

Registered number: 07371844

AERFIN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



AERFIN LIMITED

COMPANY INFORMATION

Directors J J Bradburn (resigned 18 October 2019)
A I Chohan (resigned 18 October 2019)
R J James
P Ryttergaard (appointed 18 October 2019)

Registered number 07371844

Registered office Unit D, Greenway
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Independent auditor Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
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CF10 5BT

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AERFIN LIMITED

CONTENTS

	Page
Strategic Report	1 - 6
Directors' Report	7 - 8
Independent Auditor's Report	9 - 12
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16 - 36

AERFIN LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Business review

The Financial Year 2019 was a period of significant change for AerFin. Danish private Equity firm Catacap purchased a majority stake in the group, with the transaction concluding in mid-October. The acquisition saw the refinancing of the previously unlevered business, in the form of revolving credit facility led by CiT bank and advanced against AerFin's inventory and trade receivables.

Despite the distraction of running a competitive sales process through 2019, the business performed admirably, testament to the strength of the AerFin leadership team and the employees.

Revenue of \$125.7m was achieved, which represented an increase of \$13.1m (11.6%) over 2018 levels. The underlying growth of the business was driven by an increase in the core activities of supplying airframe and engine piece parts (up 17% over 2018). This demonstrated the high liquidity of the AerFin trading inventory having sourced much of its stock from the premature retirement of young vintage aircraft with an average age of nearly 14 years enabling AerFin to maximise revenues through the sale of high demand inventory in to current production aircraft fleets. The growth in the AerFin brand resulted in an increase in market presence with the company servicing over 440 customers in 66 countries in the year.

Gross margins decreased marginally by \$0.2m, (28% GPM 2019 Vs 31.6% GPM 2018) as a consequence of some high margin and high value airframe and engine trades that were transacted in 2018 and not repeated in 2019 due to the prior majority shareholder seeking to minimise capital deployment during a year in which they were exiting the business.

Administrative costs for the year came in \$0.4m lower than 2018 (down 3%), largely representative of the USD strengthening against GBP and a freeze in recruitment that was in place during the period that the business was being sold.

A normalised operating profit of \$18.9m was achieved for the year being up \$0.3m over 2018 and considered to be an extremely good result during a time of significant change demonstrating a strong underlying core business.

Going Concern

As at 31 December 2019, the Company's financial arrangements consisted of a revolving credit debt facility of USD \$80m in place through to October 2024. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company will be able to operate within the level of its facilities for a forecast period of at least 12 months from the approval date of these financial statements. Accordingly, the Company continue to adopt the going concern basis in preparing its consolidated financial statements.

The uncertainty as to the future impact on the Company of the recent Covid-19 outbreak in particular has been considered as part of the Company's adoption of the going concern basis. The aviation industry has been significantly impacted by the Covid-19 pandemic, with more than 3 quarters of the global commercial aircraft fleet grounded in the second quarter of 2020 as many countries closed borders to stop the spread of the virus. The global fleet grounding has in turn driven a sudden drop in the demand for aircraft parts and aircraft maintenance and repair services. Despite this significant industrywide downturn, core business revenues at AerFin have maintained at levels of 67% (of FY19) through the first half of 2020.

The business has managed to retain a large proportion of revenues, due to a strong committed forward order book when the pandemic set in, imbedded relationships with creditworthy customers, supply to cargo operators and wide global reach allowing continuity of trade with regions less affected by the pandemic.

AerFin has also benefitted through its primary strategic focus and inventory holding that supports young narrow-body and regional jet aircraft types. The company has further benefitted through having no dependency on revenues from widebody long-haul aircraft and out of production legacy product lines that continue to experience significant levels of grounding and which have suffered from low market demand. The business has also taken

AERFIN LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

the opportunity to secure additional long term revenue contracts as many operators have sought to minimise their costs and review pre-existing contractual arrangements.

Management consider AerFin to be prudently resourced, well stocked with in-demand inventory and to have retained ability to control repair investment expenditure which have collectively enabled the business to manage its liquidity position through a protracted period of aviation industry down turn resulting from the Covid-19 pandemic.

In light of the current pandemic, the Board has revisited its forecast for the 18 month period ending 31 December 2021 and has concluded that the Company has sufficient cash and covenant headroom during this period to conclude that the business remains a going concern. A number of downside scenarios have been undertaken on the business model and forecasts to consider the potential impact of Covid-19 on the Company's results, including performing reverse stress testing on the financial model.

