

ACY SN 19002 Limited

**Director's report and financial statements
for the period ended 31 December 2017**



ACY SN 19002 Limited

Company information

Director	B N F Mills
Registered number	10290248
Registered office	16 Old Bailey London United Kingdom EC4M 7EG

ACY SN 19002 Limited

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ACY SN 19002 Limited

Director's report for the period ended 31 December 2017

The director presents his report and the audited financial statements for the period from incorporation on 21 July 2016 to 31 December 2017.

Principal activity

The principal activity of ACY SN 19002 Limited is acquiring a regional aircraft for lease to a Spanish air carrier.

Results and dividends

The profit for the period, after taxation, amounted to \$644,926.

Director

The director who served during the period and up to the date of signing the financial statements unless otherwise indicated, is given below:

B N F Mills (appointed 21 July 2016)

Director's responsibilities statement

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 101 'Reduced Disclosure Framework'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the director is 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 comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements, and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Disclosure of information to auditors

The director at the time when this director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he 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's auditors are aware of that information.

ACY SN 19002 Limited

Director's report for the period ended 31 December 2017

Auditors

BDO were appointed as independent auditors of the company on 1 May 2018 and will be proposed for reappointment in accordance with section 385 of the Companies Act 2006.

Small companies note

In preparing this report, the director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The director has also taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 and has not prepared a strategic report.

This report was approved by the board and signed on its behalf by:



**B N F Mills
Director**

Date: 21 June 2018

ACY SN 19002 Limited

Independent auditors' report to the members of ACY SN 19002 Limited

Opinion

We have audited the financial statements of ACY SN 19002 Limited ("the company") for the period ended 31 December 2017, which comprise the statement of comprehensive income, the balance sheet, 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 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the period 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.

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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

Other information

The director is 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.

ACY SN 19002 Limited

Independent auditors' report to the members of ACY SN 19002 Limited

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 director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 director's report.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the director's report and from the requirement to prepare a strategic report.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

ACY SN 19002 Limited

Independent auditors' report to the members of ACY SN 19002 Limited

Auditor's responsibilities for the audit of the financial statements

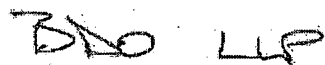
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other 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.

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

 BDO LLP

Piers Harrison Senior Statutory Auditor
For and on behalf of BDO LLP, statutory auditor
Cambridge
United Kingdom

Date: 25 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

ACY SN 19002 Limited

Statement of comprehensive income for the period ended 31 December 2017

	Note	Period ended 31 December 2017 \$
Turnover	4	4,138,725
Cost of sales		(2,307,157)
Gross profit		1,831,568
Administrative expenses		(484,080)
Operating profit	5	1,347,488
Interest payable and similar charges	7	(535,816)
Profit before tax		811,672
Tax on profit	8	(166,746)
Profit for the financial period		644,926

There company has no items of other comprehensive income for the current period. Therefore, no separate statement of other comprehensive income has been presented.

The notes on pages 9 to 17 form part of these financial statements.

ACY SN 19002 Limited

Registered number:10290248

**Balance sheet
as at 31 December 2017**

	Note	2017 \$
Fixed assets		
Tangible assets	9	14,372,055
		<u>14,372,055</u>
Current assets		
Debtors: Amounts falling due after more than one year	10	82,153
Debtors: Amounts falling due within one year	10	288,460
Cash at bank and in hand		26,210
		<u>396,823</u>
Creditors: Amounts falling due within one year	11	(2,604,997)
Net current liabilities		<u>(2,208,174)</u>
Total assets less current liabilities		<u>12,163,881</u>
Creditors: Amounts falling due after more than one year	12	(4,606,575)
Net assets		<u><u>7,557,306</u></u>
Capital and reserves		
Called up share capital	14	67
Capital contribution reserve	14	6,912,313
Retained earnings		644,926
Total equity		<u><u>7,557,306</u></u>

The company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board on 21 June 2018 and were signed on its behalf by:



B N F Mills
Director

The notes on pages 9 to 17 form part of these financial statements.

