Financial Statements
AerFin Holdings Limited

For the Year Ended 31 December 2016

Registered number: 09353979

Company Information

Directors	J J Bradburn M Fischer (resigned 18 October 2016) R J James A I Chohan (appointed 18 October 2016)
Company secretary	S Ades
Registered number	09353979
Registered office	Unit D, Greenway Bedwas House Industrial Estate Bedwas Caerphilly Mid Glamorgan CF83 8DW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Hartwell House 55-61 Victoria Street Bristol BS1 6FT

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Group Strategic Report
For the Year Ended 31 December 2016

Introduction

AerFin Holdings Ltd was incorporated on the 15th December 2014 as the holding company for the AerFin Group through which the distribution of capital is managed between the two AerFin Group members AerFin Limited and AerFin Ireland Limited.

Business review

Strategic Focus:
Civil Aircraft and Aircraft Engine Component Supply Chain Solutions (AerFin Limited):

The objective of the business has been to develop long term sustainable material supply program relationships with airlines, major Maintenance Repair and Overhaul (MRO) and Original Equipment Manufacturer (OEM) organizations through the trading of commercial aircraft, engines, and spare parts.

The company provides the investment strategy for shareholder capital typically requiring the investment in end of life mature aircraft where the AerFin business maintains core competencies and can deliver technical asset management solutions to maximise value from its supply chain services.

The company has facilitated the growth of AerFin Limited providing aircraft nose to tail spares support through the acquisition in September 2015 of the ongoing trade and assets of Airline Services Components Limited, a long established and highly reputable airframe components trading business located in Gatwick. This strategic acquisition strengthened the management team of AerFin Limited and provided the platform for rapid expansion into the airframe components sector with immediate contracts, trading stock and business premises at Gatwick airport. The diverse customer base accelerated the acquisition pipeline and significantly broadened the opportunities for the business to deploy investment capital.

2016 was the first full financial year post the acquisition of the Airline Services Components business, and the significant growth over this period is reflective of the maturing nature of this business combination. The integration of an experienced and close knit management team and alignment of quality and inventory management systems across the operation ensures the continued success and growth of the business.

With further investments made in 2016 in premises, people, infrastructure, systems and processes, the company has been able to deploy significant shareholder capital in the purchase of aircraft and engines and boasts one of the most modern and relevant inventory portfolio's in the aviation spares aftermarket. The attractiveness of the AerFin spares portfolio and growing global awareness of the AerFin brand saw revenues grow 182% from 2015. During this period AerFin serviced 247 customers in 60 countries- seeing exports grow 307% from 2015.

Strategic Focus: Mid-Short Term Civil Aircraft, Engine and Aircraft Leasing (AerFin Ireland Limited):

AerFin Ireland is the leasing arm of the AerFin group. Current activity has been limited due to the focus on end of life assets and contracted revenue programmes at the AerFin Limited Level which is expected to remain the core group focus for the foreseeable future.

Management remain active in the sourcing of yield attractive lease engines and lease aircraft which may see the company develop further in the future.

Group Financial Performance:

The AerFin Holdings group achieved turnover of $82.2m for the year (2015: $25.4m), with a post-tax profit of $3.2m (2015: loss of $1.9m).

Group Strategic Report
For the Year Ended 31 December 2016

Principal risks and uncertainties

The Group 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 Group well placed in mitigating asset risk, due to the liquid nature of the Group'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 Group 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 Group'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 Group transacts in US dollars (asset sales, purchases and lease revenues), with operating costs mainly incurred in Sterling. US dollars is the Group's functional currency creating foreign exchange translation risk with regards to Sterling transactions

This report was approved by the board on 3 August 2017 and signed on its behalf.

R J James
Director

Directors' Report
For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors

The directors who served during the year were:

J J Bradburn
M Fischer (resigned 18 October 2016)
R J James
A I Chohan (appointed 18 October 2016)

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Post balance sheet events

There have been no significant events affecting the group since the year end.

Directors' Report (continued)
For the Year Ended 31 December 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group'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 3 August 2017 and signed on its behalf.

R J James
Director

Grant Thornton

Independent Auditor's Report to the Members of AerFin Holdings Limited

We have audited the financial statements of AerFin Holdings Limited for the year ended 31 December 2016, which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, and the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's 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.

