependent on the financial strength of the commercial aviation industry. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the expected credit losses, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical credit experience, an informed credit assessment and incorporating forward-looking information.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 10. Other receivables (continued)

The Group prepared an analysis of each lessee based on historic loss rates and certain publicly available information to estimate a credit rating on a scale of one to ten, with one being minimal risk. The Group then uses this risk rating to assign a percentage expected loss rate to determine the ECL. The percentage expected loss rate is applied to outstanding trade receivable balances at period end.

In accordance with section B5.5.55 of IFRS 9, security deposits and letters of credit received have been treated as credit enhancements and are included in the measurement of the expected credit loss. Credit enhancements are integral to the contractual terms of the lease and are not required under IFRS standards to be recognised separately.

An impairment percentage expected loss provision has been applied based on the risk rating determined. The percentage is multiplied by the outstanding receivables balance at year end to calculate an expected loss over the life of the lease.

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

### 11. Equity accounted investees

On 4 June 2019, the Group acquired a 9.99% minority interest in the 'E' notes of Pioneer Aircraft Finance Limited ("Pioneer"). Pioneer is a structured ABS vehicle which has issued listed debt instruments. Pioneer acquired 18 aircraft from the Group in 2019. Pioneer financed the acquisitions by issuing US\$643m tranchised notes collateralised on the asset pool ("the notes"). The E-note comprised US\$114.6m of the notes.

Investments in associates are carried on the consolidated statement of financial position initially at cost and subsequently adjusted to recognise the Group's share of the profit or loss of the associate, capital transactions, including the receipt of any dividends, and write-downs to reflect any impairment in the value of such entities. The share of the profit or loss of the associate, together with any gains and losses realised on disposition, are reported in the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2021, the carrying value of the Group's investment in Pioneer, held by way of a direct holding of an 9.99% E-note, is as presented in the table below.

| Entity  | Place of<br>business/country<br>of incorporation | % of ownership<br>interest |      | Nature of<br>relationship | Measurement<br>method | Carrying<br>amount |          |
|---------|--------------------------------------------------|----------------------------|------|---------------------------|-----------------------|--------------------|----------|
|         |                                                  | 2021                       | 2020 |                           |                       | 2021               | 2020     |
|         |                                                  | %                          | %    |                           |                       | US\$'000           | US\$'000 |
| Pioneer | Ireland                                          | 9.99                       | 9.99 | Interest in<br>Associate  | Equity<br>method      | 6,934              | 6,833    |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 11. Equity accounted investees (continued)

The information presented in the table below sets out the Group's share of profit/(loss) from the interest held in Pioneer for the years ended 31 December 2021 and 31 December 2020.

|                                                      | 2021<br>US\$'000 | 2020<br>US\$'000 |
|------------------------------------------------------|------------------|------------------|
| Carrying amount of interests in associates share of: |                  |                  |
| – Profit/(loss) from continuing operations           | 101              | (753)            |

The Directors have assessed the investment in associate for indications of potential impairment at the reporting date, considering the facts and circumstances of the associate. The Directors are satisfied that no impairment exists at year end (2020: US\$nil).

### 12. Aircraft and related assets

The Group has disposed of nil aircraft during the year ended 31 December 2021 (2020: nil). No aircraft were held for sale at 31 December 2021 (2020: nil).

Depending on the financing arrangements, aircraft may be pledged as security where required in accordance with the financing documents (see note 17).

#### *Maintenance rights assets*

As at 31 December 2021, the carrying value of the maintenance rights assets is US\$400.6m (2020: US\$414.7m). In accordance with our leases, the lessee is obligated to comply with certain return conditions which may require them to undertake maintenance on the aircraft prior to its re-delivery or to make a cash compensation sufficient to allow such work to be undertaken.

#### *Lease premium assets*

As at 31 December 2021, the carrying value of lease premium assets is US\$117.4m (2020: US\$146.6m). Market rates at the time of acquisition of the aircraft have been compared to the rate agreed under the contracted lease acquired in order to calculate the lease premium assets.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 12. Aircraft and related assets (continued)

|                                                           | Aircraft and<br>engines | Maintenance<br>rights assets | Lease<br>premium | Total            |
|-----------------------------------------------------------|-------------------------|------------------------------|------------------|------------------|
|                                                           | US\$'000                | US\$'000                     | US\$'000         | US\$'000         |
| <b>Cost</b>                                               |                         |                              |                  |                  |
| <b>Balance at 1 January 2020</b>                          | <b>7,605,414</b>        | <b>477,345</b>               | <b>231,564</b>   | <b>8,314,323</b> |
| Additions                                                 | 60,854                  | -                            | -                | 60,854           |
| Transfers                                                 | 9,121                   | (9,121)                      | -                | -                |
| Disposals                                                 | -                       | (13,254)                     | -                | (13,254)         |
| <b>Balance at 31 December 2020<br/>and 1 January 2021</b> | <b>7,675,389</b>        | <b>454,970</b>               | <b>231,564</b>   | <b>8,361,923</b> |
| Additions                                                 | 668                     | -                            | -                | 668              |
| Transfers                                                 | 7,064                   | (7,064)                      | -                | -                |
| Derecognition                                             | -                       | (1,968)                      | -                | (1,968)          |
| <b>Balance at 31 December 2021</b>                        | <b>7,683,121</b>        | <b>445,938</b>               | <b>231,564</b>   | <b>8,360,623</b> |

### Accumulated depreciation and amortisation

|                                                           |                    |                 |                  |                    |
|-----------------------------------------------------------|--------------------|-----------------|------------------|--------------------|
| <b>Balance at 1 January 2020</b>                          | <b>(622,081)</b>   | <b>-</b>        | <b>(46,494)</b>  | <b>(668,575)</b>   |
| Depreciation/ amortisation charge                         | (300,710)          | -               | (30,189)         | (330,899)          |
| Impairment charge                                         | (48,284)           | (40,256)        | (8,308)          | (96,848)           |
| <b>Balance at 31 December 2020<br/>and 1 January 2021</b> | <b>(971,075)</b>   | <b>(40,256)</b> | <b>(84,991)</b>  | <b>(1,096,322)</b> |
| Depreciation/ amortisation charge                         | (299,913)          | -               | (27,183)         | (327,096)          |
| Impairment charge                                         | (31,996)           | (5,057)         | (2,038)          | (39,091)           |
| <b>Balance at 31 December 2021</b>                        | <b>(1,302,984)</b> | <b>(45,313)</b> | <b>(114,212)</b> | <b>(1,462,509)</b> |

### Net book value

|                            |                  |                |                |                  |
|----------------------------|------------------|----------------|----------------|------------------|
| <b>At 31 December 2020</b> | <b>6,704,314</b> | <b>414,714</b> | <b>146,573</b> | <b>7,265,601</b> |
| <b>At 31 December 2021</b> | <b>6,380,137</b> | <b>400,625</b> | <b>117,352</b> | <b>6,898,114</b> |