The base model assumed an air travel recovery trajectory in line with that already witnessed by regions in the Far East which were the earliest to experience the pandemic and which are consistent with external consultancy advisors that were engaged by the company to support their strategic review and response to the Pandemic. The reverse stress tested model assumed a 2nd wave of the pandemic occurring in the autumn/winter of 2020/21 and the resurgence of air travel delayed until late Spring 2021 whilst also considering the cost reduction and cash saving actions that would be available to the business.

The management team continue to closely monitor performance, and update regular rolling forecasts which take account of various commercial aviation outlook forecasts and commentary produced by reputable consultancy and advisory firms in order to balance the needs of positioning the business to emerge in a strong position post Covid-19 and preserving its liquidity position.

Under the most severe of the worst-case scenario considered by the reverse stress testing, management remain confident that the business will be able to take sufficient mitigation action to ensure that the company's financial resources remain sufficient over the forecast. The board has however received further written confirmation from the majority shareholder providing an undertaking to provide additional equity to meet the potential shortfall that might be required if the stress tested model materialise, providing further reassurance as to the going concern basis of the company.

AERFIN LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The company uses financial instruments comprising borrowings, some cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to assist in financing the company's operations.

The directors consider the company well placed in mitigating asset risk, due to the liquid nature of the company's existing inventory/trading assets. The directors have an established and successful track record of operating in this sector and managing the below risks as far as possible through detailed market analysis, technical due diligence, and careful investment.

The following factors have the ability to impact the future trading success of the business.

- **Oil prices:** The company focuses on civil aircraft which are aged typically from 7 to 20 years. Newer generation aircraft have been designed to maximise fuel efficiencies through the introduction of fuel efficient technologies. With fuel costs typically accounting for around 40% of an airline's operating cost, rising fuel costs can render more vintage aircraft less profitable, whereas falling fuel costs can increase the profitability of older aircraft, due to the lower capital cost of the asset
- **Global demand for air travel:** Demand for global air travel drives the requirement for leased engines, leased aircraft and components used in the refurbishment of aircraft and engines
- **New equipment manufacture/aircraft retirement cycle:** Both market leading aircraft manufacturers in Boeing and Airbus boast record order books for new generation aircraft. The ability of the manufacturers to meet delivery timescales will in effect determine the rate at which older equipment is phased out. Mass retirements of a particular model of aircraft will drive down the acquisition price from the company's perspective, but it will in turn provide for limited lease and sale opportunities
- **Original Equipment Manufacturers (OEM) and air safety regulations:** In the interest of improving operating reliability of products, from time to time equipment modifications are enforced by the OEM or the relevant air safety agency. Such modifications can affect the merchantability or airworthiness of a component or aircraft which can lead to unforeseen overhaul costs or even the scrapping of inventory where no such corrective programme exists
- **Cost/availability of financing:** Both cost and availability of financing may play a part in deciding the type of an aircraft that an airline will operate. Traditionally airlines that operate in emerging economies have operated more vintage aircraft, however due to the lower cost and increased availability of financing opportunities such airlines can opt for newer technologies
- **Exchange fluctuations:** The company transacts in US dollars (asset sales, purchases and lease revenues), with operating costs mainly incurred in Sterling. US dollars is the company's functional currency creating foreign exchange translation risk.
- **Brexit:** The UK leaving the European Union has the potential to disrupt AerFin's business activities with European customers and suppliers. The UK has now left the 'Single Market' which facilitates the free movement of goods within the EU. AerFin believes that Aviation parts will continue to attract low levels of duty as the industry is reliant on a global supply chain to keep aircraft in service. Protectionism would be counter productive for the industry. However for a period of time, whilst the new, UK adopted customs regime is being implemented, it is possible that there could be delays at the UK border. To combat this AerFin is applying for Authorised Economic Operator Status and for a licence to operate a Customs Warehouse. AerFin is also planning on creating a pool of parts based on the continent for this period to ensure that our customers have continued access to our products throughout the transition period.
- **COVID-19:** During the audit period the Worldwide coronavirus pandemic 'Covid-19' had taken hold representing a major risk to the global economy. Countries around the World responded to stop the spread of the virus through imposing social distancing and quarantine measures, in addition to closing borders to non-

AERFIN LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

nationals and imposing restrictions on international travel. As a consequence entire aircraft fleets had been grounded and the impact creating a liquidity challenge for all companies exposed to the commercial aviation passenger industry. The company has taken steps to adjust the 2020 business plan forecast having considered the following key potential areas of greatest risk to the business as a consequence of the Covid-19:

Customer Credit Risk: While AerFin makes informed decisions when granting credit lines to its customers, counterparty credit risk remains a key consideration to the financial performance of the business. Despite a clear focus on debtors and managing overdue accounts, with many customers seeking to extend payment terms an increase in debtor days and increased risk of airline defaults would represent clear risks to the business.

