

CRA Aircraft Holdings Bermuda Limited and subsidiaries

Directors' report and consolidated
financial statements

Year ended 31 December 2020

Registered number: 908607

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors' report and financial statements

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CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors and other information

Directors	Adam Smyth Aidan Cleary Karl Griffin Matthew Elwood (USA)
Registered office	Clarendon House, 2 Church Street Hamilton, HM 11, Bermuda Bermuda
Trading office	7 th Floor, Block I Central Park Leopardstown Dublin 18 Ireland
Secretary	HMP Secretarial Limited
Independent auditor	KPMG Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1
Bankers	AIB Corporate Banking Bankcentre Ballsbridge Dublin 4 Ireland Deutsche Bank Trust Company America 16 Wall Street New York NY10005 United States

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors and other information (continued)

Solicitors	McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2 Ireland
	McGuireWoods 201 North Tryon Street Suite 3000 Charlotte NC 28202, USA
Registered number	908607

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors' report

The Directors present this annual report together with the audited financial statements of CRA Aircraft Holdings Bermuda Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2020. The comparative is for the financial year ended 31 December 2019.

Principal activities and future developments

CRA Aircraft Holdings Bermuda Limited, a limited liability company, was incorporated in Bermuda on 6 December 2016 and is tax resident in the Republic of Ireland. The principal activity of the Group is the leasing of commercial jet aircraft. The Group holds a promissory note of nominal value \$29,502,000 which was provided to CRA Holdings LLC. This note was listed on the Bermudan Stock Exchange and bears interest at 11% per annum.

Since the acquisition of the aircraft, Genesis Aircraft Services Limited has acted and will continue to act as servicer. The total for the financial year was US\$399,107 (2019: US\$503,400). As at 31 December 2020, there was an accrual of \$32,931 relating to the servicing of the portfolio for the year ended 31 December 2020 (2019: \$12,731).

The Group is a 100% subsidiary of CRA Aircraft Holdings LLC. The ultimate parent and controlling party is Massachusetts Mutual Life Insurance Company ("Mass Mutual").

Genesis Aircraft Services Limited ("GASL") is the servicer in respect of the Group. GASL is responsible on behalf of the Group for the day-to-day aircraft lease management and other operational activities of the Group such as sourcing acquisitions of aircraft, arranging financing for such acquisitions and managing, servicing, remarketing and disposing of aircraft and other related assets. The Group made payments of US\$399,107 (2019: US\$503,400) to the Servicer in respect of these services.

The directors have no plans to significantly change the activities and operations of the Group in the foreseeable future.

Results for the financial year and the state of affairs as of 31 December 2020

The Consolidated Statement of Comprehensive Income for the financial year to 31 December 2020 and the Consolidated Statement of Financial Position at 31 December 2020 are set out on pages 14 and 15. The Group loss on ordinary activities before taxation for the financial year amounted to US\$12,554,098 (2019: profit of US\$3,883,507). After crediting taxation of US\$1,569,262 (2019: charge of US\$490,031), a net loss of US\$10,984,836 (2019: net profit of US\$3,393,476) is transferred to reserves. This change in net loss is driven by impairment of US\$10,630,115 (2019: US\$Nil) and a reduction in maintenance income, amounting to US\$5,626,923 in the financial year (2019: US\$10,283,546). Consolidated Shareholders' funds at 31 December 2020 amounted to a surplus of US\$1,965,436 (2019: US\$12,950,273). A total preferred dividend of US\$10,000 was paid to the class B shareholders during the period (2019: \$10,000), which has been expensed in the Statement of Comprehensive Income.

Impact of COVID-19

The outbreak of COVID-19 has led to travel restrictions and cancellations of flights impacting airline operations across the globe. The subsequent reduction in demand for flights has had an impact on the Companies' customer base and potentially result in their inability to meet lease payment obligations and cancellations to lease contracts, negatively affecting the airline's financial performance and condition. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on world economies. It is expected that this crisis will cause distress for our customers. However, the introduction of numerous COVID-19 vaccines will provide a positive improvement to the airline industry performance.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors' report (*continued*) Impact of COVID-19 (*continued*)

As the COVID-19 pandemic unfolds, airlines around the world are under enormous strain caused by the current unprecedented disruption to the industry. Airlines have requested concessions, deferrals, and restrictions to satisfy lease payment obligations which in turn has the risk to cause liquidity challenges within the Group. There is also the possible deterioration in residual values following a decline in air travel, although the extent and duration of this is unclear.

During the period, the Group (through the Servicer) received requests for concessions under lease agreements. At the financial year end there are no active agreements in place.

The Group has one aircraft that is considered aircraft on ground (AOG) as at 31 December 2020. The Servicer is actively marketing these aircraft for re-lease. The Group has also entered into a Letter of Intent for one aircraft (classified as Held for sale – see Note 10) which is due to be sold in 2021.

There is still uncertainty over how the future development of this outbreak will impact the Group's airline customers and the Group itself as a consequence.

Dividend

A total preferred dividend of US\$10,000 was paid to the class B shareholders during the period (2019: \$10,000), which has been expensed in the Statement of Comprehensive Income.

Principal risks and uncertainties

The Group is exposed to asset, market, credit, operational and liquidity risk during the course of its business activities. The Group has a risk management policy that is managed by the directors. The directors ensure that risks are identified and managed in accordance with the objectives of the Group.

Asset and market risk

The Group is highly dependent upon the continuing financial strength of the airline industry, which is cyclical, economically sensitive and highly competitive. The Group operates as a lessor to its lessees and bears the risk of non-performing leases by the airlines operating the aircraft. A significant deterioration in this sector could adversely affect it through a reduced demand for aircraft in the fleet, and/or reduced market rates, higher incidences of lessee default and aircraft off-lease.

The outbreak of COVID-19 has led to travel restrictions and cancellations of flights impacting airline operations across the globe. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations.

A significant deterioration in the financial condition of or bankruptcy by a lessee could impair their ability to comply with their lease payment obligations to the Group and expose the Group to significant financial loss. The Group periodically perform reviews of aircraft values, trade receivables, and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties. Additionally, exposures to market risk are managed through the requirement of airlines, that lease the Group's aircraft, to maintain insurance and adequate maintenance policies.

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Directors' report (*continued*)

Principal risks and uncertainties (*continued*)

Liquidity risk

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 respective arrangements, which are dependent on factors outlined above. If the Group cannot meet its obligations under the various debt arrangements or its capital commitments, it may breach contracts and may even be unable to operate on a going concern basis.

The Group, monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the counterparty is unable to pay its obligations in due time. The Group is subject to the credit risk of its lessees as to collections of rental payments under its leases.

The value of trade receivables is highly dependent upon the financial strength of the commercial aviation industry. Defaults by the lessee could have a material adverse effect on the Group's cash flow, earnings and its ability to meet debt obligations.

The Group's objective in managing credit risk is to minimise potential losses incurred due to non-payment by lessees. The directors review and monitors airline customer credit risk periodically. The creditworthiness of each customer is assessed on a continuous basis and the Group seeks deposits in the form of cash or letters of credit to mitigate its overall financial exposure to its lessees. The assessment process takes into account qualitative and quantitative sources of information with respect to the lessee's business activities, financial resources and performance or business risks, to the extent that the information is publicly available or otherwise disclosed to the Group.

In response to the COVID-19 pandemic, the Group perform frequent reviews for customers operating in regions that are severely impacted as a result. Credit policies were also revised, agreeing to deferral arrangements with its customers considering the current situation facing the industry. Deferral arrangements generally consist of short-term rental relief, payment of which is deferred over an agreed period within the current lease term. The Group has not agreed to any deferral arrangements with its customers at the year end. The Group continue to monitor the economic environment and perform reviews of its trade receivables for expected credit losses based on the above assessment.

Operational risk

Operational risk is the risk of indirect or direct loss arising from a wide variety of causes associated with the Company's operations. The Group's objective is to manage operational risk by implementing appropriate processes and controls and monitoring those controls.

The Group is also exposed to interest rate risk, foreign currency risk and public liability risk. The directors oversee the management of these risks and ensures these risks are governed by appropriate policies and procedures and that risks are identified, measured and managed in accordance with policies of the Group and the Group's risk appetite. The directors have identified the risks facing the Group and have undertaken approaches to deal with the relevant risks, as outlined in the financial risk management disclosures in note 25.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors' report (*continued*)

Directors, secretary and their interest

In accordance with the Constitution of the Company, the directors are not required to retire by rotation. The names of the persons who were directors or secretary during the year ended 31 December 2020 and 31 December 2019 are set out below, unless indicated otherwise they served for the entire period:

Director	Appointment	Resignation
Karl Griffin	-	-
Adam Smyth	-	-
Aidan Cleary	3 April 2020	-
Matthew Elwood	-	-
Cian Mackey	-	10 June 2020

The directors and secretary, who held office during the year and at 31 December 2020, had no interest in the shares in, or debentures or loan stock of the Company or group companies (2019: no director or secretary held shares in the Company or group companies).