### (i) Geographic concentration

The distribution of net book value of aircraft and related assets by operators' geographic region:

|                         | 2021<br>US\$'000 | %           | 2020<br>US\$'000 | %           |
|-------------------------|------------------|-------------|------------------|-------------|
| Asia (ex-China & India) | 2,041,209        | 30%         | 2,099,974        | 29%         |
| Americas                | 1,125,657        | 16%         | 1,214,379        | 17%         |
| Europe                  | 1,115,749        | 16%         | 1,174,541        | 16%         |
| India                   | 1,021,146        | 15%         | 1,103,408        | 15%         |
| Middle East             | 748,185          | 11%         | 784,609          | 11%         |
| China                   | 407,460          | 6%          | 426,729          | 6%          |
| Africa                  | 274,439          | 4%          | 287,001          | 4%          |
| Australia               | 164,269          | 2%          | 174,960          | 2%          |
| <b>Total</b>            | <b>6,898,114</b> | <b>100%</b> | <b>7,265,601</b> | <b>100%</b> |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 13. (a) Other property assets

|                                                       | Leasehold<br>improvements<br>US\$'000 | Right of use<br>assets<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------------------------------|---------------------------------------|------------------------------------|-------------------|
| <b>Balance at 1 January 2020</b>                      |                                       |                                    |                   |
| Cost                                                  | 6,563                                 | 8,391                              | 14,954            |
| Additions                                             | 248                                   | -                                  | 248               |
| <b>Balance at 1 January 2021</b>                      | <b>6,811</b>                          | <b>8,391</b>                       | <b>15,202</b>     |
| Additions                                             | -                                     | -                                  | -                 |
| <b>Balance at 31 December 2021</b>                    | <b>6,811</b>                          | <b>8,391</b>                       | <b>15,202</b>     |
|                                                       |                                       |                                    |                   |
|                                                       | Leasehold<br>improvements<br>US\$'000 | Right of use<br>assets<br>US\$'000 | Total<br>US\$'000 |
| <b>Accumulated depreciation and amortisation</b>      |                                       |                                    |                   |
| <b>Balance at 1 January 2020</b>                      | (1,096)                               | (457)                              | (1,553)           |
| Depreciation/ amortisation charge                     | (1,048)                               | (937)                              | (1,985)           |
| <b>Balance at 31 December 2020 and 1 January 2021</b> | <b>(2,144)</b>                        | <b>(1,394)</b>                     | <b>(3,538)</b>    |
| Depreciation/ amortisation charge                     | (1,107)                               | (937)                              | (2,044)           |
| <b>Balance at 31 December 2021</b>                    | <b>(3,251)</b>                        | <b>(2,331)</b>                     | <b>(5,582)</b>    |
| <b>Net book value</b>                                 |                                       |                                    |                   |
| <b>At 31 December 2020</b>                            | <b>4,667</b>                          | <b>6,997</b>                       | <b>11,664</b>     |
| <b>At 31 December 2021</b>                            | <b>3,560</b>                          | <b>6,060</b>                       | <b>9,620</b>      |

### 13.(b) Right of use assets and lease liabilities

At 31 December 2021, the Group was party to property leases in scope on IFRS 16 for which it recognised a right of use asset and related lease liability as set out below.

|                                    | Offices<br>US\$'000 | Total<br>US\$'000 |
|------------------------------------|---------------------|-------------------|
| <b>Right of use assets</b>         |                     |                   |
| <b>Balance at 1 January 2020</b>   | <b>7,934</b>        | <b>7,934</b>      |
| Depreciation                       | (937)               | (937)             |
| <b>Balance at 1 January 2021</b>   | <b>6,997</b>        | <b>6,997</b>      |
| Depreciation                       | (937)               | (937)             |
| <b>Balance at 31 December 2021</b> | <b>6,060</b>        | <b>6,060</b>      |

Set out below are the carrying amounts of lease liabilities (included in loans and borrowings) and the movement during the year ended 31 December 2021 and 2020:

|                           | 2021<br>US\$'000 | 2020<br>US\$'000 |
|---------------------------|------------------|------------------|
| <b>Lease liabilities</b>  |                  |                  |
| At beginning of the year  | 8,309            | 8,519            |
| Accretion of interest     | 459              | 449              |
| FX revaluations           | (587)            | 596              |
| Payments                  | (1,291)          | (1,255)          |
| <b>At end of the year</b> | <b>6,890</b>     | <b>8,309</b>     |
| Current                   | 730              | 880              |
| Non-current               | 6,160            | 7,429            |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 13. (b) Right of use assets and lease liabilities (continued)

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

| Lease liabilities      | Carrying<br>amount<br>US\$'000 | Contractual<br>Cash flow<br>US\$'000 | Less<br>than<br>1 year<br>US\$'000 | Less<br>than<br>5 years<br>US\$'000 | More<br>than<br>5 years<br>US\$'000 |
|------------------------|--------------------------------|--------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| As at 31 December 2020 | 8,309                          | 9,236                                | 972                                | 3,299                               | 4,965                               |
| As at 31 December 2021 | 6,890                          | 8,264                                | 972                                | 3,299                               | 3,993                               |

### 14. Lease incentive asset

Lease incentive asset represents contributions made by the Group towards the lessees' cost of maintenance events. The lease incentive asset is amortised on a straight-line basis over the life of the lease and recorded as a reduction in lease rental income.

|                                          | 2021<br>US\$'000 | 2020<br>US\$'000 |
|------------------------------------------|------------------|------------------|
| <b>Cost</b>                              |                  |                  |
| At beginning of year                     | 23,118           | 20,997           |
| Additions during the year                | 14,920           | 2,121            |
| At end of year                           | 38,038           | 23,118           |
| <b>Accumulated amortisation</b>          |                  |                  |
| At beginning of year                     | (6,750)          | (3,079)          |
| Amortisation charge during the year      | (4,584)          | (3,671)          |
| Impairment charge during the year        | (9,218)          | -                |
| At end of year                           | (20,552)         | (6,750)          |
| <b>Carrying value at end of the year</b> | <b>17,486</b>    | <b>16,368</b>    |

Lessor contribution liabilities have been recognised in line with the above lease incentive assets, amounting to US\$59.7m and US\$48.0m at 31 December 2021 and 2020, respectively.

|                          | 2021<br>US\$'000 | 2020<br>US\$'000 |
|--------------------------|------------------|------------------|
| <b>Cost</b>              |                  |                  |
| At beginning of year     | 48,026           | 46,306           |
| Movement during the year | 11,663           | 1,720            |
| <b>At end of year</b>    | <b>59,689</b>    | <b>48,026</b>    |
| Current                  | 27,324           | -                |
| Non-current              | 32,365           | 48,026           |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 15. Aircraft purchase deposits

As at the end of each reporting period, the Group recognised a deposit in relation to payments made for the purchase of aircraft in accordance with payment schedules set out in the relevant purchase agreements.

|                                               | 2021<br>US\$'000 | 2020<br>US\$'000 |
|-----------------------------------------------|------------------|------------------|
| <b>Aircraft purchase deposits</b>             |                  |                  |
| At beginning of the year                      | 220,758          | 183,821          |
| Payments during the year                      | 69,463           | 39,958           |
| Interest paid and capitalised during the year | 4,255            | 1,729            |
| Purchase price deposits returned/reclassified | -                | (4,750)          |
| <b>At end of the year</b>                     | <b>294,476</b>   | <b>220,758</b>   |
| Current                                       | -                | -                |
| Non-current                                   | 294,476          | 220,758          |

The recoverability of aircraft purchase deposits has been assessed, and there was no indicators of impairment in the current or prior period.