Asset Values: With the debt facility advanced against appraised value of inventory, a reduction in the 12 month orderly liquidated value and current market value of assets could reduce the amount of leverage available to the company under the credit facility adversely impacting funding availability.

Interest Rates: The business is financed in part through a revolving credit facility that is funded through 1 month USD Libor loans. The business can be impacted by changes in 1 month USD Libor rates and potentially through the replacement of Libor.

Asset Availability: A reduction in the economic life of commercial aircraft that are core products of the company could be experienced as a consequence of grounding of aircraft fleets. An increase in supply and a reduction demand could see declining market pricing achievable from AerFin inventory.

Maintenance Activity: Increased availability of used aircraft could result in global repair facilities and OEM reducing their MRO capacity as airlines seek to conserve cash and minimise maintenance spend. A reduction in MRO activity could see a decline in material demand and result in a reduction in revenues.

AERFIN LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Section 172 statement

From the period of Investment by CataCap, a roadmap for establishing best practice in governance has been established:

Board Composition:

A team of industry experienced and independent non-executive directors (4) have been selected and will commence duties in early 2020. The non-executive team comprises seasoned commercial aviation industry professionals each bringing a different specialism, to ensure a diverse range of viewpoints are considered at board discussions and to support the strategic growth of the company.

The role of the non-executive team is to assist with developing strategy, shaping strategy, and ensuring that the performance of the business continues to align with the desired strategy of the board. The independent nature of the appointment also ensure that board decisions are balanced and not in favour of a particular shareholder or group of shareholders.

Strategy and Development of 5 year Plan:

The business has signed an agreement with an industry leading consultancy firm to provide an independent strategic review of the business working with the leadership team and the board.

The review will look at the company's existing core skills and competencies, its products and services and considering the future size and shape of the industry and key global markets and changes in fleet composition will review the company's vision and mission, identifying improvements and areas in which the business will focus to meet the investment goals and timeframes of the shareholders, creating a sustainable and market desirable business model through growing enterprise value of the company for the benefit of all stakeholders.

To ensure complete alignment throughout the business of Key Performance Indicators, staff from management level up will be fully engaged in the strategy development program. The strategy document will go through a steering committee comprising AerFin Leadership, executive and non-executive directors to ensure that the strategy remains aligned with the goals of the stakeholders.

Management Incentivisation:

The retention and incentivisation of key management within the business is considered key to underpinning enterprise value of the organisation. Management have been invited to participate in a share purchase scheme to align interest in the creation of value throughout the organisation. With the scheme expected to close in early 2020.

Staff training and development is a key focus of the future strategy of the business, as we look to build upon the skillset of the excellent team that we have in place at AerFin. Skills and competencies are regularly assessed through an appraisal system and as a result of strategic and operational management reviews.

The directors aim to create a challenging, enjoyable and rewarding place to work where all staff have equal opportunity to thrive and develop.

Quality and Consistency:

With AerFin being a key supplier to many international airlines across the globe, safety and quality are considered of primary importance throughout the organisation.

The business maintains AS9100 and AS9120 and EASA part 145 approvals.

We are committed to continuously evaluating and improving our Quality Management System (QMS) and rigorously adhere to the following code of conduct:

- Promoting a culture of ethical behaviour throughout the organization with an emphasis on customer support and high levels of customer service.
- Remaining focused on the market we serve, targeting areas of opportunity so we can continue to work in

AERFIN LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

line with our strategy for growth.

- Ensuring product safety remains a priority throughout every aspect of our operations and that our staff are acutely aware of their contribution to this.
- Ensuring our objectives and KPI's add value and drive the correct behaviour in line with company values.
- Empowering staff to fulfil their duties whilst ensuring they remain aware of their responsibilities to uphold company values at all times.
- Maintaining effective communication channels through a series of informal and formal meetings and communications at various levels of the organization.