Going concern

The Directors have prepared the financial statements for the year ended 31 December 2019 on the going concern basis of preparation. In assessing this basis of preparation, the Directors assess for the existence of matters which might give rise to any uncertainty in realising assets or discharging liabilities in the normal course of business. The Directors have not identified existence of such issues however have prepared a stressed case scenario if the COVID-19 pandemic continues to impact the Company and its customers.

The Company has short term liabilities of US\$1.4m and cash and cash equivalents at the reporting date of US\$2.9m. The Company forecasts a positive cashflow over the 12 months from the date of approval of these financial statements. The Company also has plans to dispose of one aircraft on which there is an active Letter of Intent for, which will generate further free cash flow in order to meet debt repayments.

In assessing the appropriateness of the going concern basis of preparation, the Directors have prepared a stressed case scenario to ascertain the level of headroom in the cashflow forecasts to continue to meet scheduled repayments on the external debt. In assessing this stressed scenario, the Directors applied various cashflow assumptions on inflows from customers, which included no rental inflows from all but one customer, among other assumptions. This stressed scenario would indicate the Company will need to temporarily draw upon a liquidity facility (which is provided by the external term loan provider) in order to meet scheduled repayments on the term loan. To date, the Company's has collected cashflows in excess of this stressed scenario. Therefore in conclusion, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

Subsequent events

Subsequent to the year end, CRA Aircraft Holdings LLC made a capital contribution of US\$15,000,000 to the Company for the purposes of restructuring parent debt promissory note payable. There have been no other significant events subsequent to the end of the reporting period that would require adjustment or disclosure in these financial statements.

Accounting records

The directors believe that they have maintained adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Group are maintained at 7th Floor Block I, Central Park, Leopardstown, Dublin 18.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Directors' report (*continued*)

Relevant audit information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditors are aware of that information. Insofar as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

Political and charitable donations

There were no political donations during the financial year (*2019: US\$Nil*).

Independent auditor

KPMG, Chartered Accountants, the Company's auditor, will continue in office.

Approved by the board and authorised for issue on 29 March 2021.



Adam Smyth
Director



Karl Griffin
Director



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

Independent Auditors' Report to the shareholders of CRA Aircraft Holdings Bermuda Limited

1. Report on the audit of the financial statements

Opinion

We have audited the financial statements of CRA Aircraft Holdings Bermuda Limited (“the Company”) and its consolidated undertakings (together “the Group”) for the year ended 31 December 2020, set out on pages 14 to 49, which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, and consolidated statement of cash flows and related notes, including the summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB and EU-endorsed IFRS (“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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of the financial statements in Bermuda, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters, in decreasing order of audit significance, were as follows.

Impairment Assessment of Aircraft and Related Components \$62.4 million (2019: \$85.7 million)

Refer to page 21-22 (accounting policy) and page 36-37(financial disclosures)

The key audit matter

At 31 December 2020, the carrying value of the Group's aircraft portfolio, including related components amounted to \$62.4m or 89% of Total Assets (by carrying value).

How the matter was addressed in our audit

In relation to the impairment assessment of aircraft and related components, the procedures we undertook included, amongst others:



Determining whether or not an impairment exists and the amount of any loss requires the exercise of significant judgement relating to aircraft current market values and estimated future residual values, future lease concessions which are not contracted at year-end, future lease rates, maintenance cash flows and the discount rate applied to the portfolio as well as consideration of both internal and external sources of information.

We obtained an understanding of and documented the key controls around the impairment assessment of aircraft and related components, testing the effectiveness of design and implementation.

We inquired of Genesis Aircraft Services Limited (the "Servicer") about plans for aircraft disposals or other actions that may negatively impact on aircraft recoverable amounts.

We evaluated the (i) competence, capabilities and objectivity of experts employed by the Group to provide aircraft current market values and (ii) the appropriateness of their work as audit evidence. We obtained the current market value reports from the experts to validate these inputs to the impairment model.

We evaluated the Servicer's identification of impairment indicators, and assessed the methodology adopted in its impairment model with reference to our understanding of the Group's business and the requirements of the relevant accounting standard. We assessed the calculations underlying the impairment model by checking that the data and assumptions input into the model were in agreement with those that we had evaluated.

We assessed and evaluated the key inputs and assumptions used in the Servicer's determination of recoverable amounts for each aircraft (aircraft current market values, lease rental streams, maintenance cash flows, residual values, discount rate) by comparing these to the historical performance of the Group's aircraft portfolio, in-force contractual arrangements (specifically lease and any related deferral (or similar) arrangements), recent trends (including the continuing impact of COVID-19) and externally available industry, economic and other data (including that provided by the Group's experts).

We performed sensitivity analysis of the significant assumptions in respect of the discount rate, lease rates and residual values used by the Servicer in the impairment model, taking into consideration the impact of COVID-19 through applying additional downside sensitivities to assess what changes thereto, either individually or collectively, would result in a different conclusion being

reached and assessed whether there were any indicators of management bias in the setting of significant assumptions.

We assessed the adequacy of the disclosures made by the Group regarding the impairment assessment of aircraft and related components in the financial statements for compliance with the relevant accounting standards.

In determining the valuation of the carrying value of the Group's Aircraft and related components, we found that the Group's judgement was reasonable.

Expected Credit Loss Assessment of Receivables \$1.69 million (2019: nil)

Refer to page 26 (accounting policy) and page 38 (financial disclosures)

The key audit matter

The Group applies the requirements of IFRS 9 which requires that Group set up an expected credit loss provision against any financial assets including trade receivables that the Group may have at the end of a reporting period. This is a new key audit matter in the current year given the increased level of risk associated with receivables.

The credit loss provisions reflect the estimated credit losses over the lifetime of the receivable and requires the consideration of likelihood of default as well as loss given default for all receivables outstanding at year-end. The measurement of impairment loss also requires consideration of collateral held by the Group against such exposures.

The application of the expected credit loss method requires the exercise of significant judgement in determining the credit rating of lessees and associated probability of default.

How the matter was addressed in our audit

In relation to the recoverability of receivables, the procedures we undertook included, amongst others:

We obtained an understanding of and tested the design and implementation of the key controls around the calculation of expected credit losses, including consideration of approval by the Board of Directors.

We challenged the Servicer's assumptions relating to the estimates used in the calculation of default and loss rates, in particular having regard to the continuing impact of COVID-19, and corroborated them to supporting data.

We assessed the historical and other data used by the Servicer and reviewed the documentation prepared that summarised their key judgments.

We discussed the inputs and assumptions into the expected credit loss calculation with the Servicer and discussed the impact of COVID-19 on the determination of the assumptions used.

We corroborated the Servicer's risk rating of the Group's lessees' analysis to independent sources available to the audit team.

We tested the accuracy of the default rates by re-performing a sample of calculations. We subjected the Servicer's

impairment loss calculation spreadsheets to analytical procedures to assess the accuracy and consistency of formulae applied as well as performing sensitivity analysis taking into consideration the impact of COVID-19 through applying additional downside sensitivities to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessed whether there were any indicators of management bias in the setting of significant assumptions.

We assessed the adequacy of the disclosures made by the Group regarding the recoverability of receivables in the financial statements for compliance with the relevant accounting standards.

In determining the treatment of credit loss provisions, we found that the Group's judgement was reasonable.

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 financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether that information is materially inconsistent with the financial statements or our knowledge obtained in the course of our 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.

2. Respective responsibilities and restrictions on use

Responsibilities of directors for the 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 directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the



aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Our report is made solely to the Group's Directors, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Group those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibilities to anyone other than the Group's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads 'Ian Nelson'.

Ian Nelson
for and on behalf of
KPMG
Chartered Accountants,
1 Harbourmaster Place
IFSC
Dublin 1

31 March 2021



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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the director'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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From those matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Consolidated statement of comprehensive income for the financial year ended 31 December 2020

		31 December 2020 US\$	31 December 2019 US\$
Operating income	3	11,025,899	11,204,396
Operating expense	4	(1,666,815)	(1,261,584)
Other operating income	5	5,862,382	10,283,546
Net operating profit from continuing operations		<u>15,221,466</u>	<u>20,226,358</u>
Depreciation on aircraft and related components	10	(11,627,394)	(10,737,059)
Impairment	10	(10,630,115)	-
Interest expense	6	(5,518,055)	(5,605,792)
(Loss)/Profit on ordinary activities before taxation		<u>(12,554,098)</u>	<u>3,883,507</u>
Tax on (loss)/profit on ordinary activities	9	1,569,262	(490,031)
(Loss)/Profit for the financial year after taxation		<u>(10,984,836)</u>	<u>3,393,476</u>
Other comprehensive income		-	-
(Loss)/Profit and total comprehensive income for the period after taxation		<u><u>(10,984,836)</u></u>	<u><u>3,393,476</u></u>

All items dealt with and arriving at the loss for the year ended 31 December 2020, or preceding financial year, relate to continued activities.