### 16. Other payables

|                                              | 2021<br>US\$'000 | 2020<br>US\$'000 |
|----------------------------------------------|------------------|------------------|
| Trade payables and other accrued liabilities | 10,364           | 15,442           |
| Interest payable                             | 31,465           | 33,420           |
| Payroll costs payable                        | 12,420           | 13,293           |
|                                              | <b>54,249</b>    | <b>62,155</b>    |
| Current                                      | 54,249           | 62,155           |
| Non-current                                  | -                | -                |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 17. Loans and borrowings

The balance of borrowings as at 31 December 2021 is US\$5,109.9m (2020: US\$5,408.6m). Aircraft lease rentals are structured to ensure that lease payments are sufficient to meet the Group's obligations under debt funding over the term of the lease.

|                                           | 2021<br>US\$'000 | 2020<br>US\$'000 |
|-------------------------------------------|------------------|------------------|
| <b>Loans and borrowings - current</b>     |                  |                  |
| Secured loans and borrowings              | 134,247          | 218,885          |
| Unsecured loans and borrowings            | -                | 173,000          |
| Debt issuance costs                       | (10,063)         | (10,484)         |
| Lease liabilities                         | 730              | 880              |
|                                           | <b>124,914</b>   | <b>382,281</b>   |
| <b>Loans and borrowings - non-current</b> |                  |                  |
| Secured loans and borrowings              | 1,743,401        | 1,944,596        |
| Unsecured loans and borrowings            | 3,251,798        | 3,093,454        |
| Debt issuance costs                       | (16,376)         | (19,142)         |
| Lease liabilities                         | 6,160            | 7,429            |
|                                           | <b>4,984,983</b> | <b>5,026,337</b> |
| <b>Total</b>                              | <b>5,109,897</b> | <b>5,408,618</b> |

#### Unsecured debt facilities:

The Group holds 101 (2020: 97) aircraft with a total net book value of US\$3,251.8m (2020: US\$3,266.5m) which were unencumbered as at 31 December 2021 and were being financed by unsecured facilities. The outstanding balance of unsecured debt which includes terms loans, revolving credit facilities and bonds as at 31 December 2021 was US\$3,251.8m (2020: US\$3,266.5m), and the key terms of these facilities are set out below.

#### Secured debt facilities:

As at 31 December 2021, 61 aircraft (2020: 65 aircraft) were encumbered, financed by secured debt facilities. The Group had outstanding secured debt of US\$1,877.6m as at 31 December 2021 (2020: US\$2,163.5m) which consisted of 9 facilities, financed by 57 institutions. Under the terms of these facilities, the aircraft are pledged as security, as required in the financing documents. The aircraft may have also been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deed. The recourse of the lenders and the other parties to the transaction documents is limited to the assets secured by the aircraft owning entities and to any monies received by the aircraft owning entities pursuant to the transaction documents. US\$236.4m of the outstanding secured debt as at 31 December 2021, is jointly guaranteed by the Group's shareholders. The carrying value of secured aircraft and related assets pledged as security, are set out below:

#### Assets pledged as security

|                             | 2021<br>US\$'000 | 2020<br>US\$'000 |
|-----------------------------|------------------|------------------|
| <b>Non-current</b>          |                  |                  |
| Aircraft and related assets | 2,657,380        | 2,926,713        |
|                             | <b>2,657,380</b> | <b>2,926,713</b> |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 17. Loans and borrowings (continued)

#### Key terms of debt facilities

The terms of outstanding unsecured and secured loans before the impact of derivatives are outlined below (excluding capitalised loan fees).

#### At 31 December 2021

|                                | Range of average nominal<br>interest<br>rates (%) | Year of maturity | 2021<br>US\$'000 |
|--------------------------------|---------------------------------------------------|------------------|------------------|
| <b>Floating rate loans</b>     |                                                   |                  |                  |
| Secured loans and borrowings   | LIBOR +1.6 to 2.15                                | 2023-2029        | 1,104,525        |
| Unsecured loans and borrowings | LIBOR +1.5 to 1.625                               | 2023-2024        | 1,935,098        |
| <b>Fixed rate loans</b>        |                                                   |                  |                  |
| Secured loans and borrowings   | 3.40 – 7.02                                       | 2024 - 2032      | 773,123          |
| Unsecured loans and borrowings | 2.72 – 5.19                                       | 2023 - 2031      | 1,316,700        |
|                                |                                                   |                  | <b>5,129,446</b> |

#### At 31 December 2020

|                                | Range of average nominal<br>interest<br>rates (%) | Year of maturity | 2020<br>US\$'000 |
|--------------------------------|---------------------------------------------------|------------------|------------------|
| <b>Floating rate loans</b>     |                                                   |                  |                  |
| Secured loans and borrowings   | LIBOR +1.25 to 2.25                               | 2022 - 2029      | 1,332,987        |
| Unsecured loans and borrowings | LIBOR +1.25 to 2.40                               | 2021 - 2024      | 2,039,254        |
| <b>Fixed rate loans</b>        |                                                   |                  |                  |
| Secured loans and borrowings   | 2.89 – 7.02                                       | 2022 - 2032      | 830,494          |
| Unsecured loans and borrowings | 3.90 – 5.19                                       | 2021 - 2030      | 1,227,200        |
|                                |                                                   |                  | <b>5,429,935</b> |

As at 31 December 2021 and 2020, the loans and borrowings were repayable as follows:

|                                  | 2021<br>US\$'000 | 2020<br>US\$'000 |
|----------------------------------|------------------|------------------|
| Within 1 year or on demand       | 134,247          | 391,885          |
| After 1 year but within 2 years  | 1,077,830        | 835,670          |
| After 2 years but within 5 years | 2,905,783        | 3,236,622        |
| After 5 years                    | 1,011,586        | 965,758          |
|                                  | <b>5,129,446</b> | <b>5,429,935</b> |

See note 22 for details of contractual maturities of debt.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 18. Maintenance reserves

|                                                    | 2021<br>US\$'000 | 2020<br>US\$'000 |
|----------------------------------------------------|------------------|------------------|
| At beginning of the year                           | 374,979          | 375,925          |
| Additions                                          | 67,331           | 46,981           |
| Release against maintenance intangible (note 12)   | -                | (13,254)         |
| Maintenance reserves released (note 5, 6)          | (5,521)          | (24,706)         |
| Lessee claims against reserves                     | (2,774)          | (13,749)         |
| Maintenance reserves offset against rental arrears | (27,734)         | -                |
| Amortisation of fair value adjustments             | 3,949            | 3,782            |
| <b>At end of the year</b>                          | <b>410,230</b>   | <b>374,979</b>   |
| Current                                            | 94,034           | 76,940           |
| Non-current                                        | 316,196          | 298,039          |

### 19. Security deposits

|                                        | 2021<br>US\$'000 | 2020<br>US\$'000 |
|----------------------------------------|------------------|------------------|
| At beginning of the year               | 59,581           | 74,268           |
| Deposits received during the year      | 5,381            | 15,193           |
| Amortisation of fair value adjustments | 1,116            | 886              |
| Repaid/released during the year        | (17,034)         | (30,766)         |
| <b>At end of the year</b>              | <b>49,044</b>    | <b>59,581</b>    |
| Current                                | 796              | 2,902            |
| Non-current                            | 48,248           | 56,679           |

In addition, the Group holds security on lease obligations in the form of letters of credit of US\$61.2m as at 31 December 2021 (2020: US\$69.6m).

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 20. Financial instruments – fair values and financial risk management

The Group employs a combination of equity, borrowings and cash resources to finance operations. In addition, the Group uses derivative financial instruments, principally interest rate swaps, to manage its' exposure to variable interest rate payments on variable rate debt instruments. Derivatives are measured at fair value.