As proof of AerFin's commitment to delivering the highest standards of Quality Procedure, we have been examined and accredited by one of the world's leading certification bodies, LRQA (Lloyds Register Quality Assurance).

Lloyds Register is UKAS authorised, meaning that it only approves customers that practice the highest levels of Quality procedure, meaning that our certifications hold the greatest commercial value and integrity possible.

External Stakeholders:

AerFin follows the guidance of our quality standards in the approval of both customers and suppliers prior to transactions being entered into.

Relationships with both customers and suppliers are key to ensuring that the organisation thrives.

Key metrics are established on behalf of both customers and suppliers and performance in relation to turn around times and despatch times which are closely monitored.

Regularly meetings are held with key customers and suppliers to evaluate and review performance to ensure that highest standards are adhered to at all times.

This report was approved by the board on 29/9/2020 and signed on its behalf.



R J James
Director

AERFIN LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the company is to supply aircraft components and technical services to the aviation industry.

Results and dividends

The profit for the year, after taxation, amounted to \$8,842,818 (2018: \$16,145,892).

No dividends have been paid in the year (2018: £Nil).

Directors

The directors who served during the year were:

J J Bradburn (resigned 18 October 2019)
A I Chohan (resigned 18 October 2019)
R J James
P Ryttergaard (appointed 18 October 2019)

Directors' responsibilities statement

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AERFIN LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Post balance sheet events

Since the year-end, what was an unknown virus that had been reported to the World Health Organisation has been identified as Covid-19 and is now a global pandemic. We are mindful that the further spread and impact of Covid-19 now being seen might have an effect on revenue levels within certain product streams of the business (depending on how long the situation lasts).

Whilst estimating the financial impact on the business, we have performed scenario planning to consider the potential impact of Covid-19 on the company's results. Further details of our assumptions behind our forecasts and our assessment of them is detailed within the Strategic report.

Disclosure of information to auditor

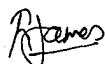
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29/9/2020 and signed on its behalf.



R J James
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AERFIN LIMITED

Opinion

We have audited the financial statements of AerFin Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AERFIN LIMITED (CONTINUED)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

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

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

We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AERFIN LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AERFIN LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Rhian Owen BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
Date: 29/9/2020

AERFIN LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Turnover	4	125,662,897	112,561,910
Cost of sales		(90,340,898)	(77,001,245)
Gross profit		35,321,999	35,560,665
Administrative expenses		(16,578,613)	(16,995,332)
Exceptional administrative expenses	12	(6,493,063)	-
Operating profit	5	12,250,323	18,565,333
Income from shares in group undertakings	9	-	972,084
Interest payable and expenses	10	(530,946)	(10,351)
Profit before tax		11,719,377	19,527,066
Tax on profit	11	(2,876,559)	(3,381,174)
Profit for the financial year		8,842,818	16,145,892
Total comprehensive income for the year		8,842,818	16,145,892

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 16 to 36 form part of these financial statements.

AERFIN LIMITED
REGISTERED NUMBER:07371844

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Fixed assets			
Intangible assets	13	286	2,510
Tangible assets	14	19,344,319	21,638,126
		<u>19,344,605</u>	<u>21,640,636</u>
Current assets			
Stocks	16	77,349,222	65,369,779
Debtors: amounts falling due within one year	17	17,678,355	20,443,245
Cash at bank and in hand	18	1,570,421	12,805,762
		<u>96,597,998</u>	<u>98,618,786</u>
Creditors: amounts falling due within one year	19	(73,041,322)	(86,304,824)
Net current assets		<u>23,556,676</u>	<u>12,313,962</u>
Total assets less current liabilities		<u>42,901,281</u>	<u>33,954,598</u>
Creditors: amounts falling due after more than one year	20	(56,962)	(103,646)
Provisions for liabilities			
Deferred tax	22	(643,588)	(493,039)
		<u>(643,588)</u>	<u>(493,039)</u>
Net assets		<u><u>42,200,731</u></u>	<u><u>33,357,913</u></u>
Capital and reserves			
Called up share capital		183,984	183,984
Profit and loss account	24	42,016,747	33,173,929
		<u>42,200,731</u>	<u>33,357,913</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/9/2020


R J James
 Director

The notes on pages 16 to 36 form part of these financial statements.