Grant Thornton

Independent Auditor's Report to the Members of AerFin Holdings Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

In the light of our knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Grant Thornton UK LLP

Rhian Owen (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Bristol

3 August 2017

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2016

	Note	31 December 2016 $	Restated period ended 31 December 2015 $
Turnover	4	**82,163,625**	25,444,809
Cost of sales		**(64,736,695)**	(19,957,895)
Gross profit		**17,426,930**	5,486,914
Administrative expenses		**(12,736,493)**	(7,434,961)
Other operating income	5	**163,191**	538,294
Fair value movements		**(516,458)**	-
Operating profit/(loss)	6	**4,337,170**	(1,409,753)
Interest payable and expenses	10	**(4,940)**	(6,194)
Profit/(loss) before taxation		**4,332,230**	(1,415,947)
Tax on profit/(loss)	11	**(1,151,695)**	(463,481)
Profit/(loss) for the year		**3,180,535**	(1,879,428)
Currency translation differences		**(115,169)**	115,169
Merger relief		**-**	4,255,431
Other comprehensive income for the year		**(115,169)**	4,370,600
Total comprehensive income for the year		**3,065,366**	2,491,172
Total comprehensive income for the year attributable to:			
Owners of the parent company		**3,065,366**	2,491,172
		3,065,366	2,491,172

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

The notes on pages 15 to 35 form part of these financial statements.

AerFin Holdings Limited
Registered number:09353979

Consolidated Statement of Financial Position

As at 31 December 2016

	Note		2016 $		Restated 2015 $
Fixed assets					
Intangible assets	13		**12,549,422**		14,122,484
Tangible assets	14		**5,792,375**		5,582,934
			18,341,797		19,705,418
Current assets					
Stocks	16	**44,711,410**		21,034,387	
Debtors: amounts falling due within one year	17	**13,450,025**		3,884,481	
Cash at bank and in hand	18	**18,835,957**		4,877,917	
		76,997,392		29,796,785	
Creditors: amounts falling due within one year	19	**(9,492,466)**		(2,319,727)	
Net current assets			**67,504,926**		27,477,058
Total assets less current liabilities			**85,846,723**		47,182,476
Creditors: amounts falling due after more than one year			**(29,667)**		(54,886)
Provisions for liabilities					
Deferred taxation	23	**(126,812)**		(269,744)	
			(126,812)		(269,744)
Net assets			**85,690,244**		46,857,846
Capital and reserves					
Called up share capital	24		**680**		458
Share premium account	25		**80,133,026**		44,366,216
Merger relief reserve	25		**4,255,431**		4,255,431
Retained earnings	25		**1,301,107**		(1,764,259)
			85,690,244		46,857,846

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 August 2017.

R J James
Director

The notes on pages 15 to 35 form part of these financial statements.

AerFin Holdings Limited
Registered number:09353979

Company Statement of Financial Position

As at 31 December 2016

	Note		2016 $		Restated 2015 $
Fixed assets					
Investments	15		**20,131,542**		20,131,542
			20,131,542		20,131,542
Current assets					
Debtors: amounts falling due within one year	17	**63,821,937**		26,364,516	
Cash at bank and in hand	18	**62,671**		487	
		63,884,608		26,365,003	
Creditors: amounts falling due within one year	19	**(682,305)**		(29,117)	
Net current assets			**63,202,303**		26,335,886
Total assets less current liabilities			**83,333,845**		46,467,428
Net assets			**83,333,845**		46,467,428
Capital and reserves					
Called up share capital	24		**680**		458
Share premium account	25		**80,133,026**		44,366,216
Merger relief reserve	25		**4,255,431**		4,255,431
Profit and loss account	25		**(1,055,292)**		(2,154,677)
			83,333,845		46,467,428

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 August 2017.

R J James
Director

The notes on pages 15 to 35 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Merger reserve	Retained earnings	Total equity
	$	$	$	$	$
At 1 January 2016	458	44,366,216	4,255,431	(1,764,259)	46,857,846
Comprehensive income for the year					
Profit for the year	-	-	-	3,180,535	3,180,535
Currency translation differences	-	-	-	(115,169)	(115,169)
Other comprehensive income for the year	-	-	-	(115,169)	(115,169)
Total comprehensive income for the year	-	-	-	3,065,366	3,065,366
Shares issued during the year	222	35,766,810	-	-	35,767,032
Total transactions with owners	222	35,766,810	-	-	35,767,032
At 31 December 2016	680	80,133,026	4,255,431	1,301,107	85,690,244