#### Fair value of financial assets and liabilities

The carrying value and fair value of the Group's financial assets and liabilities by class and category were as follows:

| At 31 December 2021                                               | Fair Value<br>Hierarchy<br>Level | Carrying amount<br>2021<br>US\$'000 | Fair value<br>2021<br>US\$'000 |
|-------------------------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------|
| <b>Financial assets at amortised cost</b>                         |                                  |                                     |                                |
| Cash and cash equivalents                                         | 2                                | 78,030                              | 78,030                         |
| Restricted cash                                                   | 2                                | 104,972                             | 104,972                        |
| Other receivables - Current                                       | 2                                | 180,047                             | 180,047                        |
|                                                                   |                                  | <b>363,049</b>                      | <b>363,049</b>                 |
| <b>Financial assets at fair value through profit or loss</b>      |                                  |                                     |                                |
| Other receivables - Non-current                                   | 3                                | 5,013                               | 5,013                          |
|                                                                   |                                  | <b>5,013</b>                        | <b>5,013</b>                   |
| <b>Financial liabilities at amortised cost</b>                    |                                  |                                     |                                |
| Maintenance reserves                                              | 2                                | 410,230                             | 410,230                        |
| Security deposits                                                 | 2                                | 49,044                              | 49,044                         |
| Loans and borrowings                                              | 3                                | 5,109,897                           | 5,085,194                      |
| Other payables                                                    | 2                                | 54,249                              | 54,249                         |
|                                                                   |                                  | <b>5,623,420</b>                    | <b>5,598,717</b>               |
| <b>Financial liabilities at fair value through profit or loss</b> |                                  |                                     |                                |
| Derivative financial instruments                                  | 2                                | 121,599                             | 121,599                        |
|                                                                   |                                  | <b>121,599</b>                      | <b>121,599</b>                 |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 20. Financial instruments – fair values and financial risk management (continued)

| At 31 December 2020                                               | Fair Value<br>Hierarchy<br>Level | Carrying amount<br>2020<br>US\$'000 | Fair value<br>2020<br>US\$'000 |
|-------------------------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------|
| <b>Financial assets at amortised cost</b>                         |                                  |                                     |                                |
| Cash and cash equivalents                                         | 2                                | 79,891                              | 79,891                         |
| Restricted cash                                                   | 2                                | 77,911                              | 77,911                         |
| Other receivables - Current                                       | 2                                | 184,226                             | 184,226                        |
|                                                                   |                                  | <b>342,028</b>                      | <b>342,028</b>                 |
| <b>Financial assets at fair value through profit or loss</b>      |                                  |                                     |                                |
| Other receivables - Non-current                                   | 3                                | 3,502                               | 3,502                          |
|                                                                   |                                  | <b>3,502</b>                        | <b>3,502</b>                   |
| <b>Financial liabilities at amortised cost</b>                    |                                  |                                     |                                |
| Maintenance reserves                                              | 2                                | 374,979                             | 374,979                        |
| Security deposits                                                 | 2                                | 59,581                              | 59,581                         |
| Loans and borrowings                                              | 3                                | 5,408,618                           | 5,401,205                      |
| Other payables                                                    | 2                                | 62,155                              | 62,155                         |
|                                                                   |                                  | <b>5,905,333</b>                    | <b>5,897,920</b>               |
| <b>Financial liabilities at fair value through profit or loss</b> |                                  |                                     |                                |
| Derivative financial instruments                                  | 2                                | 232,897                             | 232,897                        |
|                                                                   |                                  | <b>232,897</b>                      | <b>232,897</b>                 |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 20. Financial instruments – fair values and financial risk management (continued)

The different fair value hierarchy levels have been defined as follows:

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

The fair value of financial instruments that are not traded in an active market is determined by using other valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all *significant inputs required to fair value an instrument are observable, the instrument is included in Level 2*. The Group's valuation technique is discounted cash flows using market rates allowing for credit risk for derivatives.

All of the Group's derivatives are carried at fair value and are classified as Level 2.

The fair value measurements for loans and borrowings have been classified as Level 3 fair values based on the inputs to the valuation techniques used (i.e., all inputs are not based on observable market data, some require informed assumptions). The fair value of the loans and borrowings at amortised cost has been estimated by discounting estimated future cash flows using the market interest rates prevailing at each year-end.

The fair value of the loan assets arising upon the sale of aircraft to third parties has been estimated in line with the valuation analysis of the underlying aircraft assets. Proceeds from the sale of these assets will fund the repayment of the loan assets. The Group has not recognised a fair value adjustment of the total value of the loans at December 2021 (as outlined in note 10) but a further change in valuations of these assets may be required in the future in line with potential fluctuations of the underlying associated aircraft.

The Directors have determined that the fair value of all other financial assets and liabilities not measured at fair value are considered to fall within Level 2 of the fair value hierarchy. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 20. Financial instruments – fair values and financial risk management (continued)

#### Derivative financial instruments

All derivative financial instruments entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IFRS hedge accounting criteria are held for economic purposes.

|                                                            | 2021<br>US\$'000 | 2020<br>US\$'000 |
|------------------------------------------------------------|------------------|------------------|
| <b>Derivative assets</b>                                   |                  |                  |
| <i>Interest rate swap assets</i>                           |                  |                  |
| Derivative instruments in designated hedging relationships | -                | -                |
| Fair value through profit or loss (FVTPL)                  | -                | -                |
|                                                            | -                | -                |
| <b>Derivative liabilities</b>                              |                  |                  |
| <i>Interest rate swap liabilities</i>                      |                  |                  |
| Derivative instruments in designated hedging relationships | 94,880           | 186,053          |
| Fair value through profit or loss (FVTPL)                  | 26,557           | 46,767           |
|                                                            |                  |                  |
| <i>FX forwards</i>                                         |                  |                  |
| Fair value through profit or loss (FVTPL)                  | 162              | 77               |
|                                                            | <b>121,599</b>   | <b>232,897</b>   |

|                                        | 2021<br>US\$'000 | 2020<br>US\$'000 |
|----------------------------------------|------------------|------------------|
| <b>Cash flow hedging reserve</b>       |                  |                  |
| Balance at the beginning of the year   | (169,216)        | (93,502)         |
| Changes in fair value                  | 91,173           | (84,048)         |
| Tax movements during the year          | (10,230)         | 5,034            |
| Amounts reclassified to profit or loss | 3,214            | 3,300            |
| Balance at year end                    | <b>(85,059)</b>  | <b>(169,216)</b> |

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, consistent with the Group's accounting policy.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 20. Financial instruments – fair values and financial risk management (continued)

#### Cash flow hedges

#### Interest rate risk

Disclosed within Derivative Financial Assets/Liabilities in the Consolidated Statement of Financial Position.

As at 31 December 2021

| Nominal<br>amounts of the<br>hedging<br>instrument | Carrying value of the<br>hedging instrument |                         | Change in fair<br>value used<br>when<br>calculating<br>hedge<br>ineffectiveness | Carrying<br>amount of<br>hedged<br>item | Amounts<br>held in<br>hedging<br>reserve<br>relating to<br>de-<br>designated<br>swaps | Cash<br>flow<br>hedge<br>reserve | Amount of<br>cash flow<br>hedge<br>reserve no<br>longer in a<br>hedge<br>relationship |
|----------------------------------------------------|---------------------------------------------|-------------------------|---------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------|
| US\$'000                                           | Assets<br>US\$'000                          | Liabilities<br>US\$'000 | US\$'000                                                                        | US\$'000                                | US\$'000                                                                              | US\$'000                         | US\$'000                                                                              |
| 2,178,836                                          | -                                           | (94,880)                | 91,173                                                                          | 2,178,836                               | 2,566                                                                                 | 85,059                           | 2,566                                                                                 |

As at 31 December 2020

| Nominal<br>amounts of the<br>hedging<br>instrument | Carrying value of the<br>hedging instrument |                         | Change in fair<br>value used<br>when<br>calculating<br>hedge<br>ineffectiveness | Carrying<br>amount of<br>hedged<br>item | Amounts<br>held in<br>hedging<br>reserve<br>relating to<br>de-<br>designated<br>swaps | Cash<br>flow<br>hedge<br>reserve | Amount of<br>cash flow<br>hedge<br>reserve no<br>longer in a<br>hedge<br>relationship |
|----------------------------------------------------|---------------------------------------------|-------------------------|---------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------|
| US\$'000                                           | Assets<br>US\$'000                          | Liabilities<br>US\$'000 | US\$'000                                                                        | US\$'000                                | US\$'000                                                                              | US\$'000                         | US\$'000                                                                              |
| 2,299,181                                          | -                                           | (186,053)               | (84,938)                                                                        | 2,299,181                               | 3,630                                                                                 | 169,211                          | 3,630                                                                                 |

The amount reclassified to the consolidated statement of profit or loss in respect of de-designated hedge relationships during the year was US\$2.6m (2020: US\$(3.6m)), which has been recorded in the net loss on the FVPTL or line on the consolidated statement of profit or loss. This represents the amortisation of the amount held in the cash flow hedge reserve over the life of the related hedged item.

