

**S-JETS 2017-1 LIMITED AND SUBSIDIARIES ("S-JETS Group")**

**DIRECTORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 31 JULY 2017 (DATE OF INCORPORATION) TO 31 DECEMBER 2017**

## **S-JETS Group**

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### **COMPANY DEFINITIONS**

<b>S-JETS</b>	S-JETS 2017-1 Limited (the "Company"), a limited liability exempted company incorporated on 31 July 2017 under the laws of Bermuda with its registered office located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
<b>S-JETS GROUP</b>	S-JETS 2017-1 Limited and its consolidated subsidiaries (the "Group").
<b>GROUP ENTITIES</b>	See list of subsidiaries included in note 23.
<b>FINANCIAL PERIOD</b>	The period from the date of incorporation of S-JETS on 31 July 2017 to 31 December 2017.

## S-JETS Group

### DIRECTORS AND OTHER INFORMATION

<b>DIRECTORS:</b>	Ms. Rose Hynes (Irish) Mr. Richard Wiley (American) Mr. Jonathan Law (Irish)	(Appointed 8 August 2017) (Appointed 8 August 2017) (Appointed 8 August 2017)
<b>COMPANY SECRETARY:</b>	Conyers Dill & Pearman Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda	
<b>REGISTERED OFFICE:</b>	Clarendon House 2 Church Street Hamilton HM11 Bermuda	
<b>BANKERS:</b>	Wells Fargo Corporate Trust Services 260 North Charles Lindbergh Drive Salt Lake City USA	
	Bank Of Ireland 2 Burlington Plaza Burlington Road Dublin 4 Ireland	
<b>INDEPENDENT AUDITOR:</b>	KPMG Chartered Accountants & Registered Auditors 1 Harbourmaster Place IFSC Dublin 1 Ireland	
<b>SOLICITORS: (IRL)</b>	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2 Ireland	
<b>SERVICER:</b>	Sky Aviation Leasing International Limited 99 St. Stephen's Green Dublin 2 Ireland	
<b>MANAGING AGENT:</b>	Phoenix American Financial Services, Inc. ("Phoenix") 2401 Kermer Blvd San Rafael, CA 94901 United States of America	

## **S-JETS Group**

### **DIRECTORS' REPORT**

The Directors present their first report together with the audited consolidated Financial Statements (the "Financial Statements") of S-JETS 2017-1 Limited and Subsidiaries (the "S-JETS Group") for the financial period from 31 July 2017 (date of incorporation) to 31 December 2017 the "Period" on pages 2 to 37.

These Financial Statements are presented in United States Dollars ("USD"), the functional currency of the Company. These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and applicable law.

In accordance with the Section 1305 of the Irish Companies Act 2014, S-JETS 2017-1 Limited, as a non EEA branch established in Ireland is required to file, on an annual basis, audited consolidated financial statements with the Companies Registration Office.

As S-JETS 2017-1 Limited is Irish tax resident it requires consolidated financial statements for tax filing purposes.

### **PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The principal activity of the Group is the purchasing, leasing and disposal of aircraft.

The Group reported a profit for the Financial Period of USD\$0.7 million. The Group's portfolio of aircraft has a carrying value of USD\$897 million at 31 December 2017.

S-JETS 2017-1 Limited ("S-JETS"), a special purpose exempted limited liability Company incorporated under the laws of Bermuda co-issued Series A, Series B and Series C Notes ("The Initial Notes"). The terms of Series A, Series B and Series C Notes are disclosed in Note 15. The Initial Notes part financed the acquisition of 100% of the ordinary share capital of 21 companies that contained 21 aircraft which were on operating leases with 16 lessees based in 13 countries. The balance of the purchase price of the companies was funded through the issuance by S-JETS of an E Certificate. The E Certificates were issued to Sky Aviation Leasing Funding S.A.R.L ("SALF"). The Notes issued by S-JETS in August 2017 constitute direct obligations of S-JETS. In order to secure the repayment of the Notes and the payment and performance of all obligations of the Group and each of its subsidiaries, the Group and each of its subsidiaries has entered into a Security Trust Agreement with the Security Trustee, Wells Fargo Bank N.A., as regards all Secured Obligations.

The Directors expect these activities to continue for the foreseeable future and will continue to review and seek business opportunities for the Company.

### **RESULTS AND DIVIDENDS FOR THE FINANCIAL PERIOD AND FINANCIAL POSITION AT 31 DECEMBER 2017**

The Statement of Comprehensive Income for the Financial Period and the Statement of Financial Position at 31 December 2017 are set out on page 12 and 13, respectively. The Group's profit from ordinary activities for the period after taxation amounted to USD\$0.7 million with the loss retained in reserves.

### **GOING CONCERN**

The Financial Statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the Notes for the foreseeable future as set out in Note 15.

The Directors have considered the going concern basis of preparation of the Financial Statements. In making their assessment, the Directors have considered the ability of the Group to service its debt from available cash flows. The Group has prepared budgets and cash flows which indicate that the Group will be able to service its debt for the foreseeable future.

An Event of Default is defined in the Indenture Trust as the non payment of Series A Note interest. The Directors are satisfied given the limited recourse nature as the debt obligations that it is appropriate to prepare the Financial Statements as of 31 December 2017 on a going concern basis and that the occurrence of an Event of Default is not envisaged in the foreseeable future.

### **ACCOUNTING RECORDS**

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time, the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS and comply with provisions of the Companies Act 1981 (Bermuda). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company. The books of account of the Company are maintained at Unit J, Block 1, Shannon Business Park, Shannon, Co. Clare, Ireland.

### **INDEPENDENT AUDITOR**

KPMG, Chartered Accountants & Registered Auditors were appointed by the Board of Directors.

## S-JETS Group

### DIRECTORS' REPORT - continued

#### PRINCIPAL RISKS AND UNCERTAINTIES

The Group, in the course of its business activities, is exposed to various risks including credit risk, asset risk, market risk, liquidity risk and operational risk.

##### (i) Credit and concentration risk

The Group is subject to the credit risk of its lessees as to collection of rental payments due under its operating leases. Credit risk is defined as potential loss in cash and earnings if the counterparty is unable to pay its obligations as they fall due.

The Group continues to monitor operational and financial conditions of the lessees.

The receipt of the operating lease amounts is highly dependent upon the financial strength of the lessees. Default by a lessee could have a material adverse effect on S-JETS Group cash flows and its ability to meet its debt obligations.

Creditworthiness of each new customer is assessed and the Group seeks security deposits in the form of cash or letters of credit to mitigate overall financial exposure to its lessees. The assessment process takes into account qualitative and quantitative information about the customer such as business activities, senior management team, financial fitness, resources and performance, and business risks, to the extent that this information is publicly available or otherwise disclosed to the Group.

##### (ii) Asset risk

The Group bears the risk of re-leasing or selling the aircraft at the end of its lease term. If demand for aircraft decreases, market lease rates may fall and should this continue for an extended period, it could affect the market value of the aircraft and may result in an impairment charge. The Directors look to mitigate this risk by collecting maintenance provisions and collecting security deposits/letters of credit where appropriate.

##### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments.

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 and/or reduced market rates, higher incidences of lessee default and aircraft on ground. The Group periodically performs reviews of its carrying value of aircraft and associated assets, receivables and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

Interest rate risk is the risk (variability in value) borne by an interest bearing asset or liability, such as a loan or a bond, due to variability of interest rates. The S-JETS Group has loan agreements with Noteholders to support the aircraft procurement and operating costs. The interest rate applicable to the loans are fixed for the term of the debt. The Group seeks where possible to match the lease inflows with funding outflow in terms of interest rate exposure. The payments on the E Certificate are based on available cash flows only.

The Group seek to manage foreign currency risk through matching currencies of lease income and Note expense, in USD.

##### (iv) Liquidity risk

The Group has funded its operations with debt financing. The ability of the Group to continue to operate is dependent on its ability to meet its payment obligations, which are dependent among other things upon the risks outlined above.

The amounts due on the Series A,B and C Notes is recourse only to the available assets of the Group. For example, the Liquidity risk is mitigated by the fact that payments on E- Certificate are based on available cash flows only.

##### (v) Operational risk

Operational risk is the risk of indirect or direct loss arising from a wide variety of causes associated with the Group's operations. The Group's objective is to manage operational risk and does so primarily by outsourcing all administration functions to a professional service provider. The Group was incorporated with the purpose of engaging in the activities outlined in this report.