The accompanying notes are an integral part of the consolidated financial statements.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Consolidated statement of financial position at 31 December 2020

	Note	2020 US\$	2019 US\$
Assets			
Non-current assets			
Aircraft & related components	10	62,374,619	85,667,449
Lease incentive asset		-	1,129,070
Restricted cash	11	474,000	474,000
Deferred tax asset	9	907,456	-
Total non-current assets		<u>64,436,075</u>	<u>87,270,519</u>
Current assets			
Cash and cash equivalents		2,983,923	14,868,983
Restricted cash	11	1,159,985	1,145,985
Aircraft & related components - Held for sale	10	750,000	-
Trade receivables	13	549,415	329,866
Lease incentive asset		64,878	1,354,883
Other assets	12	919,436	201,332
Total current assets		<u>6,427,637</u>	<u>17,901,049</u>
Total assets		<u>70,183,712</u>	<u>105,171,568</u>
Liabilities and Equity			
Non-current liabilities			
Due to related party	21	35,995,788	32,430,166
Term loan	16	28,393,341	27,786,590
Deferred tax liability	9	-	661,806
Maintenance reserves and security deposits	17	2,369,226	7,169,418
Total non-current liabilities		<u>66,758,355</u>	<u>68,047,980</u>
Current liabilities			
Term loan	16	172,171	7,153,714
Maintenance reserves and security deposits	17	910,097	16,413,108
Other liabilities	18	377,653	606,492
Total current liabilities		<u>1,459,921</u>	<u>24,173,314</u>
Total liabilities		<u>68,218,276</u>	<u>92,221,294</u>

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

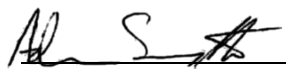
Consolidated statement of financial position (*continued*)

at 31 December 2020

	Note	2020 US\$	2019 US\$
Equity			
Called up share capital presented as equity	14	1,000	1,000
Capital contribution	14	8,353,310	8,353,310
Retained (deficit)/earnings		(6,388,874)	4,595,963
Total equity		<u>1,965,436</u>	<u>12,950,273</u>
Total equity and liabilities		<u>70,183,712</u>	<u>105,171,568</u>

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the board and authorised for issue on 29 March 2021.



Adam Smyth
Director



Karl Griffin
Director

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Consolidated statement of changes in equity for the financial year ended 31 December 2020

Attributable to equity holders of the Group

	Share Capital US\$	Capital Contribution US\$	Retained earnings US\$	Total equity US\$
Balance at 31 December 2018	1,000	8,353,310	1,202,488	9,556,798
Total comprehensive profit	-	-	3,393,474	3,393,474
Balance at 31 December 2019	1,000	8,353,310	4,595,962	12,950,272
Total comprehensive loss	-	-	(10,984,836)	(10,984,836)
Balance at 31 December 2020	1,000	8,353,310	(6,388,874)	1,965,436

The accompanying notes are an integral part of the consolidated financial statements.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Consolidated statement of cash flows for the financial year ended 31 December 2020

	31 December 2020 US\$	31 December 2019 US\$
Cash flows from operating activities		
Profit/(Loss) before tax	(10,984,836)	3,393,474
<i>Adjustment for:</i>		
Depreciation and amortisation	10 11,627,394	10,737,059
Impairment	10 10,630,115	-
Interest expense	6 1,583,458	2,115,760
Amortisation of deferred costs	6 193,055	224,619
Release of maintenance right receivable	10 2,628,059	-
(Increase)/decrease in deferred tax assets	9 (1,569,262)	490,031
Increase in trade receivables	(219,549)	(329,867)
Increase in other assets	12 (718,104)	(105,179)
Promissory not accrued capitalised interest	21 3,565,622	2,377,972
Increase in lease incentive assets	2,419,075	1,354,884
Decrease in maintenance reserves and security deposits	17 (20,303,203)	(4,995,036)
Increase in other liabilities	18 (207,172)	(183,026)
Cash used in operations	(1,355,348)	15,080,691
Taxation paid	9 -	-
Interest (paid)/refund	6 (1,605,127)	(2,128,640)
Net cash flows from operating activities	(2,960,475)	12,952,052
Cash flows from investing activities		
Purchase of aircraft & related components	10 (2,342,737)	-
Net cash flows used in investing activities	(2,342,737)	-
Cash flows from financing activities		
Repayment of term debt	16 (6,567,848)	(7,346,771)
Increase in restricted cash	11 (14,000)	(510,000)
Net cash flows from financing activities	(6,581,848)	(7,856,771)
Net movement in cash and cash equivalents	(11,885,060)	5,605,281
Cash and cash equivalents at the beginning of the year	14,868,983	9,773,702
Cash and cash equivalents at the end of the year	(2,983,923)	14,868,983

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements

31 December 2020

1 Reporting entity

The Company is incorporated in Bermuda and tax resident in the Republic of Ireland, with a registration number 908607. The Group's registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The financial statements of the Group are presented as at and for the financial year ended 31 December 2020 and for the comparative financial year ended to 31 December 2019.

The principal activity of the Company is the acquisition, financing, leasing and selling of commercial jet aircraft. The directors expect these activities to continue for the foreseeable future.

2 Significant accounting policies

Basis of preparation and statement of compliance

The consolidated financial statements have been prepared on a historical cost basis. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board (IASB).

The Group's financial statements consolidate the financial statements of the Group and all subsidiary undertakings for the financial year ending 31 December 2020. The financial statements are prepared on a going concern basis. The Group is operated and managed as a single operating segment in Ireland.

Going concern

The Directors have prepared the financial statements for the year ended 31 December 2019 on the going concern basis of preparation. In assessing this basis of preparation, the Directors assess for the existence of matters which might give rise to any uncertainty in realising assets or discharging liabilities in the normal course of business. The Directors have not identified existence of such issues however have prepared a stressed case scenario if the COVID-19 pandemic continues to impact the Company and its customers.

The Company has short term liabilities of US\$1.4m and cash and cash equivalents at the reporting date of US\$2.9m. The Company forecasts a positive cashflow over the 12 months from the date of approval of these financial statements. The Company also has plans to dispose of one aircraft on which there is an active Letter of Intent for, which will generate further free cash flow in order to meet debt repayments.

In assessing the appropriateness of the going concern basis of preparation, the Directors have prepared a stressed case scenario to ascertain the level of headroom in the cashflow forecasts to continue to meet scheduled repayments on the external debt. In assessing this stressed scenario, the Directors applied various cashflow assumptions on inflows from customers, which included no rental inflows from all but one customer, among other assumptions. This stressed scenario would indicate the Company will need to temporarily draw upon a liquidity facility (which is provided by the external term loan provider) in order to meet scheduled repayments on the term loan. To date, the Company's has collected cashflows in excess of this stressed scenario. Therefore in conclusion, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

New and amended accounting standards adopted

In preparing the financial statements, the Group adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board (“IASB”) and have been adopted for use by the EU for annual reporting periods beginning on or after 1 January 2020:

- Amendments to references to conceptual framework
- Amendments to IAS 1 and IAS 8 definition of material
- Amendments to IFRS 3 definition of a business
- Amendments to IAS 39, IFRS 7 and IFRS 9 interest rate benchmark reform
- Amendments to IFRS 16 COVID-19 related rent concessions
- Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract

The Group has reviewed the impact of the initial application of these amendments and has determined that there is no impact for the Group.

Functional and presentation currency

These financial statements are presented in US Dollars, being the functional currency of the Group. All financial information is presented in US Dollar.

Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated. Foreign currency differences are generally recognised in profit or loss.

Operating income

Operating income consists of rental income from operating leases which is recognised on a straight-line basis over the term of the lease. The difference between lease rentals invoiced and amounts recognised in the Statement of Comprehensive Income, resulting from the straight-lining of rental income, are deferred on the Statement of Financial Position. Rental income received in advance is recognised as deferred on the Statement of Financial Position until earned.

Operating income arising from lease arrangements where payments are dependent on variable factors is recognised as payment falls due.

Modifications to lease contracts are accounted for at the effective date of signing. Leases are straight-lined from that date and the existing balances included within the straight-line assessment. Deferral agreements are considered as received on a case-by-case basis. If approved by the Board an assessment is performed to determine if the deferral constitutes a modification to the terms or consideration of the lease. If so, the deferral is accounted for as a modification to the lease, otherwise it is accounted for as standard operating lease rentals.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Operating expenses

Operating expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Interest expense

Interest on loans payable is recognised on an effective interest rate basis. A prepayment is recorded for interest payments made and not yet incurred. For interest that has been incurred but unpaid at the end of the financial year, an accrual is recorded.