At 31 December 2021, the Group held the following instruments to hedge exposures to changes in interest rates.

| Interest Rate<br>Risk | Net Exposure<br>US\$'000 |
|-----------------------|--------------------------|
| Up to 1 Year          | 62,650                   |
| 1-2 Years             | 651,082                  |
| 2-5 Years             | 1,158,001                |
| 5+ Years              | 307,103                  |
| <b>Total</b>          | <b>2,178,836</b>         |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 20. Financial instruments – fair values and financial risk management (continued)

#### **Risk management strategy**

The Group has issued debt instruments at a floating rate of interest (LIBOR) plus a fixed spread. To manage the exposure to variations in cash flows due to changes in the underlying benchmark interest rate (LIBOR), the Group generally enters into interest rate swaps to exchange the contractual floating rate on the debt instrument to a fixed rate. The decision to enter into a hedging instrument is guided by IFRS hedge accounting considerations and the Group's overall interest rate risk position.

Changes in the fair value of derivatives designated as cash flow hedging instruments under IFRS accounting rules are recognised in other comprehensive income and included within the cash flow hedge reserve in total equity.

Ineffectiveness may arise as a result of mismatches in the timing of cash flows between the hedged item and hedging instrument as well as changes to the credit quality of the Group or swap counterparty. Those derivatives that do not meet IFRS hedge accounting criteria are held for economic purposes and are reported at fair value through profit or loss.

Amounts accumulated in equity are recycled in the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When, or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 21. Share capital and equity contributions

| Share capital                                                     | Number of shares   | US\$               |
|-------------------------------------------------------------------|--------------------|--------------------|
| <b>Authorised</b>                                                 |                    |                    |
| Ordinary shares of US\$1 each                                     | 250                | 250                |
| Preference shares of US\$0.001 each                               | 1,499,750,000      | 1,499,750          |
| <b>Issued and fully paid</b>                                      |                    |                    |
| Ordinary share of US\$1 each                                      | -                  | -                  |
| Issued ordinary shares as at 31 December 2020                     | -                  | -                  |
| Ordinary share issued during the year at US\$1 each               | -                  | -                  |
| <b>Total issued ordinary shares as at 31 December 2021</b>        | -                  | -                  |
| Preference shares of US\$0.001 each                               |                    |                    |
| Preference shares of US\$0.001 each as at 31 December 2020        | 362,026,264        | 362,026            |
| Preference share premium of US\$0.999 each as at 31 December 2020 |                    | 361,664,238        |
| Preference shares issued during the year at US\$0.001 each        | -                  | -                  |
| <b>Total issued preference shares as at 31 December 2021</b>      | <b>362,026,264</b> | <b>362,026,264</b> |
| <b>Equity contributions</b>                                       |                    | <b>US\$'000</b>    |
| Equity contributions as at 31 December 2020                       |                    | <b>1,623,408</b>   |
| Equity contributions received during the year                     |                    | -                  |
| Capital repayments during the year                                |                    | (40,170)           |
| <b>Equity contributions as at 31 December 2021</b>                |                    | <b>1,583,238</b>   |

#### Ordinary shares

Fully paid ordinary shares carry one vote per share.

#### Preference shares

Preference shares are issued at a premium of US\$0.999 each and comprise part of the Company's distributable reserves. Preferential dividends are paid in accordance with the Dividend policy and can only be paid out of profits available for distribution (after the share premium). Distributions will be at the discretion of the board. The Group is required to service all debt obligations and may have limited recourse to the aircraft and the operating leases in certain circumstances. The Group must fund their working capital and any capital expenditure requirements and satisfy all of their expenses before making any distributions to shareholders.

Preference shares will carry one vote per share except where excluded from voting.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 21. Share capital and equity contributions (continued)

#### *Equity contributions*

Equity contributions represent advances made by the Company's preference shareholders in the legal form of shareholder loans. Under the terms of the agreements governing these arrangements, the Company does not have an existing contractual arrangement to deliver cash in settlement of the loans, any settlement will be solely at the discretion of the Company in the form of cash or by way of a delivery of a pre-determined fixed number of the Company's preference shares. Consequently, the shareholder loans have been classified and presented as equity instruments, which best reflects the substance and overall form of the arrangements entered into between the Company and the shareholders in these respects.

Reconciliation of movement in capital and reserves:

|                                                         | Share<br>capital<br>US\$'000 | Equity<br>contributions<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Total equity<br>US\$'000 |
|---------------------------------------------------------|------------------------------|-------------------------------------|----------------------------------|--------------------------------|--------------------------|
| <b>Balance at 31<br/>December 2019</b>                  | <b>362,026</b>               | <b>1,615,632</b>                    | <b>69,392</b>                    | <b>(93,502)</b>                | <b>1,953,548</b>         |
| Total comprehensive<br>income for 2020                  | -                            | -                                   | 4,636                            | (75,714)                       | (71,078)                 |
| Equity contributions<br>received during 2020            | -                            | 14,072                              | -                                | -                              | 14,072                   |
| Equity repayments                                       | -                            | (6,296)                             | -                                | -                              | (6,296)                  |
| Dividend distributions<br>to preference<br>shareholders | -                            | -                                   | (72,154)                         | -                              | (72,154)                 |
| Dividend distribution<br>– GMHC                         | -                            | -                                   | (12,157)                         | -                              | (12,157)                 |
| <b>Balance at 31<br/>December 2020</b>                  | <b>362,026</b>               | <b>1,623,408</b>                    | <b>(10,283)</b>                  | <b>(169,216)</b>               | <b>1,805,935</b>         |
| Total comprehensive<br>income for 2021                  | -                            | -                                   | 63,193                           | 84,157                         | 147,350                  |
| Equity repayments                                       | -                            | (40,170)                            | -                                | -                              | (40,170)                 |
| <b>Balance at 31<br/>December 2021</b>                  | <b>362,026</b>               | <b>1,583,238</b>                    | <b>52,910</b>                    | <b>(85,059)</b>                | <b>1,913,115</b>         |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 21. Share capital and equity contributions (continued)

#### *Transactions with shareholders*

All equity is attributable to the holders of the ordinary and preference shares in the Company. During the year ended 31 December 2021, the shareholders made equity contributions of US\$nil (2020: US\$14.1m). During the year ended 31 December 2021, the Group made capital repayments of US\$40.2m (2020: US\$6.3m).