##### (vi) Relevant audit information

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have ensured that the Company's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

## S-JETS Group

### DIRECTORS' REPORT - continued

### PRINCIPAL RISKS AND UNCERTAINTIES - continued

### DIRECTORS AND COMPANY SECRETARY AND THEIR INTERESTS

The Directors and Secretary of the Group are as outlined on page 2 of these financial statements.

The Directors and the Company Secretary who held office at 31 December 2017 do not have any direct or beneficial interest in the shares, deferred shares, share options or debentures of the Company, or any group company at that date or during the financial period.

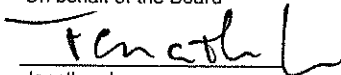
### TRANSACTIONS INVOLVING DIRECTORS

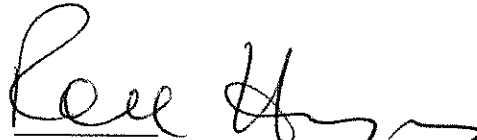
There were no loans advanced to the Directors at any time during the financial period. There were no contracts or arrangements in relation to the business of the Group in which the Directors had any interest at any time during the financial period to 31 December 2017.

### EVENTS AFTER THE FINANCIAL PERIOD

There have been no significant events subsequent to financial period end that would require adjustment or disclosure in these financial statements.

On behalf of the Board

  
Jonathan Law

  
Rose Hynes

Date: 13 March 2018

## S-JETS Group

### Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

#### DIRECTORS' RESPONSIBILITIES

The Directors of S-JETS have accepted responsibility for the preparation of these financial statements for the period from 31 July 2017 (date of incorporation) to 31 December 2017 which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit or loss for that period.

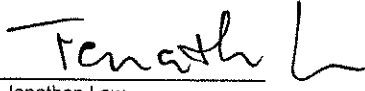
The Directors have decided to prepare the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as issued by the IASB and applicable law.

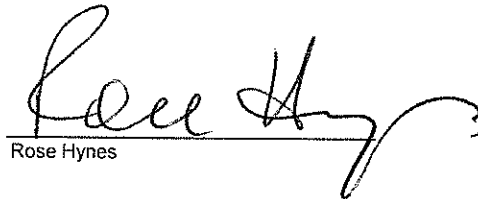
In preparing those financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether IFRS have been followed; subject to any material departures being disclosed and explained in the financial statements; and
- prepared the Financial Statements on the going concern basis as they believe that the Group will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and enable them to ensure that the Financial Statements comply with IFRS. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board:

  
Jonathan Law

  
Rose Hynes

Date: 13 March 2018



KPMG  
Audit  
1 Harbourmaster Place  
IFSC  
Dublin 1  
D01 F6F5  
Ireland

## Independent auditor's report to S-JETS 2017-1 Limited

### 1 Report on the audit of the financial statements

#### *Opinion*

We have audited the consolidated financial statements of S-JETS 2017-1 Limited (the "Company") and subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 31 July 2017 to 31 December 2017, and notes, comprising significant accounting policies as set out in Note 3.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance 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.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

#### **Accounting for Acquisition of subsidiaries \$928,136,635**

*Refer to page 16-24 (accounting policy) and pages 25 to 37 (financial disclosures)*

##### **The key audit matter**

During the period, the Company acquired 21 companies each holding one aircraft with a lease attached resulting in \$928,136,635 being recognized on Day 1.

There is a significant risk relating to acquisition accounting on Day 1 and date of transfer of effective control given the judgemental and subjective considerations included in the analyses and the key assumptions used by the Servicer.

##### **How the matter was addressed in our audit**

Our procedures included, but were not limited to:

- Assessing the Company's analysis of whether the acquisition of subsidiaries should be accounted for as a business combination or as individual asset acquisitions. This included assessing the accounting analysis prepared by the Servicer and relevant sections of the underlying legal documentation;



- Evaluating the Servicer's assessment of the date when the Company obtained control of subsidiaries by assessing the accounting analyses prepared by the Servicer and relevant sections of the sales agreement and related legal documentation;
- Assessing the methodology for the allocation of the acquisition cost between the acquired assets and liabilities based on their relative fair values and challenging the accuracy of the allocation by validating the inputs to underlying contractual documentation;
- Testing the accuracy of the Servicer's determination of the fair value of the aircraft, maintenance intangibles and lease intangibles by evaluating the accuracy of the calculation and reconciling data to independent appraisers reports;
- Evaluating the accuracy of the Servicer's assessment of any lease premium or deficit by comparing the rental rates to lease agreements and market information relevant at acquisition date;
- Agreeing the terms of the issued A, B, C Notes and E-Certificates to legal agreements, verifying that Servicer's assessment of their classification met the definition of financial liabilities;
- Assessing the reasonableness of the projected cash flows prepared by the Servicer to determine the fair value of the A, B, C Notes and E-Certificates on the acquisition date by testing the underlying data in the assumptions adopted by the Servicer in calculating the cash flows. This involved reconciling the inputs to relevant legal agreements and assessing the effective interest rate ("EIR") model prepared by the Servicer as well as considering if the rates determined were in line with market rates.
- Based on procedures performed, we concluded that accounting applied for acquisition of subsidiaries was appropriate.



**Valuation of aircraft (metal and maintenance intangible) at reporting date \$988,676,303**

Refer to page 16-24 (accounting policy) and pages 25 to 37 (financial disclosures)

**The key audit matter**

At end of each reporting period, an impairment assessment model is prepared by the Administrative Agent and reviewed by the Board of Directors that compares the net book value of the aircraft and the maintenance intangible to its recoverable amount. The recoverable amount is the higher of the fair value and the value in use, based on estimation of expected future cash flows to be generated by the aircraft, discounted to present value.

There is a significant risk relating to the valuation of the aircraft given the judgemental nature of the models that require consideration by the Board of Directors.

**How the matter was addressed in our audit**

In relation to the audit of the valuation of aircraft and maintenance intangibles the procedures we undertook included, but were not limited to:

- Documenting our understanding of the process and assessing the design and implementation of controls over the valuation of aircraft;
- Obtaining the impairment assessment model and:
  - Challenging the indicators used to determine that an aircraft may be impaired based on available external and internal sources of information; and
  - Assessing whether the methodology and assumptions used for determining recoverable amounts for aircraft were applied consistently across the portfolio;
- Testing the accuracy of the impairment assessment model via re-performance and tested the completeness of the inputs;
- Assessing the adequacy of the disclosures made by the Group in relation to their description of the judgements, assumptions and estimates made.
- Based on procedures performed, we considered that judgments relating to the valuation of aircraft were reasonable.

**Other information**

The Directors are responsible for preparation of other information accompanying the financial statements. The other information comprises the information included in the Directors' report and the Statement of Directors Responsibility, 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*

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

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

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

### *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 Groups 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 directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Ian Nelson.

*Ian Nelson*

**for and on behalf of**  
**KPMG**  
**Chartered Accountants**  
*1 Harbourmaster Place*  
*IFSC*  
*Dublin 1*

*13 March 2018*



## 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 the 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.

**S-JETS Group**

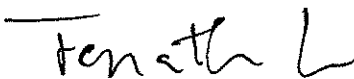
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the financial period ending 31 December 2017

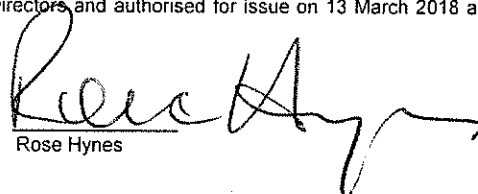
		5 month ended 31/12/2017
	Note	USD
<b>REVENUE</b>		
Lease revenue	4	<u>37,898,783</u>
<b>EXPENSES</b>		
Administrative expenses	5	(3,544,254)
Depreciation	9	<u>(12,779,475)</u>
<b>RESULTS FROM OPERATING ACTIVITIES</b>		
		<b>21,575,054</b>
<b>FINANCE COSTS</b>		
Finance income	7	680,603
Finance expenses	7	<u>(21,084,506)</u>
<b>NET FINANCE COSTS</b>		
		<u>(20,403,903)</u>
<b>PROFIT BEFORE TAX FOR THE FINANCIAL PERIOD</b>		
		1,171,151
Tax for the financial period	8	<u>(473,610)</u>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		
		<u><u>697,541</u></u>
Other comprehensive income		<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		
		<u><u>697,541</u></u>

All profits and total comprehensive income for the financial period are attributable to the owners of the Group.