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2015

	Called up share capital	Share premium account	Merger reserve	Retained earnings	Total equity
	$	$	$	$	$
At 15 December 2014	-	-	-	-	-
Comprehensive income for the period					
Loss for the period	-	-	-	(1,879,428)	(1,879,428)
Currency translation differences	-	-	-	115,169	115,169
Merger relief	-	-	4,255,431	-	4,255,431
Other comprehensive income for the period	-	-	4,255,431	115,169	4,370,600
Total comprehensive income for the period	-	-	4,255,431	(1,764,259)	2,491,172
Shares issued during the period	458	44,366,216	-	-	44,366,674
Total transactions with owners	458	44,366,216	-	-	44,366,674
At 31 December 2015	458	44,366,216	4,255,431	(1,764,259)	46,857,846

The notes on pages 15 to 35 form part of these financial statements.

Company Statement of Changes in Equity
For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Merger reserve	Retained earnings	Total equity
	$	$	$	$	$
At 1 January 2016	458	44,366,216	4,255,431	(2,154,677)	46,467,428
Comprehensive income for the period					
Profit for the year	-	-	-	15,051	15,051
Currency translation differences	-	-	-	1,084,334	1,084,334
Other comprehensive income for the year	-	-	-	1,084,334	1,084,334
Total comprehensive income for the year	-	-	-	1,099,385	1,099,385
Contributions by and distributions to owners					
Shares issued during the year	222	35,766,810	-	-	35,767,032
Total transactions with owners	222	35,766,810	-	-	35,767,032
At 31 December 2016	680	80,133,026	4,255,431	(1,055,292)	83,333,845

Company Statement of Changes in Equity
For the Year Ended 31 December 2015

	Called up share capital	Share premium account	Merger reserve	Retained earnings	Total equity
	$	$	$	$	$
At 15 December 2014	-	-	-	-	-
Comprehensive income for the period					
Profit for the period	-	-	-	75,977	75,977
Currency translation differences	-	-	-	(2,230,654)	(2,230,654)
Merger relief	-	-	4,255,431	-	4,255,431
Other comprehensive income for the period	-	-	4,255,431	(2,230,654)	2,024,777
Total comprehensive income for the period	-	-	4,255,431	(2,154,677)	2,100,754
Contributions by and distributions to owners					
Shares issued during the period	458	44,366,216	-	-	44,366,674
Total transactions with owners	458	44,366,216	-	-	44,366,674
At 31 December 2015	458	44,366,216	4,255,431	(2,154,677)	46,467,428

The notes on pages 15 to 35 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	2016 $	2015 $
Cash flows from operating activities		
Profit/(loss) for the financial year	**3,180,535**	(1,879,428)
Adjustments for:		
Amortisation of intangible assets	**1,573,062**	1,584,757
Depreciation of tangible assets	**1,220,062**	1,063,309
Profit on disposal of tangible assets	**(27,500)**	(336,952)
Interest paid	**4,940**	6,194
Taxation charge	**1,151,749**	463,481
Increase in stocks	**(23,677,023)**	(13,489,591)
Increase in debtors	**(9,565,544)**	(266,019)
Increase in creditors	**6,140,772**	523,129
Corporation tax (paid)	**(375,870)**	(635,280)
Foreign exchange variance	**-**	(118,254)
Net cash generated from operating activities	**(20,374,817)**	(13,084,654)
Cash flows from investing activities		
Purchase of intangible fixed assets	**-**	(22,486)
Purchase of tangible fixed assets	**(1,459,583)**	(5,550,194)
Sale of tangible fixed assets	**57,580**	390,319
Purchase of fixed asset investments	**-**	(16,752,197)
Cash acquired as part of purchase of fixed asset investments	**-**	948,106
HP interest paid	**(3,800)**	-
Net cash from investing activities	**(1,405,803)**	(20,986,452)
Cash flows from financing activities		
Issue of ordinary shares	**35,767,032**	38,876,674
Repayment of/new finance leases	**(27,232)**	72,349
Interest paid	**(1,140)**	-
Net cash used in financing activities	**35,738,660**	38,949,023
Net increase in cash and cash equivalents	**13,958,040**	4,877,917
Cash and cash equivalents at beginning of year	**4,877,917**	-
Cash and cash equivalents at the end of year	**18,835,957**	4,877,917
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**18,835,957**	4,877,917

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. General information

AerFin Holdings Limited is a limited liability company 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 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.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

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

The group's functional and presentational currency is USD.