Aircraft and related components

The Group recognises all aircraft and related components at cost less accumulated depreciation and impairment. The costs of the assets consist of the initial direct acquisition costs incurred plus any costs directly attributable to bringing the asset into working condition for its intended use.

The depreciable amount of the aircraft and related components, consisting of the asset costs, maintenance intangible less its estimated salvage value, is allocated on a systematic basis over the assets' useful economic life. The useful economic life of the aircraft and related components is assessed to be 20-25 years from the date of manufacture.

Impairment of assets are recognised in accordance with IAS 36 Impairment of Asset which stipulates that the recoverable amount of an asset is measured if events or changes in circumstances indicate that the carrying amount of an asset is impaired. At the end of the financial year, the Company assesses whether there is an indication that an asset may be impaired. If an event or circumstance exists, the Company measures the asset's recoverable amount which is the higher of an asset's fair value less costs to sell and its value in use.

Value in use is the estimated future cash flows associated with the aircraft and related components, discounted to their present value using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the asset. The aircraft and related components cash flows consist of current contractual lease rental payments, forecast lease rentals over the asset's useful economic life, maintenance adjusting cash flows and any other relevant cash flow.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount with the resultant impairment charge recognised in the Statement of Comprehensive Income.

Maintenance right assets/liabilities

Maintenance right assets/liabilities represent the value in the difference between the contractual right under the acquired 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. This asset is held on the statement of financial position until the end of the lease at which point the value differential of the aircraft is capitalised onto the asset to the extent realised in the return condition. In accordance with IFRS 16 which was adopted on 1 January 2019, maintenance right assets are now included as part of the aircraft & related components as set out in Note 10.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Aircraft and related components (continued)

Lease premium/deficits

Lease premium / deficits represent the value of an acquired lease where the contractual rent payments are above/below the market lease rate at the date of acquisition. Such premium / deficits are recognised at cost and the estimated cost is amortised on a straight-line basis over the remaining term of the related lease and recorded as a component of amortisation in revenue.

Aircraft and related components – held for sale

An asset is classified as held for sale only when the sale is highly probable, management are committed to a plan to sell and the sale is expected to be completed within one year from the date of classification. The Company classifies aircraft and related components as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use and are measured as the lower of their carrying amount or fair value less costs to sell. Costs to sell are the costs directly attributable to the disposal of the asset, excluding finance costs and tax. When the carrying amount of the asset exceeds its recoverable amount, an impairment charge is recognised.

Maintenance intangible

At the time of acquisition of aircraft and related components with an in-place lease, the Group identifies, measures and recognises maintenance intangible assets and liabilities associated with its acquisition. Maintenance intangibles represent the difference in value between: (i) the Group's contractual right under the acquired lease to receive the aircraft in a specified maintenance condition at lease expiry; and (ii) the maintenance condition at the date of acquisition. The Group's aircraft usually enter into leases where the lessee is responsible for the maintenance of the aircraft through one of two types of leases: (i) Periodic maintenance payments throughout the term of the lease ("MR Leases"); and (ii) payments at the end of leases based on return conditions of the aircraft ("EOL Leases").

i. MR Leases

Under MR Leases, the lessee has the obligation to pay for usage of the aircraft and to make a full or partial prepayment, calculated at an hourly rate, into a maintenance reserve fund held by the Group against which the lessee can draw down upon in respect of maintenance expenditures for major overhauls. At the end of the lease, the Group retains any cash in excess of the required reimbursement to the lessee.

A maintenance intangible asset is held on the Statement of Financial Position until the end of the lease at which point, subject to no qualified major maintenance has been performed by the lessee since acquisition, the maintenance intangible asset is offset by the maintenance reserve liability with any excess recorded as end of lease income. Where the Group reimburses the lessee for the performance of a qualified major maintenance event, the portion of the maintenance intangible asset, associated with the component of the aircraft in question for which maintenance is performed, is relieved and capitalised as part of the aircraft cost.

No maintenance intangible liabilities exist for MR Leases as the Group does not have an obligation to pay the lessee for the difference in value between the contractual return condition and the actual maintenance condition of the aircraft at lease expiry.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Maintenance intangible (continued)

ii. EOL Leases

Under EOL Leases, the lessee is obliged to comply with certain return conditions which require the lessee to perform lease and maintenance work or make cash compensation payments at the end of the lease to bring the aircraft into a specified maintenance condition.

A maintenance intangible asset is held on the Statement of Financial Position until the end of the lease at which point, subject to the aircraft returning in the specified maintenance condition, the value differential is capitalised as part of the aircraft cost. Where the lessee compensates the Group with cash in excess of a maintenance intangible asset at lease expiry, the asset is relieved, and any excess is recognised as end of lease income. Where the lessee compensates the Group with cash that is less than the maintenance intangible asset, the cash is applied to the asset and the balance is capitalised as part of the aircraft cost.

A maintenance intangible liability is held on the Statement of Financial Position until the end of the lease at which point, subject to the aircraft returning in the specified maintenance condition, the value differential is relieved and recognised as end of lease income. Where the Group compensates the lessee with cash that is less than the maintenance intangible liability at lease expiry, the liability is relieved, and the difference is recognised as end of lease income. Where the Group compensates the lessee with cash that is in excess of the maintenance intangible liability, the cash payment is applied to the liability and the balance is capitalised as part of the aircraft cost.

Lease premiums and lease discounts

Lease premiums and lease discounts represent the value of an acquired lease where the contractual rent payments are above or below the market lease rate at the date of acquisition. This asset or liability is recognised at cost based on discounted cashflows and is amortised on a straight-line basis over the remaining term of the related lease and recorded as a component of operating income in the Statement of Comprehensive Income.

Leases

Assets leased to customers shall be classified as either operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

Loan payable

Loan notes payable are initially recognised at fair value, which is usually their issue proceeds, net of any incremental transaction costs incurred. The term loans are subsequently measured at amortised cost, with the difference between the proceeds net of transaction costs and the redemption value and interest payments recognised in the statement of income using the effective interest rate method.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (*continued*)

Financial Instruments

The Group holds and has issued a number of financial instruments. These comprise of:

- Cash and cash equivalents
- Trade receivables
- Maintenance reserves and security deposits
- Notes payable to related party
- Other liabilities

Financial assets

Financial assets are classified on initial recognition and subsequently measured at either of the following:

- At amortised cost;
- At Fair Value Through Other Comprehensive Income (“FVTOCI”); or
- At Fair Value Through Profit or Loss (“FVTPL”).

The Group classifies financial assets on initial recognition at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

i. Financial assets at amortised cost

Financial assets are measured at amortised cost if the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured using the Effective Interest Rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group’s financial assets at amortised cost are cash and cash equivalents and trade receivables.

ii. Financial assets at FVTOCI (Equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. A financial asset is not held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments and there is evidence of recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Financial assets (continued)

Gains and losses on these financial assets are never recycled to profit and loss. Dividends are recognised as other income in the Statement of Comprehensive Income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment. The Group does not hold any equity instruments at FVTOCI.

iii. Financial assets at FVTOCI (Debt instruments)

Financial assets are measured at FVTOCI if the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVTOCI, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Comprehensive Income and computed in the same manner as for financial assets at amortised cost. The remaining fair value changes are recognised in OCI. Upon Group does not hold any debt instruments at FVTOCI.

iv. Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised includes any dividends or interest earned on the financial asset. The Group does not hold financial assets at FVTPL.

v. Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and a corresponding liability that reflects the rights and obligations that the Group has retained.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Financial assets (continued)

v. Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument measured at FVTOCI, the cumulative gain or loss in the revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

vi. Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages:

- For credit loss exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for that result from default events that are possible within the next 12-months ("12-month ECL").
- For credit loss exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("lifetime ECL").