The accompanying notes on pages 16 to 37 form an integral part of these financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 March 2018 and signed on its behalf by:

  
Jonathan Law

  
Rose Hynes

Date: 13 March 2018


**S-JETS Group**

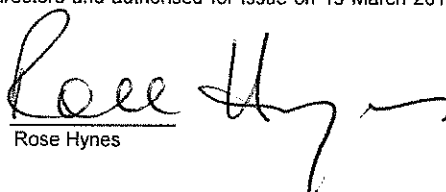
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2017

	Note	As at 31/12/2017 USD
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Aircraft	9	897,371,013
Maintenance intangible asset	10	95,238,230
Lease incentives	13	<u>22,967,138</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,015,576,381</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	11	19,964,606
Trade and other receivables	12	<u>5,317,714</u>
<b>TOTAL CURRENT ASSETS</b>		<u>25,282,320</u>
<b>TOTAL ASSETS</b>		<u><u>1,040,858,701</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	14	100
Retained earnings	22	<u>697,541</u>
<b>TOTAL EQUITY</b>		<u>697,641</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Debt in issue	15	852,674,186
Maintenance provisions	18	64,043,074
Lessor contributions	19	23,065,374
Deferred Tax	8	3,928,628
Security deposits	17	<u>11,311,119</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>955,022,381</u>
<b>CURRENT LIABILITIES</b>		
Debt in issue	15	62,572,335
Interest payable	15	1,368,381
Trade and other payables	16	6,270,746
Maintenance provisions	18	<u>14,927,217</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>85,138,679</u>
<b>TOTAL LIABILITIES</b>		<u>1,040,161,060</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,040,858,701</u></u>

The accompanying notes on pages 16 to 37 form an integral part of these financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 March 2018 and signed on its behalf by:

  
Jonathan Law

  
Rose Hynes

Date: 13 March 2018

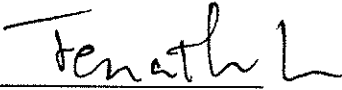
**S-JETS Group**

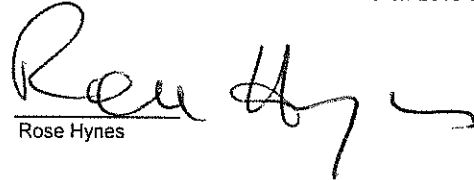
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the financial period ended 31 December 2017

	Share capital USD	Retained earnings USD	Total equity USD
<b>Balance at 31 July 2017</b>	-	-	-
Total comprehensive income for the financial period	-	697,541	697,541
<i>Transactions with shareholders</i>			
Shares issued during the financial period	100	-	100
<b>Balance at 31 December 2017</b>	<b>100</b>	<b>697,541</b>	<b>697,641</b>

The accompanying notes on pages 16 to 37 form an integral part of these financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 March 2018 and signed on its behalf by:

  
Jonathan Law

  
Rose Hynes

Date: 13 March 2018

**S-JETS Group**

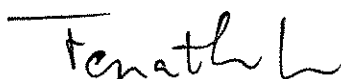
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the financial period ended 31 December 2017

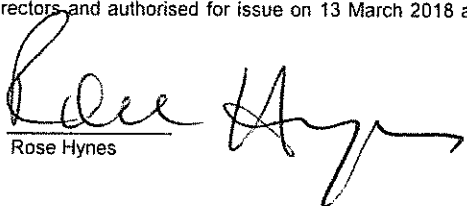
	Note	5 Month Period ended 31/12/2017 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Result on ordinary activities before tax		1,171,151
Adjustments For:		
Depreciation		12,779,475
Finance expense		21,084,506
Interest income		(680,603)
Amortisation of lease incentive		98,236
Amortisation of lease premium		17,517,366
Increase in receivables		(1,033,659)
Decrease in payables		(4,732,418)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>46,204,054</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of aircraft assets		(742,933,049)
Acquisition of intangible assets		(112,755,596)
Acquisition of maintenance provision		83,070,835
Acquisition of security deposits		11,942,993
Acquisition of trade and other receivables		(4,288,597)
Acquisition of other assets and liabilities		9,730,306
Interest received		680,603
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(754,552,505)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital		100
Proceeds from issuance of Notes		780,800,000
Payments of transaction costs related to bank borrowings		(14,603,140)
Repayment of bank borrowings		(18,167,778)
Interest paid		(19,716,125)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>728,313,057</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		19,964,606
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>		<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	11	<u><u>19,964,606</u></u>

The accompanying notes on pages 16 to 37 form an integral part of these financial statements.

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 March 2018 and signed on its behalf by:

  
Jonathan Law

  
Rose Hynes

Date: 13 March 2018



## S-JETS Group

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1 CORPORATE INFORMATION

S-JETS 2017-1 Limited ("S-JETS") is a special purpose exempted Company incorporated with limited liability under the laws of Bermuda on 31 July 2017.

S-JETS was established to purchase and own a portfolio of aircraft that are subject to leases. The principal activity of the Company and its subsidiary companies is the leasing of aircraft.

S-JETS (together with its subsidiaries, "S-JETS Group") is resident in Ireland for tax purposes. S-JETS co-issued Series A, Series B and Series C Notes ("The Initial Notes"). The Initial Notes part financed the acquisition of 100% of the ordinary share capital of 21 companies that contained 21 aircraft which were on operating leases with sixteen lessees based in thirteen countries. The balance of the purchase price of the aircraft was funded through the issuance by S-JETS of an E Certificate. The E Certificate was issued to Sky Aviation Leasing International Limited with inter-group funding repaid.

The purchase of the companies was made pursuant to an Asset Purchase Agreement between S-JETS 2017-1 Limited, Sky Aviation Leasing International Limited ("SKY") as the Servicer and Skyfin Aircraft Finance Designated Activity Company ("Skyfin DAC") ("Sellers"). S-JETS Group and the Aviation Sellers are entities under the ultimate control of Sky Aviation Leasing International L.P.

Sky Aviation Leasing International Limited, an exempted limited company incorporated under the laws of the Cayman Islands, will act as the servicer (the "Servicer") with respect to the aircraft owning entities acquired by the S-JETS and its subsidiaries (together, the "S-JETS Group", each an "S-JETS Group Member"). Wells Fargo Bank, N.A. ("WFB") acts as trustee, security trustee and operating bank and Phoenix American Financial Services, Inc. ("PAFS") acts as administrative agent to the Issuer Group. Crédit Agricole Corporate and Investment Bank acting through its New York Branch ("Crédit Agricole CIB") provides a liquidity facility to the Issuer, which may be drawn upon, subject to certain conditions, only to pay certain expenses, including certain maintenance expenses and lessee reimbursements, senior hedge payments and interest on the Initial Series A Notes, Initial Series B Notes and the Initial Series C Notes.

Notes	Initial Principal Amount	Coupon Interest Rate	Final Maturity Date
Class A	\$ 657,800,000	3.967%	August 15, 2042
Class B	\$ 81,000,000	5.682%	August 15, 2042
Class C	\$ 42,000,000	7.021%	August 15, 2042
E Certificates	\$ 218,765,542	*	August 15, 2042

\* Interest is based on the residual cash flows, defined as the Available Profit for the collection period less \$200.

The Notes are initially recognised at fair value, being their issue proceeds net of any discounts and transaction costs incurred. Transaction costs incurred on issuing the A, B and C Notes amounted to USD\$14.6 million. The E Certificate was issued by S-JETS in the initial outstanding amounts of USD\$219 million to a related party SALF.

#### 2 BASIS OF PREPARATION AND MEASUREMENT

##### BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The financial statements are prepared on a going concern basis as the Group expects to be able to meet its obligations under the Notes for the foreseeable future.

##### FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in United States Dollars ("USD\$"), which is the functional currency of the Company and its subsidiaries. The Directors believe that USD\$ most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company and its subsidiaries.

##### ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements in accordance with IFRS as issued by IASB requires the Directors of the Group to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and income and expenses during the reporting period. These estimates and associated assumptions are based on historical experience and various other factors which are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPERATION AND MEASUREMENT - continued

*Day 1 Acquisition Accounting*

The estimates and judgments adopted by the Group involved in the Group accounting policies that have the most significant impact on amounts in the financial statements are the following;

- i) Acquisition of aircraft;
- ii) E Certificate initial recognition and effective interest rate; and
- iii) Aircraft valuation.

*Acquisition of aircraft*

The creation of S-JETS Group represents an asset acquisition, as there was no acquisition of processes, rather than a business combination. The cost of the acquisition is allocated between identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition.

In accounting for the transaction, a review of the fair value of the assets and liabilities acquired in order to allocate the purchase price to assets and liabilities on acquisition was performed. This involves the identification of intangible assets or liabilities in addition to the physical assets acquired.