#### *Dividend distribution*

Included in equity for the year are preference dividends of US\$nil (2020: US\$84.3m) paid during the year.

| <u>The Company</u>                                                 | <b>US\$ cent per<br/>preference<br/>share</b> | <b>Number of<br/>shares issued</b> | <b>Dividend<br/>declared and<br/>paid (US\$'000)</b> |
|--------------------------------------------------------------------|-----------------------------------------------|------------------------------------|------------------------------------------------------|
| Dividend distribution paid (February 2020)                         | 10.72                                         | 362,026,264                        | 38,800                                               |
| Dividend distribution paid (June 2020)                             | 9.21                                          | 362,026,264                        | 33,354                                               |
| <b>Total dividend distributions to<br/>preference shareholders</b> |                                               |                                    | <b>72,154</b>                                        |
| <u>GMHC</u>                                                        |                                               |                                    |                                                      |
| Dividend distribution (April 2020)                                 |                                               |                                    | 12,157                                               |
| <b>Total dividend distributions</b>                                |                                               |                                    | <b>84,311</b>                                        |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management

Any of the following risks could adversely affect the financial performance, position and/or growth potential of the Group.

#### **Geopolitical and economic risks**

The Group leases aircraft to customers in multiple jurisdictions exposing it to (i) many and varying economic, social, legal and geopolitical risks, (ii) instability in key markets and (iii) global health pandemics.

The Directors continue to monitor the development of the COVID-19 global pandemic and are continuing to assess and monitor the potential impact on the Group. Exposure to multiple jurisdictions may adversely affect the Group's future performance, position and growth potential. The adequacy and timeliness of the Group's response to emerging risks in these jurisdictions are of critical importance to the mitigation of their potential impact on the Group's results and financial position.

#### **Exposure to the commercial airline industry**

As a supplier to and partner of the airline industry, the Group is exposed to the financial condition of the airline industry as it leases all of its aircraft to commercial airline customers. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases and natural disasters, fuel costs and the demand for air travel.

#### **COVID-19**

The COVID-19 global pandemic has had a significant impact on both domestic and international travel. While air travel is rebounding to pre-COVID levels in several countries and continuing to recover in others in H2 2021, the timeframe for full recovery is still uncertain. Globally, governments introduced additional restrictions in relation to travel in Q4 2021 on foot of a resurgence of infection driven by the Omicron variant. Many Governments have since eased or removed restrictions in relation to requirements for testing associated with air travel in January 2022. Easing of restrictions is a direct result of strong evidence that the predominant variant Omicron is a lower risk variant than Delta and an expectation that the peak of Omicron cases will be reached in Q1 2022. As a result, the virus is considered a fading risk to ongoing global recovery in 2022. However, there remains, ongoing but lessening impacts from COVID-19 in economies and in the aviation sector.

As a supplier to, and partner of the airline industry, an adverse development in the severity, extent and time to recovery from the COVID-19 pandemic and the rate of recovery in air travel negatively impact our business and operational results. Many of our airline customers significantly curtailed their commercial operations in 2020 and 2021 and as a result are under financial stress, which could result in further lease defaults, lease terminations and related aircraft repossessions.

To the extent that any of these COVID-19 driven factors crystallise they could adversely impact the Group's financial condition and cash flows, potentially putting (i) downward pressure on lease rates and aircraft values, (ii) higher incidences of lessee defaults, restructuring, and repossessions and (iii) *an inability to lease aircraft on commercially acceptable terms.*

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

#### **Debt market volatility**

In times of financial or economic uncertainty, the availability of new debt and refinancing of existing debt may not be assured or may not be available on acceptable terms. This may adversely impact on the future value of aircraft and the ability of the Group to re-lease or dispose of the aircraft or the price at which it can do so.

#### **Leverage risk**

The capital structure of the Group's aircraft owning entities involves significant leverage and the Group generally takes the equity risk of financing across all the aircraft, which will rank behind the secured bank loan and bridging debt financiers. While investments in leveraged assets offer the opportunity for capital appreciation, such investments may also involve a high degree of risk and magnify the Group's exposure to adverse economic conditions.

Financiers of the secured bank loans will require operating and financial covenants which, in certain circumstances, may restrict the ability of the Group to pay distributions. The covenants in the financing documents may also restrict the sale of aircraft in certain circumstances.

#### **Financial risks**

The principal financial risks and uncertainties to which the Group is exposed, including the associated hedging activities, are addressed below. These include:

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

#### **Asset risk**

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

The Group is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Group through a reduced demand for aircraft in the fleet and/or reduced market rates, higher incidences of lessee default and an increase in aircraft on the ground. The Group periodically performs reviews of the carrying values of aircraft, receivables and the recoverable amount of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

#### **Foreign exchange risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company have a minimum exposure to foreign exchange risk as the majority of transactions are denominated in US dollars. The quantum of exposure to currency movements are small in nature and as such no sensitivity analysis has been performed. Periodically minimal foreign exchange gain/loss derives from non-US operational transactions.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's main interest rate risk arises from long-term borrowings at variable market interest rates. The Group's policy is to seek to minimise cash flow interest rate risk when entering in to leasing transactions through a combination of matched funding and the use of derivative financial instruments. The Group primarily uses floating-to-fixed interest rate swaps to manage this cash flow exposure. Some accounting volatility can arise from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IFRS standards.

|                                      | 50 BPS   | 100 BPS  |
|--------------------------------------|----------|----------|
| 2021                                 | US\$'000 | US\$'000 |
| Variable rate debt – Finance expense | 16,636   | 33,272   |
| Swaps – Finance expense              | (13,272) | (26,544) |
|                                      |          |          |
| 2020                                 | 50 BPS   | 100 BPS  |
|                                      | US\$'000 | US\$'000 |
| Variable rate debt – Finance expense | 17,744   | 35,488   |
| Swaps – Finance expense              | (13,764) | (27,528) |

The net effect on the Group's overall Finance expense in 2021 of a +50bps and a +100bps increase in variable interest rates would have been -US\$3.4m (2020: -US\$4.0m) and -US\$6.7m (2020: -US\$8.0m), respectively. Lease contracts that involve matched variable funding would further mitigate this exposure.

#### Credit risk

Credit risk is the risk that counterparties will fail to meet their obligations as they fall due, resulting in unexpected loss in cash and earnings. The Group is subject to the credit risk of its lessees as to collection of rental payments under its operating leases. The effective monitoring and controlling of airline customer credit risk is a competency of the Group.

Creditworthiness of each new customer is assessed prior to entering into any transaction with the customer. The Group seeks security deposits in the form of cash or a letter of credit to mitigate overall financial exposure from its lessees.

The counterparties to the Group's interest rate and foreign currency derivatives are all long-established regulated international financial institutions. Although the Group could be exposed to loss in the event of non-performance by a counterparty, the use of multiple financial institutions mitigates this exposure, and no significant credit risk arises.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

#### Credit risk (continued)

The Group's principal financial assets that are subject to the ECL model are trade receivables arising from its leasing activities. The value of trade receivables and other receivables is highly dependent upon the financial strength of the commercial aviation industry as described in the asset risk section above. Defaults by one or more of the Group's major customers could have a material adverse effect on the Group's cash flow and earnings and its ability to meet its debt obligations. The table below shows the ageing of financial assets that are past due and the corresponding expected credit losses at the end of the reporting period.