For financial assets measured at amortised cost, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group, in assessing whether a financial asset is in default, considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessments and other relevant forward-looking information. Factors such as length of maturity of exposures, current credit risk based on credit ratings and fluctuations in the credit risk based on the risk of default occurring over the expected life of the asset are considered. Loss allowances, if any, are deducted from the gross carrying amount of the assets. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of notes payable and other liabilities, net of directly attributable transaction costs. Financial liabilities are subsequently measured at either amortised cost or FVTPL.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Financial liabilities (continued)

i. *Financial liabilities at amortised cost*

Financial liabilities measured subsequently at amortised cost use the EIR method. The EIR method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts), through the expected life of the financial liability, to the amortised cost of a financial liability. The Group holds notes payable to a related party and other liabilities at amortised cost.

ii. *Financial liabilities at FVTPL*

Financial liabilities are classified as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading (criteria specified under financial assets), or (iii) designated as at FVTPL. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group does not hold financial liabilities at FVTPL.

iii. *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the Statement of Comprehensive Income for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in OCI and accumulated as a separate component of equity. The Group does not hold financial liabilities that are denominated in a foreign currency.

iv. *Derecognition of financial liabilities*

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

If the terms are not substantially different, the modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the liability discounted at the original EIR with the difference in carrying amounts recognised as a modification gain or loss in the Statement of Comprehensive Income. The present value of the modified cash flow is subsequently amortised using the EIR method over the remaining life of the financial liability and recognised as interest expense in the Statement of Comprehensive Income. The terms of the Group's existing financial liabilities have not been modified.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Non-derivative financial instruments

i. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Cash equivalents are short-term highly liquid investments with an original maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Restricted cash comprises cash held by the Group where a third-party lender holds a legal charge, incorporating a right of set off, over bank deposit accounts as security in respect of outstanding loans payable as at the statement of financial position date.

ii. Trade receivables

Trade receivables represent amounts due from lessees under operating lease contracts and are recognised initially at fair value. Trade receivables are subsequently measured at amortised cost less any expected credit loss (“ECL”) allowance. Please see detail in Estimates.

iii. Security deposits

Security deposits on leased aircraft are generally paid by the lessee on the execution of the lease and are non-refundable during the term of the lease. The amounts are held as a security for the timely and faithful performance by the lessee of its obligations during the lease and are included on the Consolidated Statement of Financial Position. Security deposits are refundable to the lessees, based on the terms of the various aircraft lease agreements. The deposit may be applied against amounts owing from the lessee for rent or returned to the lessee on the termination of the lease.

iv. Maintenance reserves

Maintenance reserves are accounted for as a provision in accordance with *IAS 37 — Provisions, Contingent Liabilities and Contingent Assets*.

The Group's aircraft usually enter into leases where the lessee is responsible for the maintenance of the aircraft through one of two types of leases: (i) Periodic maintenance payments throughout the term of the lease (“MR Leases”); and (ii) payments at the end of leases based on return conditions of the aircraft (“EOL Leases”).

Under MR Leases, the lessee has the obligation to pay for usage of the aircraft and to make a full or partial prepayment, calculated at an hourly rate, into a maintenance reserve fund held by the Group against which the lessee can draw down upon in respect of maintenance expenditures for major overhauls. The Group retains any cash in excess of the required reimbursement to the lessee, only when the lessee's right to reimbursement has expired, and is recognised as other operating income in the Statement of Comprehensive Income.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Non-derivative financial instruments (continued)

v. Lessor contributions

At the beginning of each new lease, accruals for lessor contributions representing net contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. These are subject to a large degree of estimation given the nature of these costs. Lessor contributions represent a lease incentive and are recorded as a charge to the income statement over the life of the associated lease.

When aircraft are sold, any balance of lessor contribution amounts are released from the statement of financial position as part of the gain or loss on sale of the aircraft.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Ordinary shares

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

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

Taxation

Income tax expense comprises current and deferred tax. It is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity, in which case it is recognised in Other Comprehensive Income or directly in equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax is not recognised for differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred. Acquisition-related costs are expensed as incurred and included in 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

Where a business is transferred between entities under common control, and that control is not transitory in nature, it is the policy of the Group to account for such transactions at predecessor book value. In such cases, the difference between the consideration transferred and the carrying value of the net identifiable assets and liabilities assumed is recognised as a merger reserve.

Use of estimates and judgements

In preparing the financial statements in accordance with IFRS, the Directors have made judgements, estimates and assumptions that affect application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimates that have the most significant impact on the amounts recognised in the financial statements.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Use of estimates and judgements (continued)

i. Maintenance reserves

When calculating the excess maintenance reserves, the Group estimates the future maintenance costs based on forecasted aircraft utilisation. Please refer to Note 2 Non derivative financial instruments for more detail.

ii. Impairment

To assess if there is an impairment charge, the Group uses estimates of future cash flows expected resulting from the use of assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows. Actual outcomes could vary from such estimates. See Note 10.

Significant judgement is required when evaluating the inputs into the recoverable amount of the Group/Company's aircraft. The effect of the COVID-19 pandemic has meant that the range of possible changes is wider for 2020 than for the comparative period. In assessing the impairment charge the following table sets out the key items in relation to the impairment value in use assessment;

Valuation technique	Discounted cash flows: In considering whether impairment exists the Directors used current market values from external independent appraisers to assess current market value and to assess value-in-use and have estimated future cash flows from the aircraft discounted at a risk adjusted market rate expected to be obtainable as a result of an asset's continued use
Significant inputs	<ul style="list-style-type: none">– Changes in contracted lease rates reflect all concessions granted during the year.– Expected utilisation of aircraft– Future lease rates as based on market rates adjusted for aircraft specific release terms– Estimated residual values equal to scrap value plus maintenance value remaining on return– Discount rate.

iii. Depreciation

When estimating depreciation, the Group uses assumptions about the salvage value and useful economic life of aircraft and related components based on historical information and industry standards. See Note 2 Aircraft and related components.

iv. Maintenance intangibles

Maintenance right component are estimated by calculating the current condition of the aircraft in value terms based on aircraft utilisation to date and the Servicer's best estimate of maintenance costs. This is then compared with the redelivery condition of the aircraft from the underlying lease, and the value differential is considered for recognition as a component with reference to any underlying maintenance reserves or contributions. See Note 2 Aircraft and related components.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

2 Significant accounting policies (continued)

Use of estimates and judgements (continued)

v. Expected credit loss

Expected credit losses are calculated based on credit risk profiles assigned to each lessee. Credit risk profiles are internally generated and determined based on a weighed profile which includes external ratings, financial statements, industry information, days overdue and security available to the Group.

IFRS 9 establishes a simplified impairment approach for qualifying trade receivables and lease receivables and allows the Group to recognize a loss allowance based on lifetime expected credit losses at each reporting date. Management calculates expected credit losses by reviewing amounts collectable, net of security, under the lease, applying the product of: (i) a probability of loss based on S&Ps average default rates; and (ii) loss given default. The loss given default is based on credit risk profiles assigned to each lessee and other factors. Credit risk profiles are internally generated and determined based on a weighted profile which includes external ratings, financial statements, industry information, days overdue and security available to the Group. See Note 16.

vi. Deferred tax

Deferred tax assets are recognised to the extent that there are future taxable profits within 5 years, based on best estimate forecasting by the Group. Cash flow forecasts are in line with the estimates used for the value in use testing of aircraft impairment.

vii. Lease modifications

Lease modifications are considered as received on a case-by-case basis. If approved by the Board an assessment is performed to determine if the deferral constituted a modification which would include a review of, but not limited to, the term or consideration of the lease. Concession arrangements which do not alter the consideration or term of a lease or where there may be compensation received to offset this change, are deemed no modification.

3 Operating income	2020 US\$	2019 US\$
<i>Operating income is comprised of the following:</i>		
Operating lease rentals	14,094,983	12,559,279
Expected credit loss	(1,464,304)	-
Amortisation of lease incentive asset	(1,604,780)	(1,354,884)
	<u>11,025,899</u>	<u>11,204,396</u>

Lease incentive include lessor contributions that relate to existing leases that have been extended and new leases. These are capitalised to the statement of financial position and amortised over the life of the lease. There are contingent rents of US\$Nil during the year (2019: USNil).

Geographical distribution of revenue generation	2020 US\$	2019 US\$
Europe	12,196,220	8,516,279
South America	-	1,575,000
Asia	1,896,763	2,468,000
	<u>14,094,983</u>	<u>12,559,279</u>

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

3 Operating income (continued)

The Group has entered into non-cancellable operating leases on its aircraft. The leases have remaining terms of different length, with no restrictions placed upon the Group. Future minimum rentals receivable under the current signed leases are as follows:

	2020 US\$	2019 US\$
Within 1 year	7,572,000	9,836,000
More than 1 year but less than 2 years	4,726,133	4,678,000
More than 2 years but less than 3 years	1,875,484	2,040,000
More than 3 years but less than 4 years	-	-
More than 4 years but less than 5 years	-	-
Later than five years	-	-
	<u>14,173,617</u>	<u>16,554,000</u>

4 Operating expenses

	2020 US\$'000	2019 US\$
Aircraft related costs & other technical expenses	455,397	306,195
Servicer fees	399,107	503,400
Agency fees	80,798	99,191
Legal fees	287,596	59,664
Other expenses	443,917	130,634
	<u>1,666,815</u>	<u>1,099,084</u>

Aircraft related costs and other technical expenses consists of light maintenance expenses incurred usually when placing an aircraft on lease or leasing in engines etc. These are expensed in the financial year in which they are incurred. Other expenses includes Consultant expenses.