Therefore it is necessary to recognise off-market leases and maintenance return condition elements separately as the economic benefits that will flow to the acquiring lessor will be realized either through a sale of the asset, future rentals or a combination of both.

The transaction cost is split proportionately based on their relative fair values at the date of acquisition in to the following components:

- Aircraft ("metal")
- Lease premium/deficit
- Maintenance intangible
- Maintenance provision and lessor contributions
- Security deposits
- Other assets and liabilities

The fair value of the aircraft metal was calculated as being the average maintenance adjusted current market value ("MACMV") per the three independent appraisers which represented that "as is, where is" value of the aircraft.

The fair value of maintenance intangible represents the difference between the aircraft's physical condition on acquisition versus the contractual return condition at lease expiry.

Lease premium/deficit fair value, if any, is based on appraised current market rental rates obtained from valuation experts compared to the existing lease rental rates. There were no deemed lease premiums or deficits.

Maintenance provisions fair value is based on the maintenance forecasting model which determines whether the occurrence of further maintenance event will be within the lease period. As such, the balance as determined by the maintenance provisions forecasting model in the subsidiaries were considered to be the fair value of the maintenance provision assumed.

Security deposits were recognised at their contractual amounts which are not viewed to be materially different to fair values. Other assets and liabilities are short term in nature and repayable on demand and therefore their carrying value approximates fair value.

Further details on the calculation of maintenance intangibles are given in the maintenance intangible accounting policy below.

*E Certificate initial recognition and effective interest rate*

The E Certificate was classified as a debt instrument as it meets the criteria for a liability under IAS 32 due to the contractual obligation to remit cash flows to the E Certificate holder. The E Certificate was issued at a nominal value of USD\$219 million, however this was subject to a Day one fair value adjustment of USD\$51 million to reflect fair values of the acquired assets and liabilities.

The E Certificate is held as amortised cost based on closing. At the end of each reporting period, an analysis will be required to estimate the cash flows due to the E Certificate holders. The estimated cash flows are derived from the Group budget and the contractual lease rates in place since closing estimated for future periods. The estimated cash flows are then included in the EIR calculation to calculate the amortised cost of the E Certificate. In estimating these future cash flows, the following assumptions have been applied:

- Contractual rentals are assumed to continue to lease expiry, with aircraft disposal thereafter.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPERATION AND MEASUREMENT - continued

This will be subject of on-going assessment and revision as required.

*Aircraft valuation*

As discussed in the property, plant and equipment accounting policy below, the aircraft are evaluated for impairment each reporting period when there are indicators of impairment. This process involves the use of judgements and estimates. Estimates are utilised in determining the recoverable amount and fair value. Specifically, the Company estimates future lease cashflows, remaining useful lives of the aircraft, discount rate, residual value, remarketing costs and current and future market values. The estimates and assumptions used are based on historical trends as well as future expectations. For some of these estimates, the Company utilises the services of independent valuation firms to determine the appropriate values.

The Company has utilised judgement in evaluating whether there are indicators of impairment. In this regard, management relies on legal factors, market conditions and the operational performance of the leased assets. In addition, the Company has applied judgement in determining the residual value of aircraft. The estimated residual values are based on estimates received from independent appraisers or management's view when supporting transaction data exists. Changes in global and regional economic and political conditions, government regulations, technological changes and other factors could cause the Company to revise the residual value assumptions. The Company evaluates the appropriateness of these judgements and assessments each reporting period.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

**New standards not yet adopted**

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group is currently assessing the impact of such changes on the consolidated financial statements.

Standards and Interpretations:	Effective for annual periods beginning on or after
IFRS 9	01/01/2018
<i>Financial Instruments Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 7- Financial Instruments: Disclosures and IFRS 9 – Financial Instruments)</i>	
Amendments	
IFRS 15	01/01/2018
<i>Revenue from contracts with customers</i>	
IFRS 16	01/01/2019
<i>Leases</i>	

## BASIS OF CONSOLIDATION

The consolidated financial statements include the results of the Group and its subsidiaries as listed in Note 23 below. Subsidiaries are investees controlled by the Group. The Group "controls" an investee if it is exposed to, or has the right to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Management has made judgment that date of transfer of effective control over 21 subsidiaries acquired in 2017 is 22 August 2017 based on the transfer of power to control the relevant activities of each subsidiary by virtue of the Sale Agreement. Based on this agreement the Servicer need to obtain approval by the Company for any decision taken with respect of relevant activities in the period between 22 August 2017 and the date transfer of subsidiary shares is completed. Also by signing the Sale Agreement Sky Aviation Leasing International Limited I has ceased all its substantive rights over the subsidiary relevant activities.

## ii. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES - continued

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment consist of aircraft that management intends to hold and lease are stated at cost, less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset, including any cost attributable to bringing the asset to a working condition for intended use. Depreciation is calculated on a straight line basis over the asset's useful life of 25 years from the date of manufacture of the aircraft. Depreciation is recognised in the Statement of Comprehensive Income over the remaining useful life from the date of manufacture or purchase to a residual value.

Aircraft acquired on lease are assessed for the existence of intangible maintenance return assets as well as lease intangibles. To the extent that these exist, they are amortised over the remaining lease term to its estimated residual value.

Depreciation methods, residual values and useful lives are reviewed at the reporting date.

Residual values are determined based on the estimated values at the end of the useful lives of the aircraft assets, which are estimated to be 15% of cost and are subsequently reviewed on an annual basis. In accordance with IAS 16, the Group's aircraft that are to be held and used are reviewed for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft is not recoverable and in these circumstances a loss is recognised as a write down of the carrying value to the higher value of its value in use and net realisable value. Value in use is calculated as the present value of the future cash flows to be derived from the operation of the asset. Future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If recoverable amounts are lower than carrying values, assets are reduced to their recoverable amounts with the resultant impairment charges being recorded through profit or loss. Where a prior impairment loss has decreased or reversed, the carrying amount of the asset is increased and the impairment loss reversed in the profit or loss in the Statement of Comprehensive Income to the extent that the asset is not carried at a higher value than if no impairment loss had been recognised in prior years.

MAINTENANCE INTANGIBLE ASSETS

The Group identifies, measures and accounts for maintenance right assets and liabilities associated with the acquisition of aircraft with in-place leases. A maintenance right asset represents the fair value of the contractual right under a lease to receive an aircraft in an improved maintenance condition as compared to the maintenance condition on the acquisition date. A maintenance right liability represents the obligation to pay the lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition of the aircraft on the acquisition date.

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

The Group's fleet is typically subject to triple-net leases pursuant to which the lessee is responsible for maintenance, which is accomplished through one of two types of provisions in the Group's leases:

- (i) end of lease return conditions (EOL Leases) or
- (ii) periodic maintenance payments (MR Leases).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES - continued

EOL Leases

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

Maintenance right assets in EOL Leases represent the difference in value between the contractual right to receive an aircraft in an improved maintenance condition as compared to the maintenance condition on the acquisition date. Maintenance right liabilities exist in EOL Leases if, on the acquisition date, the maintenance condition of the aircraft is greater than the contractual return condition in the lease and the Group is required to pay the lessee in cash for the improved maintenance condition. Maintenance right assets, net are recorded as a separate line item on the Group statement of financial position.

When the Group has recorded maintenance right assets with respect to EOL Leases, the following accounting scenarios exist:

- (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment to the Group by the lessee, the maintenance right asset is relieved and an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group's capitalisation policy;
  - (ii) the lessee pays the Group cash compensation at lease expiry in excess of the value of the maintenance right asset, the maintenance right asset is relieved and any excess cash is recognised as end of lease income consistent with the existing policy; or
  - (iii) the lessee pays the Group cash compensation at lease expiry that is less than the value of the maintenance right asset, the cash is applied to the maintenance right asset and the balance of such asset is relieved and recorded as an aircraft improvement to the extent the improvement is substantiated and meets the capitalisation policy.
- Any aircraft improvement will be depreciated over a period to the next scheduled maintenance event in accordance with the policy with respect to major maintenance.

When the Group has recorded maintenance right liabilities with respect to EOL Leases, the following accounting scenarios exist:

- (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment by the Group to the lessee, the maintenance right liability is relieved and end of lease income is recognised;
- (ii) the Group pay the lessee cash compensation at lease expiry of less than the value of the maintenance right liability, the maintenance right liability is relieved and any difference is recognised as end of lease income; or
- (iii) the Group pay the lessee cash compensation at lease expiry in excess of the value of the maintenance right liability, the maintenance right liability is relieved and the excess amount is recorded as an aircraft improvement.