The group changed its functional currency on 1 January 2016 from GB Pounds to US Dollars. The change was made because the entity now considers its functional currency to be US Dollars. The reasoning for this is that the group's industry operates in USD and therefore a significant proportion of the group's cash inflows and outflows are in US Dollars.

The comparative figures in the financial statements have been translated using 31 December 2015 exchange rate of $1 to £0.6745.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the group and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Investments in subsidiaries are accounted for at cost less impairment in the individual company financial statements.

2.3 Going concern

The directors consider the AerFin Holdings Limited group to be a going concern and as such have prepared the accounts on this basis.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. 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 group has transferred the significant risks and rewards of ownership to the buyer;
- the group 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 group 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 group 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.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other 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.

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 five years.

The estimated useful lives range as follows:

Development expenditure	-	5	years
Goodwill	-	10	years
Trademarks	-	5	years

2.6 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.

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
Capitalised inventory	- 4 - 12 years
Warehouse and storage equipment	- 4 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 Consolidated statement of comprehensive income.

2. Accounting policies (continued)

2.7 Valuation of investments

Investments in subsidiaries are valued at cost less provision for impairment.

2.8 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 and an appropriate proportion of fixed and variable overheads.

The group is involved with purchasing aircraft or engines. The purchase price paid is specific to the aircraft or engine as a whole. The group 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 profit and loss 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 profit and loss through the above outlined costs of good sold calculations.

2.9 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.

2.10 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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.11 Financial instruments

The group only enters into basic financial instruments 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 non-puttable 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 Consolidated 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, which is an approximation of the amount that the group 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 profit or loss. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.12 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.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.13 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 Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.14 Finance costs

Finance costs are charged to the Consolidated 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.

2.15 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the Consolidated 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 group 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 15 December 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated 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 group in independently administered funds.

The company operates a defined contribution pension scheme and the pension charge represents the accounts payable by the company to the fund in respect of the period.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the group 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 Consolidated statement of comprehensive income in the year that the group 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.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated 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 and the group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

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.

Depreciation and Amortisation
Depreciation and amortisation policies are based on the directors estimation of the useful economic life of the tangible and intangible fixed assets.

4. Turnover

The whole of the turnover is attributable to the principal activity of the group. The principal activity of the group is to supply aircraft engine components and technical services to the aviation industry.

Analysis of turnover by country of destination:

	31 December 2016 $	Period ended 31 December 2015 $
United Kingdom	**10,956,423**	10,186,720
Rest of Europe	**17,452,135**	11,262,591
Rest of the world	**53,755,067**	3,995,498
	82,163,625	25,444,809

Notes to the Financial Statements
For the Year Ended 31 December 2016

5. Other operating income

	31 December 2016 $	Period ended 31 December 2015 $
Other operating income	**135,691**	201,342
Profit on disposal of tangible assets	**27,500**	336,952

6. Operating profit/(loss)

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

	31 December 2016 $	Period ended 31 December 2015 $
Depreciation of tangible fixed assets	**1,220,062**	968,287
Amortisation of intangible assets, including goodwill	**1,573,062**	1,584,757
Fair value movements	**516,458**	-
Operating lease rentals	**352,261**	371,190
Exchange differences	**457,841**	(163,927)
Defined contribution pension cost	**133,754**	133,035

7. Auditor's remuneration

	31 December 2016 $	Period ended 31 December 2015 $
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	**43,905**	37,760
Fees payable to the group's auditor and its associates in respect of:		
All other services	**12,158**	11,617

Notes to the Financial Statements
For the Year Ended 31 December 2016

8. Employees

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

	31 December 2016 $	Period ended 31 December 2015 $
Wages and salaries	**5,864,137**	2,936,998
Social security costs	**539,700**	345,600
Cost of defined contribution scheme	**133,754**	133,035
	6,537,591	3,415,633

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

	31 December 2016 No.	Period ended 31 December 2015 No.
	73	40

9. Directors' remuneration

	31 December 2016 $	Period ended 31 December 2015 $
Directors' emoluments	**1,519,548**	318,010
Company contributions to defined contribution pension schemes	**31,521**	63,807
	1,551,069	381,817

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of $1,551,069 (2015 - $381,817).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to $31,521 (2015 - $63,807).