5 Other operating income

	2020 US\$	2019 US\$'000
Other operating income	<u>5,862,382</u>	<u>10,283,546</u>

Other operating income arises primarily from the release of excess maintenance reserves through the profit or loss to the statement of comprehensive income for leases that expired, were terminated or where there is an excess of income above the expected required maintenance balance over the life of the underlying lease.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

6 Interest expense	2020 US\$'000	2019 US\$'000
Interest arising from related party financing	3,741,542	3,427,973
Interest arising from external bank financing	1,583,458	2,115,700
Amortisation of deferred financing costs	193,055	224,619
	<u>5,518,055</u>	<u>5,768,292</u>

Financing costs incurred in relation to the financing of aircraft are deferred over the financing period and amortised through the Statement of Comprehensive Income. Please refer to note 16 for further details. Interest is calculated on an effective interest rate basis and relate to financial instruments measured at amortised cost.

7 Staff numbers

The Group had no employees at 31 December 2020 (2019: Nil). The Group has engaged GASL to provide management and other operational services with respect to its activities.

8 Statutory and other information

	2020 US\$	2019 US\$
Audit of Group accounts	32,518	25,277
Tax advice and compliance	13,773	35,436
	<u>46,291</u>	<u>60,713</u>

Auditor's remuneration for the current financial year arises on fees incurred for the statutory audit. Directors fees are provided by the servicing company, total fees paid to the servicer are US\$399,107 (2019: US\$503,400). The Group did not pay fees to the directors during the year. Director services are provided by the servicing company, total fees paid to the servicer are US\$399,107 (2019: US\$503,400). A charge of \$2,750 per director would have been charged if costs were borne by the Group.

9 Tax on ordinary activities	2020 US\$	2019 US\$
<i>Current tax</i>		
Current tax charge	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Deferred tax origination	907,456	(490,031)
Total tax credit for the financial year	<u>907,456</u>	<u>(490,031)</u>

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

9 Tax on ordinary activities (continued)

The tax assessed for the financial year is higher than the standard rate of corporation tax in Ireland of 12.5%. The differences are explained below:

Reconciliation of effective tax rate	2020 US\$	2019 US\$
Loss before taxation	(12,554,098)	3,883,505
Loss multiplied by standard rate of corporation tax in Ireland of 12.5%	(1,569,262)	485,438
<i>Effects of:</i>		
Prior period under/(over) provision	-	3,093
Non-deductible expenses	-	1,500
Total tax credit for the financial year	(1,569,262)	490,031

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year which are available for carry forward against future taxable profits, temporary timing differences and an excess of capital allowances over depreciation. Net deferred tax for the financial year are as follows;

Deferred tax asset/liability	2020 US\$	2019 US\$
Balance at 1 January 2020	(661,806)	(171,775)
Current year charge/(credit)	1,569,262	(490,031)
Balance at 31 December 2020	907,456	(661,806)

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

10 Aircraft & related components

	Aircraft US\$	Maintenance rights US\$	Lease premium / deficit	Total US\$
Cost				
At beginning of period	110,408,651	5,497,189	454,354	116,360,194
Additions	2,342,737	-	-	2,342,737
Transfers to held for sale	(10,721,259)	-	-	(10,721,259)
Release of maintenance right	-	(2,628,059)	-	(2,628,059)
At end of year	<u>102,030,129</u>	<u>2,869,130</u>	<u>454,354</u>	<u>105,353,613</u>
Depreciation/impairment				
At beginning of period	30,787,550	-	(94,806)	30,692,744
Depreciation charge	11,394,107	-	233,287	11,627,394
Impairment charge	9,419,883	1,210,232	-	10,630,115
Transfer to held for sale	(8,815,050)	-	-	(8,815,050)
Loss on transfer to HFS	(1,156,209)	-	-	(1,156,209)
At end of year	<u>41,630,281</u>	<u>1,210,232</u>	<u>138,481</u>	<u>42,978,994</u>
Net book value				
At 31 December 2020	<u>60,399,848</u>	<u>1,658,898</u>	<u>315,873</u>	<u>62,374,619</u>

The carrying value of specific assets is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount. The recoverable amount has been assessed as the fair value less costs to sell and/or the value in use being the net present value of future lease cash flows and half-life future base value. Value in use is calculated based on a discount rate of 8.4% (2019: 8.1%). Before impairment, one aircraft had a carrying value of \$9,419,884 in comparison to a value in use of \$5,092,639. Before impairment, one aircraft had a carrying value of \$10,109,067 in comparison to a market value of \$8,898,835. Consequently, the Group recorded an impairment of US\$10,630,115 during the year on these aircraft, impairment losses are recognised in the statement of comprehensive income.

Reasonable possible changes at the reporting date to one of the significant inputs (see Note 2 Estimates), while holding the others constant, was considered for the variables set out below;

- Discount rate applied +/- 0.5%
- Residual values +/- 10%
- Future lease rates +/- 10%

Sensitivities on expected utilisation were excluded from consideration as the corresponding impact would be reflected in residual values upon disposition. None of the above possible changes in significant inputs would have given rise to a materially different impairment charge for the Group/Company's aircraft than was recorded for the period/year.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

10 Aircraft & related components (continued)

Maintenance rights assets/liabilities represent the value in the difference between the contractual right under the acquired 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. This asset is held on the statement of financial position until the end of the lease at which point the value differential of the aircraft is capitalised onto the asset to the extent realised in the return condition. At 31 December 2020 the Group held US\$1,658,899 (2019: US\$9,747,692) maintenance rights. All leases with maintenance rights assets are expected to expire within the next five years.

Lease premiums/deficits consist of the lease premium/deficit acquired with the aircraft at the acquisition date.

There is, on average, 4.1 years remaining in the depreciable useful economic lives of aircraft and related components within the Group.

Aircraft & related components - held for sale

	2020 US\$	2019 US\$
Transfer from aircraft & related components	750,000	-
At 31 December 2020	<u>750,000</u>	<u>-</u>

During the financial year, one aircraft frame with a value of \$750,000, was transferred to held for sale. There are no security deposits or maintenance reserve liabilities associated with this airframe.

11 Restricted cash

	2020 US\$	2019 US\$
Current restricted cash	1,159,985	1,145,985
Non-current restricted cash	474,000	474,000
	<u>1,633,985</u>	<u>1,619,985</u>

Restricted cash relates to cash held in Deutsche Bank pledged accounts as required per financing arrangements. Rating agencies Moodys and S&P assign a credit rating of A3 (2019: A3) and BBB (2019: BBB) respectively.

There has been an immaterial presentation classification amendment to show a non-current portion of restricted cash at 31 December 2019 of US\$474,000 (formerly: US\$Nil). This presentation amendment does not impact the closing balance.

12 Other assets

	2020 US\$	2019 US\$
Deferred income	890,410	-
Vat receivable	29,026	58,790
Prepayments	-	142,542
	<u>919,436</u>	<u>201,332</u>

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

13 Trade receivables	2020 US\$	2019 US\$
Trade receivables	2,249,178	329,866
Expected credit loss	(1,699,763)	-
	<u>549,415</u>	<u>329,866</u>

Trade receivables at 31 December 2020 amounted to US\$2,249,178 (2019: US\$329,866). Trade and other receivables are recognised initially at fair value and are thereafter measured at amortised cost less expected credit loss allowance. Trade and other receivables are discounted when the time value of money is considered material. IFRS 9 establishes a simplified impairment approach for qualifying trade receivables and lease receivables and allows the Group to recognize a loss allowance based on lifetime expected credit losses at each reporting date.

Management calculate expected credit losses by reviewing amounts collectable, net of security, under the lease, applying the product of: (i) a probability of loss based on S&Ps average default rates; and (ii) loss given default.

The loss given default is based on credit risk profiles assigned to each lessee and other factors. Credit risk profiles are internally generated and determined based on a weighted profile which includes external ratings, financial statements, industry information, days overdue and security available to the Group.

The table below shows the exposure to lease receivables by risk category, as categorised by the process detailed in Note 2.

	Gross Receivables US\$	Security Held US\$	Expected Credit Loss US\$
Low risk grade category	-	716,760	-
Medium risk grade category	1,861,332	953,985	(793,102)
High risk grade category	387,846	680,000	(906,661)
Total	<u>2,249,178</u>	<u>2,350,745</u>	<u>(1,699,763)</u>

14 Called up share capital presented as equity	2020 US\$	2019 US\$
Authorised		
1,000,000 ordinary shares of US\$1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
950 class A common shares of US\$1 each	950	950
50 class B common shares of US\$1 each	<u>50</u>	<u>50</u>

Class A shares carry the right to attend and to vote at any general meeting of the Group. Holders of a Class A share shall have one vote per Class A share held and be entitled to such dividends as the Board may from time to time declare. Holders of Class B shares have a right to attend a general meeting in relation to certain matters and shall have one vote per Class B share held. Holders of Class B shares are entitled to payment of a cumulative, aggregate preferred dividend of US\$10,000

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

per year. A total preferred dividend of US\$10,000 was paid to the class B shareholders during the period (2019: \$10,000), which has been expensed in the Statement of Comprehensive Income..