MR Leases

Under MR Leases, the lessee is required to make periodic payments to the Group for maintenance, based upon usage of the aircraft. When qualified major maintenance is performed during the lease term, the Group is required to reimburse the lessee for the costs associated with such maintenance. At the end of lease, the Group is entitled to retain any cash receipts in excess of the required reimbursements to the lessee.

Maintenance right assets in MR Leases represent the right to receive an aircraft in an improved condition relative to the actual condition on the acquisition date. The aircraft is improved by the performance of qualified major maintenance paid for by the lessee who is reimbursed by us from the periodic maintenance payments that the Group receives. Maintenance right assets, net will be recorded as a separate line item on our statement of financial position.

When the Group has recorded maintenance right assets with respect to MR Leases, the following accounting scenarios exist:

- (i) the aircraft is returned at lease expiry and no qualified major maintenance has been performed by the lessee since the acquisition date, the maintenance right asset is offset by the amount of the associated maintenance payment liability and any excess is recorded as end of lease income; or
- (ii) the Group has reimbursed the lessee for the performance of qualified major maintenance, the maintenance right asset is relieved and an aircraft improvement is recorded.

OPERATING SEGMENTS

The Group has assessed that there is one strategic division which is its reportable segment. The division offers one type of service as described in principal activity. The geographic information is provided in Note 1.

NON DERIVATIVE FINANCIAL INSTRUMENTS

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

Financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss in the Statement of Comprehensive Income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at cost or amortised cost using the effective interest method, less, in the case of financial assets, any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES - continued

FINANCIAL ASSETS

*Trade and other receivables*

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using an effective interest rate less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material. A provision for impairment of trade receivables is recognised when there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

*Cash and cash equivalents*

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

*Restricted cash*

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is measured at amortised cost.

FINANCIAL LIABILITIES

*Loans and borrowings*

Issued financial instruments or their components will be classified as liabilities where the substance of the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities will be initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost, with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

The E Certificate has been classified as debt, due to the contractual obligation to make payments whenever the appropriate cash is available. The E Certificate has a final legal maturity date of 15 August 2042.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired, or subject to a substantial modification of terms. The Group's aircraft are pledged as security for the Group's obligations under the Series A, Series B and Series C Notes.

*Trade and other payables*

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

LEASE RECEIVABLES

Lease receivables are carried at original invoice amount less allowance for impairment. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivable. Significant financial difficulties of the lessee, probability that the lessee will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised through profit or loss. When a lease receivable is uncollectible, it is written off initially against any allowance made in respect of that receivable in the allowance account for trade receivables with any excess taken to the Profit and Loss. Subsequent recoveries of amounts previously written off or allowances no longer required are credited through profit or loss.

PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, 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 current market assessments of the time value of money and the risks specific to the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES - continued

MAINTENANCE PROVISIONS

In accordance with lease agreements, maintenance provisions are subject to reimbursement to the lessee upon the occurrence of a qualifying event. The reimbursable amount is capped by the amount of maintenance provisions payments received by the Group, net of previous reimbursements. The Group is only required to reimburse for qualifying event according to the lease agreement during the lease term.

Maintenance provisions which the Group may be required to reimburse to the lessee are reflected in our maintenance provision liability on the Statement of Financial Position.

All amounts of maintenance provisions unclaimed by the lessee at the end of the lease term are retained by the Group. The Group records as rental revenue the portion of maintenance provisions that it is virtually certain will not require reimbursement to the lessee as a component of Lease revenue in the Statement of Profit or Loss and Other Comprehensive Income.

The Group records maintenance provisions revenue as the aircraft is operated when it is determined that a Qualifying Event will occur outside the non-cancellable lease term or after the Group has collected maintenance provisions equal to the amount that it expects to reimburse to the lessee as the aircraft is operated. Should such estimates be inaccurate, the Group may be required to reverse revenue previously recognized. In addition, if the Group can no longer make accurate estimates with respect to a particular lease, it will stop recognizing any maintenance provisions revenue until the end of such lease.

Estimating when it is virtually certain that maintenance provisions payments will not be reimbursed requires judgments to be made as to the timing and cost of future maintenance events. In order to determine virtual certainty with respect to this contingency, our Technical department analyses the terms of the lease, utilizes available cost estimates published by the equipment manufacturers, and thoroughly evaluates an airline's maintenance planning documents. Our Technical department utilizes this information, combined with their cumulative industry experience, to determine when major Qualifying Events are expected to occur for each relevant component of the aircraft, and translates this information into a determination of how much the Group will ultimately be required to reimburse to the lessee.

LESSOR CONTRIBUTIONS

At the beginning of each new lease, subsequent to the first lease on a new engine, lessor contributions representing contractual obligations on the part of the Company to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. The Company regularly reviews the level of lessor contributions under current lease contracts and makes adjustments as necessary. When engines are sold the portion of the accrued liability not specifically assigned to the buyer is derecognised from the statement of financial position as part of the gain or loss on disposal of the engine. Lessor contributions in respect of end of lease adjustments are recognised when the Group believes it is probable that it will be required to reimburse amounts to the lessee and the amount can be reasonably estimated.

LEASE INCENTIVES

Lessor contributions represent a lease incentive and are recorded as a charge to the consolidated income statement over the life of the associated lease. Lease incentives are measured initially at the amount of the estimated contractual lessor contribution to the lessee. 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.

SHARE CAPITAL

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

REVENUE

Operating Leases

The Group, as lessor, leases aircraft under operating leases and records rental income rateably over the life of the lease as it is earned. The Group accounts for lease rental income under lease agreements that include step rent clauses on a straight-line basis.

For past-due rentals on all leases, an impairment provision may be established on the basis of management's assessment of collectability and to the extent such rentals exceed related security deposits held and any provision so established is recorded as an expense in the Statement of Comprehensive Income.

If the Group's lease contracts require payment in advance, rentals received, but unearned under these lease agreements, are recorded as operating lease income prepaid in liabilities on the Statement of Financial Position.

FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of Profit or Loss and Other Comprehensive Income, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial liability to the net carrying amount of the financial liability. The application of the method has the effect of recognising expenses payable on the liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Group estimates cash flows (using projections based on repayments) considering all contractual terms of the financial liability.

The calculation will take into account all fees that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

The Group will review its estimate of payments each year and if necessary adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. This process involves computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. As such the Group shall recognise the adjustment as income or expense in profit or loss at the date of such revision.

CURRENT TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.<sup>a</sup> 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES - continued

DIVIDENDS

Dividends are recognised in the consolidated financial statements when they have been appropriately approved or authorised by the shareholders. No dividend was declared or paid in the reporting financial period ending 31 December 2017.

FAIR VALUE MEASUREMENT PRINCIPLES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

*Valuation of non-financial assets*

Information about the assumptions made in measuring fair values where relevant on acquisition is included in Note 2.

*Valuation of financial assets*

The Group measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived by prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**S-JETS Group**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4 LEASE REVENUE**

	5 month ended 31/12/2017
	USD
Lease rentals receivables	33,833,418
Lease incentive amortisation (note 13)	(98,236)
Maintenance income	4,134,837
Other income	28,764
	<u>37,898,783</u>

Lease revenue is earned on a monthly basis in line with the lease agreements. There are seven floating rate leases. Contingent revenue on floating rate leases for the period to 31 December 2017 totalled USD\$3.3 million.

For the financial period from incorporation, USD\$4.1 million (net of releases of maintenance intangible assets and maintenance reserves) of maintenance reserves were released within the consolidated statement of comprehensive income.

Lease rental is derived mainly from leasing commercial aircraft to various operators around the world. The distribution of lease rental income by geographical region (airline location) is as follows:

	5 month ended 31/12/2017	5 month ended 31/12/2017
	USD	%
Developed Asia / Pacific	1,410,999	4%
Developed Europe	5,262,382	14%
Developed North America	5,874,148	15%
Emerging Asia/Pacific	13,105,345	34%
Emerging Europe & Africa / Middle East	3,688,940	10%
Emerging South & Central America	8,556,969	23%
	<u>37,898,783</u>	<u>100%</u>

Three of the Group's customers, which are located in United States, Ethiopia and Russia are over 5% of total Lease Revenue.

The following is a schedule of contracted future rentals receivable, by year, on operating leases as of 31 December 2017 as amended for changes in the underlying lease agreements up to and including 31 December 2017. The interest rates prevailing at 31 December 2017 have been applied in determining rentals which are variable in accordance with prevailing interest rates.