ACY SN 19002 Limited

Statement of changes in equity for the period ended 31 December 2017

	Called up share capital	Capital contribution reserve	Retained earnings	Total equity
	\$	\$	\$	\$
At 21 July 2016	67	-	-	67
Profit for the period	-	-	644,926	644,926
Capital introduced during the period	-	6,912,313	-	6,912,313
At 31 December 2017	67	6,912,313	644,926	7,557,306

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

1. General information

The principal activity of ACY SN 19002 Limited is acquiring a used regional aircraft for lease to a Spanish air carrier.

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 16 Old Bailey, London, United Kingdom, EC4M 7EG.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation of financial statements

The individual financial statements of ACY SN 19002 have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B to D (additional comparative information);
 - 111 (cash flow statement information);
 - 134 to 136 (capital management disclosures);
- IAS 7 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);
- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- IFRS 7, 'Financial Instruments: Disclosures'; and
- Paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of assets.

For the purposes of FRS 101 reduced disclosure exemptions, equivalent disclosures are included in the publicly available consolidated financial statements of AeroCentury Corp., the ultimate parent of the company and the smallest and largest group in which the company is consolidated into. The consolidated financial statements of AeroCentury Corp. are available to the public and can be downloaded free of charge from the company's investor relations website, located at www.aerocentury.com.

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

2. Summary of significant accounting policies (continued)

2.2 Revenue

Revenue from leasing of aircraft assets pursuant to operating leases is recognised on a straight line basis over the terms of the applicable lease agreements. Deferred payments are recorded as accrued rent when the cash rent received is lower than the straight line revenue recognised. Such receivables decrease over the term of the applicable leases.

In instances where collectivity is not reasonably assured, the company recognises revenue as cash payments are received. The company estimates and charges to income a provision for bad debts based on its experience with each specific customer, the amount and length of payment in arrears, and its analysis of the lessee's overall financial condition. If the financial condition of any of the company's customers deteriorates, it could result in actual losses exceeding any estimated allowances.

2.3 Interest payable and similar charges

Interest payable is charged to profit or loss 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 instrument.

2.4 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.5 Tangible fixed assets

The company's interests in aircraft are recorded at cost, which includes acquisition costs. Since inception, the company has purchased only one used aircraft. It is the company's policy to hold aircraft for approximately twelve years unless market conditions dictate otherwise. Therefore, depreciation of aircraft is initially computed using the straight line method over the anticipated holding period to an estimated residual value based on appraisal which has been guaranteed by the manufacturer.

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

2. Summary of significant accounting policies (continued)

2.6 Financial instruments

(i) Financial assets

The company's financial assets comprise cash and bank balances, trade debtors and prepayments and accrued income which are shown in note 10 and to the balance sheet. These financial assets are recognised at transaction price and subsequently measured at amortised cost using the effective interest method.

(ii) Financial liabilities

The company's financial liabilities comprise bank loans and overdrafts, trade creditors, amounts owed to group undertakings and other creditors, which are shown in notes 11 and 12 and to the balance sheet. Management determines the classification of its financial liabilities at initial recognition.

The company's financial liabilities are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

2.7 Share capital

Ordinary shares are classified as equity.

2.8 Foreign currencies

(i) Functional and presentational currency

The company's functional and presentational currency is US Dollar.

(ii) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollar at the rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into US Dollar at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in profit or loss.

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of financial assets

Impairment testing is an area involving management judgements, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the tangible fixed assets, and note 2.5 for the useful economic lives for each class of assets.

(iii) Impairment of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the aging profile of the debtor and historical experience. See note 10 for the net carrying amount of the debtors and associated impairment provision.

(iv) Taxes

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See note 13 for details of deferred tax recognised.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company and arose in the European Union.

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

5. Operating profit

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

	Period ended 31 December 2017 \$
Depreciation of tangible fixed assets	2,307,157
Exchange differences	(995)
Auditor's remuneration	13,000
	<u> </u>

6. Directors and employees

The company has no employees other than the director, who received \$11,138 for his services to the company.