Notes to the Financial Statements
For the Year Ended 31 December 2016

10. Interest payable and similar charges

	31 December 2016 $	Period ended 31 December 2015 $
Bank interest payable	**1,140**	1,870
Finance leases and hire purchase contracts	**3,800**	4,324
	4,940	6,194

11. Taxation

	31 December 2016 $	Period ended 31 December 2015 $
Corporation tax		
Current tax on profits for the year	**1,246,386**	319,756
Adjustments in respect of previous periods	**(2,823)**	(15,096)
	1,243,563	304,660
Total current tax	**1,243,563**	304,660
Deferred tax		
Origination and reversal of timing differences	**(44,023)**	158,821
Adjustments in respect of prior period	**(34,878)**	-
Effect of tax rate change on opening balance	**(12,967)**	-
Total deferred tax	**(91,868)**	158,821
Taxation on profit on ordinary activities	**1,151,695**	463,481

Notes to the Financial Statements
For the Year Ended 31 December 2016

11. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.4%). The differences are explained below:

	31 December 2016 $	Period ended 31 December 2015 $
Profit/(loss) on ordinary activities before tax	**4,332,230**	(1,415,947)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.4%)	**866,446**	(288,853)
Effects of:		
Depreciation in excess of capital allowances for the year	**351,585**	13,075
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**38,505**	843,086
Adjustments in respect of prior periods	**(8,637)**	(15,096)
Adjustments due to exchange rate movements	**(151,093)**	(28,675)
Other differences leading to an increase (decrease) in the tax charge	**54,889**	(60,056)
Total tax charge for the year/period	**1,151,695**	463,481

12. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year/period was $15,051 (2015: $75,977).

Notes to the Financial Statements
For the Year Ended 31 December 2016

13. Intangible assets

Group and Company

	Development $	Trademarks $	Goodwill $	Total $
Cost				
At 1 January 2016	32,579	5,213	15,669,449	15,707,241
At 31 December 2016	32,579	5,213	15,669,449	15,707,241
Amortisation				
At 1 January 2016	12,842	4,971	1,566,944	1,584,757
Charge for the year	5,935	183	1,566,944	1,573,062
At 31 December 2016	18,777	5,154	3,133,888	3,157,819
Net book value				
At 31 December 2016	13,802	59	12,535,561	12,549,422
At 31 December 2015	19,737	242	14,102,505	14,122,484

14. Tangible fixed assets

Group

	Long-term leasehold property $	Plant and machinery $	Fixtures and fittings $	Office equipment $	Capitalised inventory $	Warehouse and storage equipment $	Total $
Cost							
At 1 January 2016	4,198	1,316,843	996,306	204,863	3,477,629	551,382	6,551,221
Additions	-	278,542	109,551	408,500	630,045	32,945	1,459,583
Disposals	-	(67,843)	-	-	-	-	(67,843)
At 31 December 2016	4,198	1,527,542	1,105,857	613,363	4,107,674	584,327	7,942,961
Depreciation							
At 1 January 2016	1,679	366,434	192,387	94,561	123,893	189,333	968,287
Charge for the period on owned assets	840	312,745	273,206	68,785	419,559	144,927	1,220,062
Disposals	-	(37,763)	-	-	-	-	(37,763)
At 31 December 2016	2,519	641,416	465,593	163,346	543,452	334,260	2,150,586
Net book value							
At 31 December 2016	1,679	886,126	640,264	450,017	3,564,222	250,067	5,792,375
At 31 December 2015	2,519	950,409	803,919	110,302	3,353,736	362,049	5,582,934

Notes to the Financial Statements
For the Year Ended 31 December 2016

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
AerFin Limited	Ordinary	100 %	Sale and repair of airline components
AerFin Ireland Limited	Ordinary	100 %	Leasing and trading of commercial aircraft and engines

Company

	Investments in subsidiary companies $
Cost or valuation	
At 1 January 2016	**20,131,542**
At 31 December 2016	**20,131,542**
Net book value	
At 31 December 2016	**20,131,542**
At 31 December 2015	20,131,542

16. Stocks

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Finished goods and goods for resale	**44,711,410**	21,034,387	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2016