AERFIN LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2019	183,984	33,173,929	33,357,913
Comprehensive income for the year			
Profit for the year	-	8,842,818	8,842,818
Total comprehensive income for the year	-	8,842,818	8,842,818
At 31 December 2019	183,984	42,016,747	42,200,731

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2018	183,984	17,028,037	17,212,021
Comprehensive income for the year			
Profit for the year	-	16,145,892	16,145,892
Total comprehensive income for the year	-	16,145,892	16,145,892
At 31 December 2018	183,984	33,173,929	33,357,913

The notes on pages 16 to 36 form part of these financial statements.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

AerFin Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Unit D, Greenway, Bedwas House Industrial Estate, Bedwas, Caerphilly, Mid Glamorgan, CF83 8DW.

2. Accounting policies**2.1 Basis of preparation of financial statements**

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

There is currently a high level of macro-economic uncertainty due to Covid-19. The preparation of the financial statements requires the directors to make a number of estimates, including an assessment of the appropriateness of the going concern basis of preparation of the financial statements. This assessment includes a review of the future economic environment and the group's future prospects and performance.

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

The Company's functional and presentational currency is USD. Monetary amounts in these financial statements are rounded to the nearest \$

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of AerFin Holdings Limited as at 31 December 2019 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.4 Going concern**

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Please refer to the Strategic Report on page 1 that references the going concern review undertaken by the board.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.6 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	5 years straight line
Trademarks	-	5 years straight line

2.7 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.7 Tangible fixed assets (continued)**

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

Depreciation is provided on the following basis:

Long-term leasehold property	- 5 years
Plant and machinery	- 3 - 4 years
Fixtures and fittings	- 4 years
Office equipment	- 4 years
Warehouse and storage equipment	- 4 years
Capitalised inventory	- 4 - 12 years

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

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

2.8 Impairment of fixed assets and goodwill

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

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

The company is involved with purchasing aircraft or engines. The purchase price paid is specific to the aircraft or engine as a whole. The company may make sales of many components that are obtained from the aircraft or the engine. There is no purchase price allocated for the individual components.

In line with standard industry practice, for each sale of a component, an element of the aircraft purchase price and capitalised inventory cost is recognised in the Statement of comprehensive income as the cost of the goods sold. The cost of the goods sold is calculated based on the forecast margins achievable from the sale of all the components taken from the original engine or aircraft.

The carrying value of the inventory consists of the initial purchase price and capitalised inventory costs, less all amounts recognised in the Statement of comprehensive income through the above outlined costs of good sold calculations.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

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

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.13 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.14 Creditors

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

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.15 Foreign currency translation****Functional and presentation currency**

The Company's functional and presentational currency is USD.

Transactions and balances

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

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

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

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

2.16 Finance costs

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

2.17 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 January 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.18 Pensions

Defined contribution pension plan

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

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

2.19 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.21 Current and deferred taxation**

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

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

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

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

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

2.22 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Critical judgements that management have made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relate to the following:

Inventory valuation

Stock models are used to value the carrying value of stock as well as the cost of sale to be recognised in the Statement of comprehensive income. These include forecasted sales, forecasted costs and actual costs incurred to date. There is a detailed approval process for forecasted performance and estimates are updated regularly.

Provision for doubtful debts

Uninsured debts are regularly and carefully reviewed and a judgement made as to what level of provision is required against default. This will be based on age of debt, knowledge of customer and communications with the customer.

4. Turnover

The whole of the turnover is attributable to sales, repairs and leasing of airline components.

Analysis of turnover by country of destination:

	2019	2018
	\$	\$
United Kingdom	24,682,216	19,082,586
United States of America	24,794,459	39,310,158
Rest of the world	76,186,222	54,169,166
	<u>125,662,897</u>	<u>112,561,910</u>

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Operating profit

The operating profit is stated after charging:

	2019	2018
	\$	\$
Tangible fixed asset - depreciation	3,043,391	2,942,155
Intangible fixed assets - amortisation	2,822	5,480
Exchange differences	240,692	243,016
	<u> </u>	<u> </u>

6. Auditor's remuneration

	2019	2018
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	70,000	44,580
	<u> </u>	<u> </u>

Fees payable to the Company's auditor and its associates in respect of:

Taxation compliance services	10,400	8,000
Other non-audit fees	48,750	2,190
	<u> </u>	<u> </u>