|                               | Less<br>than one<br>month | One to two<br>months | Two to<br>three<br>months | Three to<br>twelve<br>months | More than<br>twelve<br>months | Total    |
|-------------------------------|---------------------------|----------------------|---------------------------|------------------------------|-------------------------------|----------|
|                               | US\$'000                  | US\$'000             | US\$'000                  | US\$'000                     | US\$'000                      | US\$'000 |
| <b>As at 31 December 2021</b> |                           |                      |                           |                              |                               |          |
| <i>Amounts past due</i>       |                           |                      |                           |                              |                               |          |
| Trade receivables             | 19,800                    | 10,442               | 11,816                    | 87,772                       | 75,877                        | 205,707  |
| Expected Credit loss          | 2,153                     | 2,124                | 2,092                     | 16,744                       | 21,297                        | 44,410   |
| <b>As at 31 December 2020</b> |                           |                      |                           |                              |                               |          |
| <i>Amounts past due</i>       |                           |                      |                           |                              |                               |          |
| Trade receivables             | 20,731                    | 20,060               | 20,201                    | 132,060                      | 10,749                        | 203,801  |
| Expected Credit loss          | 2,924                     | 3,624                | 3,753                     | 21,550                       | 4,568                         | 36,419   |

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                           | Notes | 2021<br>US\$'000 | 2020<br>US\$'000 |
|---------------------------|-------|------------------|------------------|
| Cash and cash equivalents | 9     | 78,030           | 79,891           |
| Restricted cash           | 9     | 104,972          | 77,911           |
| Other receivables         | 10    | 185,060          | 190,468          |
| <b>Total</b>              |       | <b>368,062</b>   | <b>348,270</b>   |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has cash and cash equivalents on hand as at 31 December 2021 of US\$78m (2020: US\$79.9m). Additionally, the Group has access to revolving credit and warehouse facilities with total availability of US\$1,313.5m as at 31 December 2021 (2020: US\$1,380.7m).

The Group has funded a significant part of its operations with debt financing. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations and adhere to covenant requirements under the respective loan agreements which are dependent, among other things, upon the factors outlined above.

The following are the contractual maturities of financial liabilities, including estimated interest payments, including the impact of netting agreements and excluding capitalised loan fees:

#### As at 31 December 2021

|                                                          | Carrying<br>amount<br>US\$'000 | Contractual<br>cash flows<br>US\$'000 | 12 months<br>or less<br>US\$'000 | 1 - 2<br>years<br>US\$'000 | 2 - 3 years<br>US\$'000 | 3 - 4<br>years<br>US\$'000 | After 4<br>years<br>US\$'000 |
|----------------------------------------------------------|--------------------------------|---------------------------------------|----------------------------------|----------------------------|-------------------------|----------------------------|------------------------------|
| <b>Non-<br/>derivative<br/>financial<br/>liabilities</b> |                                |                                       |                                  |                            |                         |                            |                              |
| Secured bank<br>loans                                    |                                |                                       |                                  |                            |                         |                            |                              |
| (external)                                               | 1,877,648                      | (2,135,859)                           | (184,721)                        | (496,833)                  | (472,595)               | (137,425)                  | (844,285)                    |
| Unsecured<br>bank loans                                  |                                |                                       |                                  |                            |                         |                            |                              |
| (external)                                               | 3,251,798                      | (3,620,104)                           | (89,766)                         | (722,595)                  | (1,686,886)             | (308,755)                  | (812,102)                    |
| Other<br>payables                                        | 54,249                         | (54,249)                              | (54,249)                         | -                          | -                       | -                          | -                            |
| <b>Total</b>                                             | <b>5,183,695</b>               | <b>(5,810,212)</b>                    | <b>(328,736)</b>                 | <b>(1,219,428)</b>         | <b>(2,159,481)</b>      | <b>(446,180)</b>           | <b>(1,656,387)</b>           |

#### Derivative financial assets / (liabilities)

Interest rate  
swaps / FX  
forwards

|              |                  |                  |                 |                 |                 |                |                 |
|--------------|------------------|------------------|-----------------|-----------------|-----------------|----------------|-----------------|
|              | (121,599)        | (133,142)        | (58,570)        | (34,243)        | (16,460)        | (7,410)        | (16,459)        |
| <b>Total</b> | <b>(121,599)</b> | <b>(133,142)</b> | <b>(58,570)</b> | <b>(34,243)</b> | <b>(16,460)</b> | <b>(7,410)</b> | <b>(16,459)</b> |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

#### Liquidity risk (continued)

As at 31 December 2020

|                                             | Carrying<br>amount<br>US\$'000 | Contractual<br>cash flows<br>US\$'000 | 12 months<br>or less<br>US\$'000 | 1 - 2<br>years<br>US\$'000 | 2 - 3<br>years<br>US\$'000 | 3 - 4<br>years<br>US\$'000 | After 4<br>years<br>US\$'000 |
|---------------------------------------------|--------------------------------|---------------------------------------|----------------------------------|----------------------------|----------------------------|----------------------------|------------------------------|
| <b>Non-derivative financial liabilities</b> |                                |                                       |                                  |                            |                            |                            |                              |
| Secured bank loans                          |                                |                                       |                                  |                            |                            |                            |                              |
| (external)                                  | 2,163,481                      | (2,404,687)                           | (273,086)                        | (494,638)                  | (256,541)                  | (470,382)                  | (910,040)                    |
| Unsecured bank loans                        |                                |                                       |                                  |                            |                            |                            |                              |
| (external)                                  | 3,266,454                      | (3,651,151)                           | (262,524)                        | (471,312)                  | (705,916)                  | (1,317,553)                | (893,846)                    |
| Other payables                              | 62,155                         | (62,155)                              | (62,155)                         | -                          | -                          | -                          | -                            |
| <b>Total</b>                                | <b>5,492,090</b>               | <b>(6,117,993)</b>                    | <b>(597,765)</b>                 | <b>(965,950)</b>           | <b>(962,457)</b>           | <b>(1,787,935)</b>         | <b>(1,803,886)</b>           |

**Derivative financial assets / (liabilities)**  
Interest rate swaps / FX forwards

|              |                  |                  |                 |                 |                 |                 |                 |
|--------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|              | (232,897)        | (251,867)        | (67,820)        | (65,119)        | (53,869)        | (29,770)        | (35,289)        |
| <b>Total</b> | <b>(232,897)</b> | <b>(251,867)</b> | <b>(67,820)</b> | <b>(65,119)</b> | <b>(53,869)</b> | <b>(29,770)</b> | <b>(35,289)</b> |

It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency can be aggregated into a single net amount that is payable by one party to the other. The following table sets out the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

As at 31 December 2021:

| <b>Derivative financial instruments (gross)</b> | <b>Contractual cash flows<br/>US\$'000</b> | <b>12 months or less<br/>US\$'000</b> | <b>1 - 2 years<br/>US\$'000</b> | <b>2 - 3 years<br/>US\$'000</b> | <b>3 - 4 years<br/>US\$'000</b> | <b>After 4 years<br/>US\$'000</b> |
|-------------------------------------------------|--------------------------------------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <i>Interest rate swaps / FX forwards</i>        |                                            |                                       |                                 |                                 |                                 |                                   |
| Inflow                                          | 1,753                                      | 417                                   | 419                             | 556                             | 230                             | 131                               |
| Outflow                                         | (134,895)                                  | (58,987)                              | (34,661)                        | (17,016)                        | (7,640)                         | (16,591)                          |
| <b>Total</b>                                    | <b>(133,142)</b>                           | <b>(58,570)</b>                       | <b>(34,242)</b>                 | <b>(16,460)</b>                 | <b>(7,410)</b>                  | <b>(16,460)</b>                   |