	31 December 2017 USD
Due within one year	98,642,754
Due between one and five years	363,179,959
Due after five years	210,543,311
	<u>672,366,024</u>

**5 ADMINISTRATIVE EXPENSES**

	5 month ended 31/12/2017
	USD
Bank charges	11,855
Audit and tax advisory fees	133,470
Directors' fees	37,108
Legal and professional fees	90,498
Other professional fees	923,839
Management agent fees	119,991
Servicer fee	1,449,308
Insurance	98,941
Trustee fees	216,742
Other operating costs	462,502
	<u>3,544,254</u>

**S-JETS Group**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6 STAFF NUMBERS AND COSTS**

The Group had no employees during the period ending 31 December 2017.

**7 NET FINANCE EXPENSES**

	5 month ended 31/12/2017
	USD
<b>FINANCE INCOME</b>	
Bank interest income	<u>(680,603)</u>
<b>FINANCE EXPENSES</b>	
Interest expense on A notes	9,181,548
Interest expense on B notes	1,619,370
Interest expense on C notes	1,027,991
Interest expense on E Note	2,672,284
Interest expense on loan from related party	4,961,610
Amortisation of deferred finance costs	<u>1,621,703</u>
	<u><u>20,403,903</u></u>

Interest expense on loan from related party relates to the period from date when effective control over subsidiaries was acquired to the date when the loans due by subsidiary to related party were novated to the Company as part of agreement for purchase of subsidiaries.

**8 TAX ON PROFIT/(LOSS) ON LOSS FOR THE FINANCIAL PERIOD**

**(a) Analysis of tax charge for period**

	5 month ended 31/12/2017
	USD
<i>Current tax:</i>	
Corporation tax on net profit for the period	<u>4,542</u>
Total current tax	<u>4,542</u>
<i>Deferred tax:</i>	
Origination and reversal of timing differences	<u>469,068</u>
	<u>469,068</u>
Total taxation for the period	<u><u>473,610</u></u>

**(b) Factors affecting current tax charge for the period**

The reconciliation of tax on loss for the financial period at the standard rate of Irish corporation tax to the Group's actual tax charge is analysed as follows:

Profit for the financial period tax	1,171,151
Expected tax at 12.5%	146,394
<i>Effects of:</i>	
Non- deductible expenses	478,344
Non taxable income	(153,304)
Effect of income tax rate in foreign jurisdiction	2,176
Total tax expense	<u><u>473,610</u></u>

**(c) Circumstances affecting current and future tax charges**

Tax is chargeable in future periods unless group relief is available. To the extent losses are incurred in the future, these can be carried forward. The corporation tax rate is expected to remain at its current rate of 12.5%.

**(d) Current tax**

A current tax charge of \$4,542 has been recognised in the period.

S-JETS Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 TAX ON PROFIT/(LOSS) ON LOSS FOR THE FINANCIAL PERIOD - continued

(e) Deferred tax

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current period which are available for carry forward against future taxable profits, temporary timing differences and an excess of capital allowances over accounting depreciation.

The components of the deferred income tax assets and liabilities as at December 31 are as follows:

	22 August 2017 USD Assets	31 December 2017 USD Assets/(Liabilities)	Movement in the period USD
Assets	473,380	5,872,795	5,399,415
Liabilities	<u>(3,932,940)</u>	<u>(9,801,423)</u>	<u>(5,868,483)</u>
	<u>(3,459,560)</u>	<u>(3,928,628)</u>	<u>(469,068)</u>

(f) Deferred tax balances

At 31 December 2017, there was a potential deferred tax liability of \$10,845,368 for differences between accounting value and tax value of assets of \$86,762,940 related to initial recognition of assets acquired during the reporting period (refer to Note 2). However, this liability was not recognised because the Group has assessed that it does not affect neither accounting nor tax profit at the date of transaction as part of an asset acquisition.

9 AIRCRAFT

	31 December 2017 USD
<b>Cost</b>	
At date of incorporation	-
Additions	910,150,488
Disposals	-
At 31 December 2017	<u>910,150,488</u>
<b>Depreciation</b>	
At date of incorporation	-
Depreciation charge for the financial period	<u>(12,779,475)</u>
At 31 December 2017	<u>(12,779,475)</u>
<b>Net book value</b>	<u>897,371,013</u>

Cost of aircraft represents the cost of the aircraft acquired by the Group as part of the transaction on 22 August 2017.

As discussed in the statement of accounting policies, the Directors of the Group undertake a review to determine whether an impairment provision is required in respect of S-JETS Group's aircraft. The value in use was tested by discounting future cash flows at a rate of 6.0%. During the period the Directors, in applying IAS 36, determined the recoverable amount of all aircraft is higher than the carrying value. As a result, no impairment charge is deemed necessary.

The distribution of aircraft and maintenance intangible assets by geographical region, based on airline location, is as follows:

	31 December 2017 USD	2017 %
Developed Asia / Pacific	35,750,578	3%
Developed Europe	99,420,951	10%
Developed North America	145,177,909	15%
Emerging Asia/Pacific	354,289,211	36%
Emerging Europe & Africa / Middle East	122,629,741	12%
Emerging South & Central America	235,340,853	24%
	<u>992,609,243</u>	<u>100%</u>

The Directors are satisfied that the net book value of the aircraft is appropriate.

The aircraft are held in Trust by the Security Trustee (Wells Fargo) as security against the issued A, B and C Notes. At 31 December 2017 S-JETS Group owned twenty one aircraft all of which were on lease. There were no aircraft held for sale at 31 December 2017.

**S-JETS Group****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****10 MAINTENANCE INTANGIBLE ASSETS**

	31 December 2017 USD
Cost	-
Additions	112,755,596
Release	<u>(17,517,366)</u>
At 31 December 2017	<u><u>95,238,230</u></u>

The Group recognises maintenance intangibles in relation to the acquisition of aircraft that were purchased on lease. These intangibles are accounted for in accordance with IAS 38 - Intangible Assets.

Maintenance intangible asset/liabilities represents the value in the difference between the contractual right under the acquired non short term 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.

The release is in relation to the termination of two leases and a portion of maintenance intangibles that was flipped into aircraft due to maintenance claims.

**11 CASH AND CASH EQUIVALENTS**

	31 December 2017 USD
<b>Current</b>	
Cash and cash equivalents	934,949
Restricted cash	19,029,657
	<u><u>19,964,606</u></u>

All of the restricted cash of the Group at 31 December 2017 was held for specific purposes under the terms of the Trust indenture.

Cash and cash resources subject to withdrawal restrictions represent cash securing the Group's obligations under third party credit facilities. Amounts received from lessees in respect of aircraft subject to certain funding arrangements may be required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls, as well as interest and principal payments on the related debt facility. These amounts are included above in restricted cash.

**12 TRADE AND OTHER RECEIVABLES**

	31 December 2017 USD
Trade receivables	2,023,574
VAT receivables	619,707
Other tax receivable	2,562,188
Prepaid interest	108,435
Other	3,810
	<u><u>5,317,714</u></u>

All trade receivables over 30 days are considered past due. As at 31 December 2017, USD\$Nil million receivables are past due. No provision for bad debts was recognised as amounts are considered recoverable.

The Group's trade receivables are secured by security deposits, letters of credit and maintenance reserves that the Group holds on behalf of its customers.

S-JETS Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 LEASE INCENTIVE ASSETS

	31 December 2017
	USD
Lease incentive assets	-
Additions	23,065,374
Amortised during the period	(98,236)
<b>Total Lease Incentive Assets</b>	<u><u>22,967,138</u></u>

14 SHARE CAPITAL

	31 December 2017
	USD
<b>Authorised, issued and fully paid</b>	
100 Ordinary shares of 1 USD each	<u><u>100</u></u>

The authorised share capital of the Company is USD\$100 dividend into two classes: (i) 90 Class A common shares of par value USD\$1.00 each (the "Class A Common Shares") and (ii) 10 Class B common shares of par value USD\$1.00 each (the "Class B Common Shares"). Each holder of Class A Common Shares is entitled to one vote per share. Each holder of Class B Common Shares is not entitled to a vote.

**S-JETS Group**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15 INDEBTEDNESS**

**(a) Principal**

The Notes issued by S-JETS in August 2017 constitute direct obligations of S-JETS. In order to secure the repayment of the Notes and the payment and performance of all obligations of the Group and each of its subsidiaries, the Group and each of its subsidiaries has entered into a Security Trust Agreement with the Security Trustee, Wells Fargo Bank N.A., as regards all Secured Obligations.