17. Debtors

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Trade debtors	**12,159,648**	3,025,398	-	-
Amounts owed by group undertakings	-	-	**63,821,937**	26,364,516
Other debtors	**152,973**	203,964	-	-
Prepayments and accrued income	**632,550**	655,119	-	-
Deposits on financial instruments	**504,854**	-	-	-
	13,450,025	3,884,481	**63,821,937**	26,364,516

18. Cash and cash equivalents

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Cash at bank and in hand	**18,835,957**	4,877,917	**62,671**	487

19. Creditors: Amounts falling due within one year

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Trade creditors	**2,234,219**	1,243,573	-	-
Corporation tax	**1,249,410**	330,653	**3,353**	-
Other taxation and social security	**269,146**	123,781	-	-
Obligations under finance lease and hire purchase contracts	**15,450**	17,463	-	-
Related party loans and other creditors	**853,382**	83,518	**627,897**	21,082
Accruals and deferred income	**4,870,859**	520,739	**51,055**	8,035
	9,492,466	2,319,727	**682,305**	29,117

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

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Net obligations under finance leases and hire purchase contracts	**29,667**	54,886	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2016

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 $	Group 2015 $
Within one year	**15,450**	17,463
Between 1-2 years	**29,667**	54,886
	45,117	72,349

22. Financial instruments

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Financial assets				
Financial assets measured at fair value through profit or loss	**504,854**	-	-	-
Financial assets measured at amortised cost	**31,148,578**	8,107,279	**63,884,608**	26,365,003
	31,653,432	8,107,279	**63,884,608**	26,365,003
Financial liabilities				
Financial liabilities measured at amortised cost	**(7,973,910)**	(1,865,293)	**(678,952)**	(29,117)
	(7,973,910)	(1,865,293)	**(678,952)**	(29,117)

Financial assets measured at fair value through profit or loss comprise foreign currency forward contracts.

Financial assets that are measured at amortised cost comprise of cash balances, trade debtors and other debtors excluding prepayments.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertakings, finance lease obligations and accruals, excluding the taxation liabilities.

Valuation method
All derivative financial instruments are measured using the "mark to market" value of the financial instrument at the reporting date.

Notes to the Financial Statements
For the Year Ended 31 December 2016

23. Deferred taxation

Group

	2016 $	2015 $
At beginning of year	**269,744**	131,332
(Credited)/charged to profit or loss	**(142,932)**	138,412
At end of year	**126,812**	269,744

The provision for deferred taxation is made up as follows:

	Group 2016 $	Group 2015 $
Accelerated capital allowances	**126,812**	269,744

24. Share capital

	2016 $	2015 $
Shares classified as equity		
Allotted, called up and fully paid		
18,102,368 (2015: 11,800,000) Ordinary Shares shares of £0.000025 each	**680**	458

During the year a further 6,302,368 ordinary shares were issued for consideration of $35,767,032.

Each ordinary share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholder meetings of the Company.

25. Reserves

Profit and loss account
Includes all current and prior period retained profits and losses, less any dividends paid.

Share premium account
Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares is deducted from share premium.

Merger relief reserve
Relates to the 20 shares issued as part of the consideration paid for the acquisition in the prior year of AerFin Limited.

Notes to the Financial Statements
For the Year Ended 31 December 2016

26. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to $133,754 (2015: $133,035). Contributions totalling $22,185 (2015: $3,575) were payable to the fund at the reporting date.

27. Commitments under operating leases

At 31 December 2016 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 $	Group 2015 $
Land & buildings		
Not later than 1 year	**406,688**	485,921
Later than 1 year and not later than 5 years	**1,263,855**	1,485,263
Later than 5 years	**579,783**	896,716
	2,250,326	2,867,900

	Group 2016 $	Group 2015 $	**Company 2016 $**	Company 2015 $
Other items				
Not later than 1 year	**9,166**	16,694	**-**	-
Later than 1 year and not later than 5 years	**-**	10,997	**-**	-
	9,166	27,691	**-**	-

28. Related party transactions

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.

At the period ending 31st December 2015, AerFin Holdings Limited had a director's loan balance of $21,082. For the year ending 31st December 2016, the balance owed to the director was $627,897. No interest was paid on these loan balances. This balance is disclosed in note 19.

29. Controlling party

AerFin Holdings Limited is owned 87% by CVI AerFin Holdings LP and 13% by Mr R James (director). The ultimate parent company and controlling party is considered to be CVI AerFin Holdings LP.

Notes to the Financial Statements

For the Year Ended 31 December 2016

30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.