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

As at 31 December 2020

#### Liquidity risk (continued)

| Derivative financial<br>instruments (gross)  | Contractual<br>cash flows<br>US\$'000 | 12 months<br>or less<br>US\$'000 | 1 - 2<br>years<br>US\$'000 | 2 - 3<br>years<br>US\$'000 | 3 - 4<br>years<br>US\$'000 | After 4<br>years<br>US\$'000 |
|----------------------------------------------|---------------------------------------|----------------------------------|----------------------------|----------------------------|----------------------------|------------------------------|
| <i>Interest rate swaps /<br/>FX forwards</i> |                                       |                                  |                            |                            |                            |                              |
| Inflow                                       | 2,067                                 | 447                              | 414                        | 494                        | 461                        | 251                          |
| Outflow                                      | (253,934)                             | (68,267)                         | (65,533)                   | (54,363)                   | (30,231)                   | (35,540)                     |
| <b>Total</b>                                 | <b>(251,867)</b>                      | <b>(67,820)</b>                  | <b>(65,119)</b>            | <b>(53,869)</b>            | <b>(29,770)</b>            | <b>(35,289)</b>              |

#### Interest Rate Benchmark Reform

Interest rate benchmark reform and the Phase 1 and 2 IFRS amendments are relevant for the following types of hedging relationships and financial instruments:

- Cash flow hedges where US LIBOR-linked derivatives are designated as a cash flow hedge of US denominated borrowings with US LIBOR-linked cash flows
- US denominated borrowings and leases and which reference US LIBORs and are subject to the interest rate benchmark reform

Cash flow hedge accounting is applied to the majority of the Group's US LIBOR-linked floating rate borrowings. The IFRS amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reform and there is uncertainty about the replacement of the floating interest rate included in the interest rate swaps.

It is the Group's intention to transition all affected legacy contracts, on a phased basis, before the cessation of US LIBOR settings on 30 June 2023. In line with the Group's hedging objectives, the phased transition process will require bilateral negotiations with key counterparts to ensure that both non-derivative contracts and derivative instruments transition at the same time; otherwise, unwanted interest basis risk could arise. The Group expects the resulting changes to be executed on an economically equivalent basis.

Operationally, the Group is working closely with our treasury management system provider to ensure the required updates are available and functional in good time.

All newly transacted floating rate liabilities and interest rate derivative hedges will include appropriate fallback clauses.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 22. Risk management (continued)

#### Interest Rate Benchmark Reform (continued)

Below are details of hedging instruments and the related hedged items along with additional financial instruments that will be impacted by transition to alternative benchmark interest rates. The financial instruments summarised below reference either 1-month or 3-month US LIBOR, both rate settings will cease to be published post 30 June 2023.

As at 31 December 2021

|                                      | Loans &<br>Borrowings | Cash Flow<br>Hedge Swaps | Interest Rate<br>Swaps |
|--------------------------------------|-----------------------|--------------------------|------------------------|
|                                      | Carrying<br>amount    | Nominal<br>amount        | Nominal<br>amount      |
|                                      | US\$'000              | US\$'000                 | US\$'000               |
| <b>Cash Flow Hedge Relationships</b> |                       |                          |                        |
| Maturing pre 30/06/2023              | 607,294               | 607,294                  | N/A                    |
| Maturing post 30/06/2023             | 1,571,542             | 1,571,542                | N/A                    |
| <b>Other Financial Instruments</b>   |                       |                          |                        |
| Maturing pre 30/06/2023              | -                     | N/A                      | 9,547                  |
| Maturing post 30/06/2023             | 860,787               | N/A                      | 505,290                |
| <b>Total</b>                         | <b>3,039,623</b>      | <b>2,178,836</b>         | <b>514,837</b>         |

As disclosed in note 17, the Group has principal repayments due under its existing loans from external parties which fall due during the next 12-month period. These will be financed via operational cash flows (rental and disposal of aircraft).

If the Group cannot meet its obligations or if it breaches certain covenants under the various debt arrangements, it may be subject to contract breach damages, it may be required to restrict or apply all cash flows from aircraft pledged as collateral for certain debt facilities to meet principal and interest payments, and/or to pay down such debt facilities on an accelerated basis. As set out in note 17, 101 of the Group's aircraft are unencumbered, 61 are pledged under secured financing facilities.

### 23. Commitments and contingencies

At 31 December 2021, the Group had capital commitments for the purchase of aircraft for US\$2.2bn (2020: US\$2bn) which are scheduled for delivery in years between 2023 and 2027. All commitments are based upon fixed price agreements with manufacturers, elements of which are adjusted for inflation and include price escalation formulas and are net of expected price concessions where applicable.

During the year, the Group deferred the delivery of its long term orderbook, comprising solely of new technology aircraft. The delivery of 40 aircraft on direct order from manufacturers were deferred from their previously scheduled delivery dates in 2023 - 2025 to revised dates in 2023 - 2027.

# Goshawk Aviation Limited

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 24. Related parties

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. As at 31 December 2021, the Group identified the following related parties which it had carried out transactions with during the year, as follows:

- Equity repayments by the Group to its Shareholders: NWS Holdings Limited and Chow Tai Fook Enterprises Limited (US\$40.2m during the year ended 31 December 2021).
- Asset Management Services provided by GML to Pioneer (US\$4.2m) during the year ended 31 December 2021.
- Payroll & Occupational Services were provided by NWS Holdings Limited on behalf of the Group during the year ended 31 December 2021. The total amount paid by NWS Holdings Limited and subsequently reimbursed to them by the Group in respect of the year end 31 December 2021 was US\$3.3m. The amount due to NWS Holdings Limited in respect of these services at 31 December 2021 was US\$0.1m.

NWS Holdings Limited and Chow Tai Fook Enterprises Limited are the ultimate controlling parties of the Group.

#### (a) Key management remuneration

Key management are the Directors of the entity, as listed in the Directors' Report. During the years ended 31 December 2021 and 31 December 2020, key management did not receive any remuneration from the Group.

#### (b) Aircraft purchases

The Group purchased nil (2020: nil) aircraft from a related party during 2021, with a total purchase price of US\$nil (2020: US\$nil).

### 25. Business combination and Goodwill

#### Acquisition of related entity GMHC in 2020

In 2020, the Group acquired GMHC, a related entity. The Group acquired 100% of the shares and voting interests in GMHC, granting it control. The accounts have been prepared on the merger accounting basis, where they are presented as if the newly merged Group had been in existence from the start of the prior year reporting period, 1 January 2020.

#### Goodwill

The Group acquired 100% of Sky Leasing in September 2018. Goodwill of US\$185.7m was recognised as a result of the acquisition.

|                             |                 |
|-----------------------------|-----------------|
| <b>At 1 January 2021</b>    | <b>US\$'000</b> |
| Cost                        | 185,673         |
| Additions                   | -               |
| Disposals                   | -               |
| <b>At 31 December 2021</b>  | <b>185,673</b>  |
| <br>                        |                 |
| <b>As at 1 January 2020</b> | <b>US\$'000</b> |
| Cost                        | 185,673         |
| Additions                   | -               |
| Disposals                   | -               |
| <b>At 31 December 2020</b>  | <b>185,673</b>  |

# **Goshawk Aviation Limited**

## **Notes to the consolidated financial statements for the year ended 31 December 2021**

### **25. Business combination and Goodwill (continued)**

For the years ended 31 December 2021 and 2020, no impairment loss was recognised as the recoverable amount of the CGU is greater than the carrying amount.

The Group tests whether goodwill has suffered any impairment on an annual basis. Management have concluded that no reasonable change in key assumptions would result in an impairment being identified during the year ended 31 December 2021.

### **26. Events after the end of the reporting date**

There were no events after the reporting period, that would require revision of the results or financial position of the Group, or disclosure in the financial statements.

### **27. Approval of consolidated financial statements**

The Board of Directors approved and authorised these consolidated financial statements on 25 February 2022.