On 22 August 2017, S-JETS issued Series A, Series B and Series C Notes with nominal value of \$657,800,000 and bears a fixed interest rate of 3.697%; \$81,000,000 and bears a fixed interest rate of 5.682% and \$42,000,000 bears a fixed interest rate of 7.021% respectively. These Notes have a final maturity date of 15 August 2042. These Notes are limited recourse obligations of S-JETS to the assets held by its subsidiaries.

In addition to above Notes, S-JETS also issued E Certificates upon the transfer of equity interest of Aircraft Ownig Entities ("AOEs") to S-JETS with the total nominal value of \$218,765,542 to SALF. These E Certificates are then adjusted with the Day 1 fair value adjustment of \$51,548,103. As such the revised carrying amount of E Certificate amounted to \$167,217,439 and carry an EIR of 7.42% with a final maturity contractual date of 15 August 2042.

The following table outlines nominal and carrying value each Note at 31 December 2017:

	Nominal Amount USD	Paydown to date USD	31 December 2017 USD
Series A Notes	657,800,000	14,617,778	643,182,222
Series B Notes	81,000,000	1,800,000	79,200,000
Series C Notes	42,000,000	1,750,000	40,250,000
Deferred finance costs		-	(14,600,899)
Discounts/closing costs - Series A, B, C			(2,241)
			<u>748,029,082</u>
E Certificate	218,765,542		218,765,542
Fair value adjustment - Day 1			(51,548,103)
			<u><u>915,246,521</u></u>
			31 December 2017 USD
Current liabilities – Indebtness			62,572,335
Non-current liabilities – Indebtness			<u>852,674,186</u>
			<u><u>915,246,521</u></u>

Repayments of principal on Series A, B and C Notes commenced in September 2017. The repayment of principal of the Notes is dependent upon the cash available at each monthly determination date and is governed by the priority of payments set out in the Trust Indenture. Monthly Determination Date means the last day of the calendar month immediately preceding each Payment Date.

**(b) Interest payable**

The Series A, Series B and Series C Notes bear interest at fixed rates as per the Note Purchase Agreement - Series A Notes – 3.967%, Series B Notes – 5.682% and Series C Notes – 7.021%. The E Certificates bear no contracted interest rate, however carries an obligation to return available residual cash to the E Certificate holder. The effective interest rate determined on the E Certificate is 7.42%.

At period end the following amounts of interest were accrued for but unpaid:

	31 December 2017 USD
Series A Notes	1,063,127
Series B Notes	187,506
Series C Notes	117,748
E Certificate	-
Total	<u><u>1,368,381</u></u>

**S-JETS Group**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15 INDEBTEDNESS - Continued**

**(c) Debt maturity**

The repayment terms of the Series A Notes, Series B Notes and Series C Notes are such that certain principal amounts are expected to be repaid on certain dates based on certain assumptions made at the time of their issue (the "Expected Final Payment Dates") or refinanced through the issue of new notes by specified Expected Final Payment Dates but in any event are ultimately due for repayment on specified final maturity dates (the "Final Maturity Dates"). The Final Contractual Maturity Dates, Outstanding Principal Balance and interest rates applicable to each class of Notes outstanding at 31 December 2017 are set out below:

<b>Class of Notes</b>	<b>Interest Rate (contractual)</b>	<b>Final Contractual Maturity Date</b>
Series A Notes	3.967%	15 August 2042
Series B Notes	5.682%	15 August 2042
Series C Notes	7.021%	15 August 2042
E Certificate	* NA	15 August 2042

\*\* No fixed rate of interest is payable on the E Certificates, however, interest payments are based on the residual Available Profit within the Group, less \$200.

The expected principal repayments on the Class A Note, Class B Note, Class C Note and E Certificate facilities

	31 December 2017 USD
Within 1 year	-
Between 1 and 2 years	62,572,335
More than 2 years but not later than 5 years	45,738,051
Later than five years	173,520,499
	<u>633,415,635</u>
	<u>915,246,520</u>

**(d) Cash flows maturity**

The table below shows the movement in cashflow liabilities from 31 July 2017 to 31 December 2017.

	31 December 2017 USD
Balance at 31 July 2017	-
<b>Charges from finance cashflows</b>	
Loans issued	948,015,198
Interest paid	(19,773,007)
Loans repaid	(18,167,778)
<i>Total charges from finance cashflows</i>	<u>910,074,413</u>
<b>Other charges</b>	
Deferred financing cost	(16,137,132)
Interest expense	21,141,387
Interest accrual	(1,368,381)
Debt costs amortised	1,536,233
<i>Total other charges</i>	<u>5,172,107</u>
Balance at 31 December 2017	<u>915,246,520</u>

**16 TRADE AND OTHER PAYABLES**

	31 December 2017 USD
<b>Current</b>	
Deferred income	2,228,378
Accrued expenses	133,852
Accounts payable	3,572,463
Due to related parties (refer note 24)	336,053
	<u>6,270,746</u>
<b>Total</b>	<u>6,270,746</u>



**S-JETS Group**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**17 SECURITY DEPOSITS**

	31 December 2017 USD
<b>Non-Current</b>	
Security deposits	11,311,119
<b>Total</b>	<u>11,311,119</u>

Security deposits of USD\$11 million at 31 December 2017 are held by the Group as security obligations in accordance with the terms of certain leases. The deposits are held as cash. Security deposits are classified based on the maturity of the underlying lease. In addition, the Group holds security on lease obligations in the form of letters of credit in the amount of USD\$9.8 million.

**18 MAINTENANCE PROVISIONS**

	31 December 2017 USD
At date of incorporation	-
Acquisition of aircraft	83,070,835
Maintenance claim paid	(1,661,898)
Maintenance provision released to income statement	(2,438,646)
<b>Balance at 31 December 2017</b>	<u>78,970,291</u>

The classification of maintenance provision based on expected future maintenance events is as follows:

	31 December 2017 USD
Current maintenance provisions	14,927,217
Non-current maintenance provisions	64,043,074
	<u>78,970,291</u>

Maintenance Provisions represent the maintenance amounts paid by the lessees as per the individual lease agreements. The lessor reimburses the lessee for all maintenance payments made by way of reducing the liability. At the end of the lease, any excess maintenance that has not previously been recognised as income under the accounting policy is released to income.

**19 LESSOR CONTRIBUTIONS**

	31 December 2017 USD
Balance at 31 July 2017	-
Lessor contribution	23,065,374
<b>Balance at 31 December 2017</b>	<u>23,065,374</u>

The classification of lessor contribution based on expected future maintenance events is as follows:

Current portion of lessor contribution	-
Non-current portion of lessor contribution	23,065,374
<b>Total</b>	<u>23,065,374</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

Risk management processes incorporate the regular and continuing analysis of trading operations and performance and the monitoring of capital adequacy and asset valuations. This note seeks to further describe the key business and financial instrument risks faced by the Group and the policies and procedures used to mitigate these risks.

The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risk to which the Group is exposed are credit risk, interest rate, currency risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Group are discussed below.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group leases the aircraft to various airlines. The airline industry is cyclical, economically sensitive and highly competitive. A key determinant of the Group's success is its ability to react to and cope with the competitive environment in which it operates.

There is a risk that should the lessees experience financial difficulties this could result in default or the early termination of the Group's lease. The Directors mitigate this risk by collecting maintenance provisions, security deposits and letters of credits from its lessees where appropriate.

The Group manages its exposure to credit risk by placing its restricted cash with Wells Fargo, a recognised financial institution. At the period end a total of USD\$19 million was held by Wells Fargo.

The S&P credit ratings of Wells Fargo is:	Wells Fargo
Long Term	A
Short Term	A-1

The carrying amount of financial assets represents the Group's maximum credit exposure as follows:

	31 December 2017
	USD
Financial assets	
Cash and cash equivalents	19,964,606
Trade and other receivables	<u>5,209,279</u>
	<u>25,173,885</u>

Trade and other receivables represent a maintenance billing receivable from the lessee, which was neither past due nor impaired at period end and interGroup receivables as outlined in Note 12.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments.

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 and/or reduced market rates, higher incidences of lessee default and aircraft on the ground all of which may require that the carrying value of the aircraft to be materially reduced. Interest rate risk and foreign exchange risk are managed through matching lease and debt payment profiles where possible.

*Interest rate risk*

The Group manages its exposure to interest rate risk by fixing the rate of interest on its financial liabilities (Series A, Series B, and Series C Notes). This excludes E Certificates due to the fact that these do not carry contractual interest rate.