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

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

	2019	2018
	\$	\$
Wages and salaries	10,982,327	7,732,392
Social security costs	1,589,351	745,611
Cost of defined contribution scheme	296,696	354,638
	<u>12,868,374</u>	<u>8,832,641</u>

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

	2019	2018
	No.	No.
Average monthly number of employees	<u>113</u>	<u>101</u>

8. Directors' remuneration

	2019	2018
	\$	\$
Directors' emoluments	1,223,958	900,158
Company contributions to defined contribution pension schemes	111,265	106,812
	<u>1,335,223</u>	<u>1,006,970</u>

During the year retirement benefits were accruing to 1 director (2018: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$1,223,958 (2018: \$900,158).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$111,265 (2018: \$106,812).

9. Income from investments

In 2018, this related to a dividend paid from AerFin Ireland Limited.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Interest payable and similar expenses

	2019	2018
	\$	\$
Bank interest payable	524,662	279
Finance leases and hire purchase contracts	6,284	10,072
	<u>530,946</u>	<u>10,351</u>

11. Taxation

	2019	2018
	\$	\$
Corporation tax		
Current tax on profits for the year	2,731,355	3,202,962
Adjustments in respect of previous periods	(5,345)	(52,865)
	<u>2,726,010</u>	<u>3,150,097</u>
Total current tax	<u>2,726,010</u>	<u>3,150,097</u>
Deferred tax		
Origination and reversal of timing differences	140,797	232,432
Adjustments in respect of prior periods	9,752	(1,355)
Total deferred tax	<u>150,549</u>	<u>231,077</u>
Taxation on profit on ordinary activities	<u>2,876,559</u>	<u>3,381,174</u>

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018: *lower than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 \$	2018 \$
Profit on ordinary activities before tax	<u>11,719,377</u>	<u>19,527,066</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	<u>2,226,682</u>	<u>3,710,143</u>
Effects of:		
Non qualifying depreciation	(4,838)	9,373
Expenses not deductible for tax purposes	599,782	56,238
Adjustments due to exchange rate movements	55,504	(150,631)
Non taxable income	-	(184,696)
Adjustments to tax charge in respect of prior periods	(571)	(59,253)
Total tax charge for the year	<u><u>2,876,559</u></u>	<u><u>3,381,174</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Exceptional items

	2019 \$	2018 \$
Bonuses paid relating to the acquisition	3,452,954	-
Professional fees	2,876,374	-
Financing costs	163,735	-
	<u><u>6,493,063</u></u>	<u><u>-</u></u>

The exceptional costs relate to the acquisition of the group by CataCap.

AERFIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Intangible assets

	Development \$	Trademarks \$	Total \$
Cost			
At 1 January 2019	32,579	5,213	37,792
Additions	598	-	598
At 31 December 2019	33,177	5,213	38,390
Amortisation			
At 1 January 2019	30,069	5,213	35,282
Charge for the year	2,822	-	2,822
At 31 December 2019	32,891	5,213	38,104
Net book value			
At 31 December 2019	286	-	286
At 31 December 2018	2,510	-	2,510

Amortisation on intangible assets is charged to administrative expenses.

AERFIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****14. Tangible fixed assets**

	Long-term leasehold property \$	Plant and machinery \$	Warehouse and storage equipment \$	Fixtures and fittings \$	Office equipment \$	Capitalised inventory \$	Total \$
Cost or valuation							
At 1 January 2019	4,198	1,889,105	645,391	1,318,026	1,148,111	23,122,531	28,127,362
Additions	51,507	19,034	46,118	24,361	39,111	2,143,699	2,323,830
Disposals	-	-	-	-	-	(2,352,316)	(2,352,316)
At 31 December 2019	55,705	1,908,139	691,509	1,342,387	1,187,222	22,913,914	28,098,876
Depreciation							
At 1 January 2019	4,198	1,367,960	566,983	981,492	562,353	3,006,250	6,489,236
Charge for the year on owned assets	6,438	268,286	50,323	204,442	250,342	2,263,560	3,043,391
Disposals	-	-	-	-	-	(778,070)	(778,070)
At 31 December 2019	10,636	1,636,246	617,306	1,185,934	812,695	4,491,740	8,754,557
Net book value							
At 31 December 2019	45,069	271,893	74,203	156,453	374,527	18,422,174	19,344,319
At 31 December 2018	-	521,145	78,408	336,534	585,758	20,116,281	21,638,126