15 Investment in subsidiaries

The Group has a shareholding in the following subsidiaries;

Name	Registered address	Ownership
CRA Aircraft Ireland No.1 Limited	Riverside One Sir John Rogerson's Quay, Dublin 2	100%

The principal activity of the subsidiaries is the leasing and subleasing of aircraft and related assets.

16 Loans payable

	Deferred financing costs US\$	Term loan US\$	Total US\$
Opening at 1 January 2020	(462,237)	35,402,541	34,940,304
Repayments	-	(6,567,848)	(6,567,848)
Amortisation of deferred financing costs	193,056	-	193,056
Closing at 31 December 2020	<u>(269,181)</u>	<u>28,834,693</u>	<u>28,565,512</u>

Loans are due to one commercial banks. Summary detail of the loans are as follows:

Interest rate type	Loan - US\$	Maturity
Fixed	55,095,000	2022

The loans were fixed at drawdown by locking in the applicable USD LIBOR on the day of the drawdown and applying a margin of between 1% and 3%. The loans were entered into during 2017.

During the year there were certain DSCR breaches, which have been cured by 31 December 2020. The impact of these breaches are the retention of cash within the Group. There is no impact on the maturity profiling of the term loan as a result (2019: None).

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

16 Loans payable (continued)

Minimum future contractual principal payments due under the loan payable as of 31 December 2020 are as follows:

	2020 US\$	2019 US\$
Term loan repayable		
Within one year	7,346,770	7,346,770
Between 2 to 5 years	21,487,923	28,055,771
Greater than 5 years	-	-
Total loan balance	<u>28,834,693</u>	<u>35,402,541</u>
Deferred financing costs		
Within one year	(172,171)	(193,055)
Between 2 to 5 years	(97,010)	(269,182)
Greater than 5 years	-	-
Deferred financing balance	<u>(269,181)</u>	<u>(462,237)</u>
Net of deferred loan costs		
Within one year	7,174,599	7,153,715
Between 2 to 5 years	21,390,913	27,786,589
Greater than 5 years	-	-
Net of deferred loan costs	<u>28,565,512</u>	<u>34,940,304</u>

Guarantees and security

The Group has entered into secured financing facilities with one commercial banks. The Group has granted first priority mortgages over aircraft & related components (valued at US\$62,374,618 as at 31 December 2020) in favour of the financier as security for its obligations under the loan agreements.

17 Maintenance reserves and security deposits

The obligation to pay for maintenance costs on the airframe and engines which arise, during the term of the leases are paid to the Group against which the lessee can draw down upon in respect of maintenance expenditures for major checks. Amounts held in respect of aircraft maintenance, which are net of any releases to the income statement, are presented as a component of other liabilities in the Group statement of financial position. Any light maintenance costs borne directly by the Group which are not paid by the lessee are expensed as incurred.

Maintenance reserves are the obligation of the lessees on the aircraft and are paid by the lessees and held by the Group. At 31 December 2020, the Group held US\$1,645,338 (2019: US\$21,962,541) maintenance reserves. During the period there were additions of US\$2,317,465 and releases of liability obligations of US\$22,634,668. At 31 December 2020, the Group held US\$1,633,985 (2019: US\$1,619,985) security deposits.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

17 Maintenance reserves and security deposits (continued)

The table below summarises the timing of repayment of maintenance reserves based on the expected timing of maintenance events:

	2020 US\$	2019 US\$
Within 1 year	430,112	16,413,108
More than 1 year but less than 5 years	1,215,226	5,549,433
	<u>1,645,338</u>	<u>21,962,541</u>

The table below summarises the timing of repayment of security deposits based on the current expiry of leases:

	2020 US\$	2019 US\$
Within 1 year	479,985	-
More than 1 year but less than 5 years	474,000	1,619,985
Greater than 5 years	680,000	-
	<u>1,633,985</u>	<u>1,619,985</u>
Non-current maintenance reserves and security deposits	2,369,226	7,169,418
Current maintenance reserves and security deposits	910,097	16,413,108
	<u>3,279,323</u>	<u>23,582,526</u>

18 Other liabilities

	2020 US\$	2019 US\$
<i>all amounts falling due within 1 year</i>		
Deferred income	-	358,668
Trade payables	276,756	131,370
Accrued expenses	58,388	52,278
Accrued interest on bank financing	42,509	64,176
	<u>377,653</u>	<u>606,492</u>

These balances are repayable on demand and do not bear interest.

19 Group membership and ultimate parent undertaking

The Group is a 100% subsidiary of CRA Aircraft Holdings LLC, which in turn is managed by Barings Capital LLC. The ultimate parent and controlling party is Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, MA, 01111, USA.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

20 Related party transactions

Related parties include directors and associated companies, directly or indirectly owned by the Group's parent. The directors of the Group also hold Directorships of associated companies.

The Group recognises the directors of the Company as key management personnel. The directors did not hold any interest in the Group or its related parties.

The Group holds a capital contribution of US\$8,353,310 (2018: US\$8,353,310) from CRA Aircraft Holdings LLC. During year end 2017, a promissory note of \$29,502,000 (the "Promissory Note") was provided to CRA Holdings LLC. This note was listed on the Bermudan Stock Exchange and bears interest at 11% per annum. This is a non-cash transaction.

Since the acquisition of the aircraft, Genesis Aircraft Services Limited has acted and will continue to act as servicer. The total for the financial year was US\$399,107 (2019: US\$503,400). As at 31 December 2020, there was an accrual of \$32,931 relating to the servicing of the portfolio for the year ended 31 December 2020 (2019: \$12,731).

21 Intercompany payable

	2020 US\$	2019 US\$
Due to parent company	32,430,166	29,502,000
Capitalised accrued interest on promissory note	3,565,622	2,928,166
	<u>35,995,788</u>	<u>32,430,166</u>

Interest unpaid in the month due is accrued for in that month and capitalised in the following month by adding to the outstanding principal balance. Non-payment of principal and interest does not constitute a default, however all amounts due must be paid on or before the maturity date. Principal payments are not scheduled and therefore can be repaid at any point prior to or on the maturity date.

The balance due to related party relates to the promissory note which the Group listed on the Bermudan Stock Exchange on the 29th September 2018 with nominal amount of \$29,502,000 and is wholly owned by the parent company. This note is interest bearing and will mature in December 2024. The contractual interest on the note is 11%.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

22 Financial instruments and associated risks

The Group is exposed to market, credit, interest rate, operational foreign currency, public liability and liquidity risk. The Group's Directors oversee the management of these risks. The Directors ensure these risks are governed by appropriate policies and procedures and that risks are identified, measured and managed in accordance with its policies and risk appetite.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The risks affecting the Group's operations relating to market prices are credit risk and interest rate 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 and lessee default.

These exposures are managed through the requirement of the airlines that lease the Group's assets to maintain insurance, adequate maintenance policies and/or contribute to a maintenance reserve for the major maintenance on each aircraft. The Group also manages its risk by diversifying its leasing portfolio by leasing to different airlines across multiple geographical regions.

The outbreak of COVID-19 has led to travel restrictions and cancellations of flights impacting airline operations across the globe. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations.

Credit risk

The Group is subject to the credit risk of its lessees as to collection of rental payments and maintenance payments under its leases. Credit risk is defined as potential loss in cash and earnings if the counterparty is unable to pay its obligations in due time. Creditworthiness of each new customer is assessed with specific focus on lease revenue contribution and the Group seeks security deposits in the form of cash or Letter of Credit to mitigate overall financial exposure to its lessees.

In response to the COVID-19 pandemic, the Group perform frequent reviews for customers operating in regions that are severely impacted as a result. Credit policies were also revised, agreeing to deferral arrangements with its customers considering the current situation facing the industry. Deferral arrangements generally consist of short-term rental relief, payment of which is deferred over an agreed period within the current lease term. The Group has agreed to 0 deferral arrangements with its customers, all of which have met the terms of that arrangement. The Group continue to monitor the economic environment and perform reviews of its trade receivables for expected credit losses based on the above assessment.

IFRS 9 establishes a simplified impairment approach for qualifying trade receivables and lease receivables and allows the Group to recognize a loss allowance based on lifetime expected credit losses at each reporting date.