7. Interest payable and similar charges

	Period ended 31 December 2017 \$
Interest payable on the loan	535,816
	<u> </u>

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

8. Taxation

	Period ended 31 December 2017 \$
Current tax	
Current tax on profits for the period	226,965
Total current tax	<u>226,965</u>
Deferred tax	
Origination and reversal of timing differences	(60,219)
Total deferred tax	<u>(60,219)</u>
Tax on profit	<u>166,746</u>

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19.47%. The differences are explained below:

	Period ended 31 December 2017 \$
Profit on ordinary activities before tax	<u>811,672</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.47%	158,007
Effects of:	
Fixed asset timing differences	(60,219)
Effects of changes in tax rates	68,958
Total tax charge for the period	<u>166,746</u>

Factors that may affect future tax charges

The Finance Bill 2016 substantively enacted on 6 September 2016 included legislation reducing the UK corporate tax rate to 17% from 1 April 2020.

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

9. Tangible fixed assets

	Aircraft \$
Cost or valuation	
Additions	16,679,212
At 31 December 2017	<u>16,679,212</u>
Depreciation	
Charge for the period	2,307,157
At 31 December 2017	<u>2,307,157</u>
Net book value	
At 31 December 2017	<u><u>14,372,055</u></u>

10. Debtors

	2017 \$
Due after more than one year	
Prepayments and accrued income	21,934
Deferred tax asset	60,219
	<u>82,153</u>
	<u><u>82,153</u></u>
Due within one year	
Trade debtors	275,927
Prepayments and accrued income	12,533
	<u>288,460</u>
	<u><u>288,460</u></u>

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

11. Creditors: Amounts falling due within one year

	2017 \$
Bank loan (secured - see note 12)	2,150,200
Trade creditors	1,035
Amounts owed to group undertakings	215,090
Corporation tax	226,965
Accruals and deferred income	11,707
	<u>2,604,997</u>

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

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

	2017 \$
Bank loan	<u>4,606,575</u>

During the period, a loan was used to finance the purchase of a regional aircraft. The loan is secured against the aircraft and bears an interest rate of 1.1% per quarter. Repayments are made on a quarterly basis and the loan matures in 2020.

13. Deferred taxation

	2017 \$
At beginning of period	-
Credited to profit or loss	<u>60,219</u>

The deferred taxation balance is made up as follows:

	2017 \$
Fixed asset timing differences	<u>60,219</u>

ACY SN 19002 Limited

Notes to the financial statements for the period ended 31 December 2017

14. Share capital and capital contributions

2017
\$

Shares classified as equity

Authorised, allotted, called up and fully paid

50 Ordinary shares of £1 each

67

On incorporation, the company issued 50 ordinary shares of £1 at nominal value.

During the period the company received capital contributions of \$6,912,313 from its parent undertaking.

15. Amounts due under operating leases

The company's lease of a jet aircraft to a Spanish air carrier lessee extends to October 2020, with rent receivable in quarterly installments as well as on the last day of the lease term. The aircraft is subject to a limited residual value guarantee from the manufacturer at lease termination. As the rents and guarantee amount were substantially less than the value of the aircraft at lease inception, the company accounts for the lease as an operating lease. The minimum future rental payments receivable from the lessee are as follows:

2017
\$

Within 1 year

2,815,341

Between 2 and 5 years

5,553,205

8,368,546

16. Related party transactions

The company is exempt from disclosing related party transactions with companies that are wholly owned within the AeroCentury Corp. group.

17. Parent undertaking and controlling entity

The company's immediate and ultimate parent undertaking is AeroCentury Corp., a company incorporated in the USA. The largest group in which the results of the company are consolidated is that headed by AeroCentury Corp.. Copies of the financial statements can be obtained from AeroCentury Corp., 1440 Chapin Ave., Suite 310, Burlingame, CA 94010.