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 \$	2018 \$
Warehouse and storage equipment	-	6,199
Furniture, fittings and equipment	62,859	135,006
	<u>62,859</u>	<u>141,205</u>

15. Fixed asset investments

	Investments in subsidiary companies \$
Cost or valuation	
At 1 January 2019	25,305
At 31 December 2019	<u>25,305</u>
Impairment	
At 1 January 2019	25,305
At 31 December 2019	<u>25,305</u>
Net book value	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>-</u>

AerFin Ireland Limited is 100% owned by AerFin Limited. AerFin Ireland Limited is registered in Ireland.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Stocks

	2019 \$	2018 \$
Finished goods and goods for resale	77,349,222	65,369,779
	<u>77,349,222</u>	<u>65,369,779</u>

17. Debtors

	2019 \$	2018 \$
Trade debtors	10,717,434	19,082,602
Amounts owed by group undertakings	1,842,966	-
Prepayments and accrued income	5,117,955	1,360,643
	<u>17,678,355</u>	<u>20,443,245</u>

18. Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank and in hand	1,570,421	12,805,762
	<u>1,570,421</u>	<u>12,805,762</u>

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Creditors: Amounts falling due within one year

	2019 \$	2018 \$
Bank loans	6,478,757	-
Trade creditors	2,091,516	1,076,178
Amounts owed to group undertakings	53,500,000	73,196,674
Corporation tax	1,362,663	2,289,929
Other taxation and social security	282,456	767,100
Obligations under finance lease and hire purchase contracts	50,809	75,915
Other creditors	944,627	1,436,130
Accruals and deferred income	8,330,494	7,462,898
	<u>73,041,322</u>	<u>86,304,824</u>

The bank loan is secured via a fixed and floating charge over all assets of the group.

Amounts owed to group undertakings are repayable on demand and interest free.

20. Creditors: Amounts falling due after more than one year

	2019 \$	2018 \$
Net obligations under finance leases and hire purchase contracts	56,962	103,646
	<u>56,962</u>	<u>103,646</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 \$	2018 \$
Within one year	50,809	75,915
Between 1-5 years	56,962	103,646
	<u>107,771</u>	<u>179,561</u>

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Deferred taxation

	2019	2018
	\$	\$
At beginning of year	(493,039)	(261,962)
Charged to profit or loss	(150,549)	(231,077)
At end of year	<u>(643,588)</u>	<u>(493,039)</u>

The provision for deferred taxation is made up as follows:

	2019	2018
	\$	\$
Accelerated capital allowances	(733,400)	(498,385)
Short term timing differences	89,812	5,346
	<u>(643,588)</u>	<u>(493,039)</u>

23. Share capital

	2019	2018
	\$	\$
Allotted, called up and fully paid		
115,741 (2018: 115,741) Ordinary shares of £1.00 each	<u>183,984</u>	<u>183,984</u>

There is a single class of ordinary share. There are no restrictions on dividends and the repayment of capital.

24. Reserves**Profit and loss account**

Includes all current and prior period retained profits and losses.

AERFIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 \$	2018 \$
Not later than 1 year	270,854	420,970
Later than 1 year and not later than 5 years	695,008	781,346
Later than 5 years	138,743	288,456
	<u>1,104,605</u>	<u>1,490,772</u>

26. Related party transactions

During the year, the company made purchases of \$453,532 (2018: Nil) from CataCap Management A/S. CataCap Management A/S, an entity incorporated in Denmark, is the ultimate controlling company.

At the year end, the company owed R James, a director and shareholder, \$426,915 (2018: \$327,900).

The company has taken the exemption permitted by Financial Reporting Standard 102 section 33 not to disclose any related party transactions with any companies in the group headed by AerFin Holdings Limited, on the basis that they are a wholly owned group and consolidated accounts are publicly available.

27. Controlling party

The immediate parent company by virtue of its 100% shareholding in the Company is AerFin Holdings Limited, registered in the United Kingdom. The ultimate parent company and controlling party is considered to be CataCap Management A/S.

The accounts are consolidated at an AerFin Holdings level. Accounts are available at Unit D Greenway, Bedwas House Industrial Estate, Bedwas, Caerphilly, Mid Glamorgan, CF83 8DW.