Management calculate expected credit losses by reviewing amounts collectable, net of security, under the lease, applying the product of: (i) a probability of loss based on S&Ps average default rates; and (ii) loss given default.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

22 Financial instruments and associated risks (continued)

Credit risk (continued)

The loss given default is based on credit risk profiles assigned to each lessee and other factors. Credit risk profiles are internally generated and determined based on a weighed profile which includes external ratings, financial statements, industry information, days overdue and security available to the Group.

In instances where maintenance reserves and security deposits are not required by the Group. The Group considers that these lessees will be in a position to pay for any deterioration in the aircraft when required. Maximum exposure to credit risk at the reporting date was:

	2020 US\$'000	2019 US\$
Trade receivables	2,249,178	329,866
Other assets	29,026	201,332
Cash	2,983,923	14,868,983
	<u>5,262,127</u>	<u>15,400,181</u>

Cash and restricted cash during the financial year relates to cash held in Deutsche Bank pledged accounts as required per financing arrangements. Rating agencies Moodys and S&P assign a credit rating of A3 and BBB respectively.

The aviation industry is cyclical, economically sensitive and highly competitive. A key determinant of the Group's success is the financial strength of its customers and their ability to react to and cope with the competitive environment in which they operate. If a customer experiences financial difficulty, this may result in default. This risk is mitigated by comprehensive credit reviews of customers both prior to and during the course of a service contract.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by linking inflows with floating rates from certain assets that are financed by variable interest debt. Interest rate risk on cash and cash equivalents is minimal.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when revenue or expense are dominated in a different currency from the Group's functional currency.

The Group manages its foreign currency risk by undertaking all major transactions both inflows and outflows, in the Company's functional currency and significant cash balances in US\$. Movements in foreign currencies do not materially affect the Group.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

22 Financial instruments and associated risks (continued)

Liquidity risk

The Group has funded a large 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 upon the factors outlined above.

If the Group cannot meet its obligations under the various debt arrangements or its capital commitments, it may be subject to contract breach damages suits and may even be unable to continue to operate on a going concern basis.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. It monitors the risk to shortage of funds by regular analysis of cash flow movements, forecasts and adherence to all loan covenants.

In addition to debt financing and the significant cash flow generated from the leasing of aircraft, as well as the cash generated from the collection of maintenance reserves and the requirement that lessees provide security deposits in respect of leased aircraft, the Group also includes cash generated from the potential sale of aircraft as an integral aspect of its liquidity strategy. The Group's exposure to liquidity risk is minimal as the Group can meet its short-term liabilities as they fall due.

The outbreak of COVID-19 has led to travel restrictions and cancellations of flights impacting airline operations across the globe. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations.

The below tables summarise the expected cashflows of the financial assets for the financial year ended 31 December 2020 and 31 December 2019 of the Group:

At 31 December 2020	Less than 12 months US\$	Between 1-3 years US\$	More than 3 years US\$	Total US\$
Financial assets:				
Cash and cash equivalents	2,983,923	-	-	2,983,923
Restricted cash	1,159,985	474,000	-	1,633,985
Trade receivables	549,415	-	-	549,415
Total	4,693,323	474,000	-	5,167,323

At 31 December 2019	Less than 12 months US\$	Between 1-3 years US\$	More than 3 years US\$	Total US\$
Financial assets:				
Cash at bank	14,868,983	-	-	14,868,983
Restricted cash	1,145,985	474,000	-	1,619,985
Trade receivables	329,867	-	-	329,867
Total	16,344,835	474,000	-	16,818,835

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

22 Financial instruments and associated risks (continued)

Liquidity risk (continued)

There has been an immaterial presentation classification amendment to show a non-current portion of restricted cash at 31 December 2019 of US\$474,000 (formerly: US\$Nil). This presentation amendment does not impact on the closing balance.

The following tables summarise the gross contractual cashflows for the financial year ended 31 December 2020 and 31 December 2019 of the Group:

At 31 December 2020	Less than 12 months US\$	Between 1-3 years US\$	More than 3 years US\$	Total US\$
Financial liabilities:				
Loan payable	7,346,770	21,487,923	-	28,834,693
Interest payable	1,232,415	974,600	-	2,207,015
Due to related party	-	-	35,995,788	35,995,788
Security deposits	479,985	1,154,000	-	1,633,985
Accrued interest	42,509	-	-	42,509
Other liabilities	335,144	-	-	335,144
Total	9,436,823	23,616,523	35,995,788	69,049,134
At 31 December 2019	Less than 12 months US\$	Between 1-3 years US\$	More than 3 years US\$	Total US\$
Financial liabilities:				
Loan payable	7,346,770	14,693,540	13,362,231	35,402,541
Interest payable	1,598,916	2,098,328	108,686	3,805,930
Due to related party	-	-	32,430,166	32,430,166
Security deposits	-	1,619,985	-	1,619,985
Accrued interest	64,178	-	-	64,178
Other liabilities	183,650	-	-	183,650
Total	9,193,514	18,411,853	45,901,083	73,506,450

Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to minimise its weighted average cost of capital, while maintaining sufficient and relevant Equity to Asset ratio.

The Group manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

22 Financial instruments and associated risks (continued)

Fair value measurement

It is the Group's policy to maximise the use of observable inputs and minimise the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy as described below. Where limited or no observable market data exists, fair value measurements for assets and liabilities are based primarily on management's own estimates and are calculated based upon our pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results may not be realized in actual sale or immediate settlement of the asset or liability.

The three broad levels included in the fair value hierarchy is as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as at the reported date.

Level 2 - The fair values determined through Level 2 of the fair value hierarchy are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that are to be determined.

Level 3 - The fair values pertaining to Level 3 of the fair value hierarchy are derived principally from unobservable inputs from our own assumptions about market risk developed based on the best information available, subject to cost benefit analysis, and may include our own data.

When there are no observable comparables, inputs used to determine value are derived through extrapolation and interpolation and other company-specific inputs such as projected financial data and our own views about the assumptions that market participants would use.

The Group has no financial assets or liabilities at fair value. The following tables summarise the fair value of our financial assets and financial liabilities held at amortised cost as at 31 December 2020 and 31 December 2019 by level within the fair value hierarchy. Due to the nature of these assets and liabilities the carrying value approximates fair value.

	Quoted prices in active markets for identical assets (level 1) US\$	Using significant other observable inputs (level 2) US\$	Significant unobservable inputs (level 3) US\$
As at 31 December 2020			
Cash and cash equivalents	2,983,923	-	-
Restricted cash	1,633,985	-	-
Trade receivables	549,415	-	-
Due to related party	-	35,995,788	-
Trade payables	-	276,756	-
Term loan	-	28,565,512	-
Security deposits	-	1,633,985	-

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

22 Financial instruments and associated risks (continued)

Fair value measurement (continued)

	Quoted prices in active markets for identical assets (level 1) US\$	Using significant other observable inputs (level 2) US\$	Significant unobservable inputs (level 3) US\$
As at 31 December 2019			
Cash and cash equivalents	14,868,983	-	-
Restricted cash	1,619,985	-	-
Trade receivables	329,867	-	-
Due to related party	-	32,430,166	-
Trade payables	-	131,370	-
Term loan	-	35,402,541	-
Security deposits	-	1,619,985	-

The Group engages an independent appraiser to value the Group including its term loan. As the term loan is non-transferable and a sale of the Group would have to be repaid at par the fair value of the debt is deemed to be equal to the balance outstanding.

23 Changes in liabilities arising from financing activities

	1 January 2020 US\$	Movement US\$	31 December 2020 US\$
Long Term Borrowings			
Cash:			
Term loan	35,402,541	(6,567,848)	28,834,493
Deferred financing costs	-	-	-
Non-cash:			
Deferred financing costs	(462,237)	193,055	(269,182)
Total	34,940,304	(6,374,793)	28,565,511
<hr/>			
	1 January 2019 US\$	Movement US\$	31 December 2019 US\$
Long Term Borrowings			
Cash:			
Term loan	43,436,167	(8,033,626)	35,402,541
Deferred financing costs	-	-	-
Non-cash:			
Deferred financing costs	(686,856)	224,619	(462,237)
Total	42,749,311	(7,809,007)	34,940,304

CRA Aircraft Holdings Bermuda Limited & Subsidiaries

Notes to the Financial Statements (continued)

31 December 2020

24 Commitments and contingencies

Claims, suits and complaints arise in the ordinary course of our business. Currently, we are not aware of any such claims or contingent liabilities that would be material to our final position or results of operations that require disclosure.

25 Subsequent events

Subsequent to the year end, for the purposes of restructuring parent debt promissory note payable, CRA Aircraft Holdings LLC made a capital contribution of US\$15,000,000 to the Company. There have been no other significant events subsequent to the end of the reporting period that would require adjustment or disclosure in these financial statements.

26 Approval of financial statements

The directors approved these financial statements on 29 March 2021.