The Group's exposure to interest rate risk as at 31 December 2017 is limited to movements in variable rates on certain lease agreements and is not considered material.

## S-JETS Group

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 20 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

##### *Currency risk*

The principal assets and liabilities of the Group are denominated in USD, which is the functional currency of the Group. Therefore the Group has limited currency risk exposure.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages its exposure to currency risk by effectively matching its foreign currency assets and liabilities.

The Group's exposure to currency risk as at 31 December 2017 is not significant.

##### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach in managing liquidity is to seek to match the cash inflows on lease receivables with the cash outflows on indebtedness. There is also a liquidity facility available (Note 1).

Based on all the information at present, the Directors believe that the Group has sufficient liquidity to meet its obligations as they fall due for the foreseeable future and that it continues to be appropriate to prepare the financial statements on a going concern basis of preparation.

The Notes constitute direct, limited recourse obligations of the Group.

Under the terms of a Trust Indenture, each noteholder agrees that claims against the Group are limited to available assets of the Group.

The Group will periodically perform reviews of its carrying values of aircraft, trade receivables and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

The table below shows the undiscounted contractual cash flows of the Group's financial liabilities as at 31 December 2017:

	Carrying amount USD	Gross contractual cash flows USD	Less than one year USD	One to five years USD	More than five years USD
Indebtedness *	915,246,521	1,012,570,025	77,302,498	274,669,152	660,598,375
Maintenance provisions	78,970,291	78,970,291	14,927,217	32,291,612	31,751,462
Security deposit	11,311,119	11,311,119	-	2,297,450	9,013,669
Interest Payable	1,368,381	1,368,381	1,368,381	-	-
Trade Payables	6,270,746	6,270,746	6,270,746	-	-
<b>Total liabilities</b>	<b>1,013,167,058</b>	<b>1,110,490,562</b>	<b>99,868,842</b>	<b>309,258,214</b>	<b>701,363,506</b>

\*Carrying amount consisting of Principal and accrued interest on the Series A Note, Series B Notes, and E Certificate.

#### 21 FAIR VALUE ESTIMATION

##### **Fair Value Disclosure by fair value hierarchy level**

Under IFRS 13 Fair Value Measurement, the fair value of a financial asset and liability is the amount at which it could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced sale or liquidation. The carrying value of cash and cash equivalents, restricted cash balances, trade receivables and trade payables are assumed to approximate their fair values. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1	Quoted prices for similar instruments
Level 2	Directly observable market inputs other than Level 1 inputs
Level 3	Significant inputs not based on observable market data

The financial instruments not measured at fair value through profit or loss are financial assets and financial liabilities whose carrying amounts approximate fair value.

S-JETS Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FAIR VALUE ESTIMATION - continued

The Financial instruments that were not measured at fair value as at 31 December 2017 are as follows:

	Fair Value			Total USD	Carrying Value USD
	Level 1 USD	Level 2 USD	Level 3 USD		
<b>Financial assets</b>					
Trade and other rec. *	-	-	5,209,279	5,209,279	5,209,279
Cash and equivalents *	-	-	19,964,606	19,964,606	19,964,606
	<u>-</u>	<u>-</u>	<u>25,173,885</u>	<u>25,173,885</u>	<u>25,173,885</u>
<b>Financial liabilities</b>					
Series A Notes	-	630,725,289	-	630,725,289	630,725,289
Series B Notes	-	77,695,546	-	77,695,546	77,695,546
Series C Notes	-	39,608,247	-	39,608,247	39,608,247
E Note	-	-	167,217,439	167,217,439	167,217,439
Security deposit	-	-	11,311,119	11,311,119	11,311,119
Trade Payables	-	-	6,270,746	6,270,746	6,270,746
Interest payable *	-	-	1,368,381	1,368,381	1,368,381
	<u>-</u>	<u>748,029,082</u>	<u>186,167,685</u>	<u>934,196,767</u>	<u>934,196,767</u>

\* S-JETS has not disclosed the fair values for financial instruments such as short term receivables and payables as their carrying value amounts to a reasonable approximation of fair value.

The effective interest rates on Series A, Series B, Series C Notes and E Certificate determined at the initial recognition materially equate to the market interest rate as these financial liabilities were issued in second half of the year and the managing agent believes that there is no significant movement in the market and as such carrying value of these financial liabilities approximate fair value.

22 RETAINED DEFICIT

	31 December 2017 USD
Reserves at the beginning of the financial period	-
Loss for the financial period	<u>697,541</u>
Loss at the end of the financial period	<u>697,541</u>

## S-JETS Group

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 23 SUBSIDIARY COMPANIES

S-JETS had the following subsidiary companies as at 31 December 2017:

Name	Country of incorporation	Principal Activity	% of shares held
Jetair 1 Limited	Ireland	Aircraft leasing	100%
Jetair 2 Limited	Ireland	Aircraft leasing	100%
Jetair 3 Limited	Ireland	Aircraft leasing	100%
Jetair 4 Limited	Ireland	Aircraft leasing	100%
Jetair 5 Limited	Ireland	Aircraft leasing	100%
Jetair 6 Limited	Ireland	Aircraft leasing	100%
Jetair 7 Limited	Ireland	Aircraft leasing	100%
Jetair 8 Limited	Ireland	Aircraft leasing	100%
Jetair 9 Limited	Ireland	Aircraft leasing	100%
Jetair 10 Limited	Ireland	Aircraft leasing	100%
Jetair 11 Limited	Ireland	Aircraft leasing	100%
Jetair 12 Limited	Ireland	Aircraft leasing	100%
Jetair 13 Limited	Ireland	Aircraft leasing	100%
Jetair 14 Limited	Ireland	Aircraft leasing	100%
Jetair 15 Limited	Ireland	Aircraft leasing	100%
Jetair 16 Limited	Ireland	Aircraft leasing	100%
Jetair 17 Limited	Ireland	Aircraft leasing	100%
Jetair 18 Limited	Ireland	Aircraft leasing	100%
Jetair 19 Limited	Ireland	Aircraft leasing	100%
Jetair 20 Limited	Ireland	Aircraft leasing	100%
Jetair 21 Limited	Ireland	Aircraft leasing	100%
Jetair 14 (Labuan) Limited	Labuan	Aircraft leasing	100%
Jetair 15 (Labuan) Limited	Labuan	Aircraft leasing	100%
Jetair 16 Norway AS	Norway	Aircraft leasing	100%

All of the above subsidiaries were acquired during the year (refer note 3 for further explanation).

The registered office of the Irish subsidiaries is Unit J, Block 1, Shannon Business Park, Shannon, Co. Clare, Ireland.

#### 24 RELATED PARTY TRANSACTIONS

SALF is the E Certificate investor in the Group (refer note 15 - Indebtedness) and is considered as a related party. SALF is ultimately controlled by Sky Aviation Leasing International L.P.

During the period, the Company acquired certain subsidiaries (as disclosed in subsidiaries note 23) from Skyfin DAC which also is ultimately controlled by Sky Aviation Leasing International L.P.

SALI has acted as the Servicer to the Group since 22 August 2017 and received a fee as the Servicer which amounted to USD\$1.5 million for the Period. At the period end, servicing fees of USD\$0.3 million were accrued but unpaid. SALI is also ultimately controlled by Sky Aviation Leasing International L.P.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity. Key management personnel for the Group are the Board of Directors. Compensation paid to key management personnel for the financial period amounted to USD\$0.04 million.

Richard Wiley, a Director of the Group, is also an employee of Sky Aviation Leasing International Limited ("Servicer") and is considered key management personnel in accordance with IAS 24 Related Party Disclosures. The Director did not receive any compensation for carrying out his duties as a Director of the Group during the period.

The Company engages in intercompany transactions with its subsidiaries, these transactions are deemed to be related party transactions which are eliminated on consolidation.

The outstanding due to related parties (refer note 16 - Trade and other payables) at the period end amounted to USD\$0.3 million is payable to Sky Aviation Leasing International Ltd.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**25 COMMITMENTS AND CONTINGENCIES**

The members of S-JETS Group have no long-term contracts other than those with their service providers and lessees. The Group has no capital commitments or contingent liabilities.

*Foreign taxation*

The international character of the Company's operations may expose the Company to taxation in certain countries. The position is kept under continuous review and provision would be made for known liabilities where it is probable that such liabilities will crystallise.

**26 SUBSEQUENT EVENTS**

There were no events after the reporting period, which would require revision of the figures or disclosure in the financial statements.

**27 APPROVAL OF THE FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised by the Board of Directors on 13 March 2018.