AerFin Limited

Annual report and financial statements

Registered number 07371844

31 December 2020

Contents

Company information

Directors

RJ James
V Hahn-Petersen
A Hoad
M J Humphreys
P Nolan
L W Mollan
P Ryttergaard

Registered number

07371844

Registered office

Unit D, Greenway
Bedwas House Industrial Estate
Bedwas
Caerphilly
Mid Glamorgan
CF83 8DW

Independent auditor

KPMG
Assembly Square
3 Britannia Quay
Cardiff
CF10 4AX

Strategic Report

Business review

The Financial Year 2020 was a challenging period for the entire civil aerospace industry. The COVID-19 pandemic outbreak started in late 2019 in Asia and spread throughout the globe within the 1st half of 2020.

The virus possesses a significant threat to life with the elderly and those with certain pre-existing medical conditions particularly at risk. Levels of hospitalisations have put significant pressure on healthcare services worldwide. Governments have acted quickly and firmly in attempt to stem the virus, by introducing stay at home rules, social distancing, closure of non-essential businesses, and the wearing of face masks in enclosed areas.

Further measures imposed to stop the spread of the virus included the closure of borders. Which have in turn created a significant drop in both the demand for and ability to travel internationally. Statistics produced by IATA explain that 2020 international passenger demand decreased by 75.6% from 2019 levels.

The huge reduction in demand has created considerable liquidity challenges for many global airlines, driving the need to raise further capital and access government support. In order to preserve liquidity, airlines have parked aircraft into storage and it is believed up to 70% of the global fleet had been parked at some time during 2020.

The overall market backdrop in 2020 created conditions where the demand for parts and aircraft/ aircraft engine maintenance was depleted. Airline liquidity constraints caused airlines to defer heavy maintenance events and associated costs and to take such action as utilising parts from parked aircraft to service the operating fleets. This has had a demonstrable effect global MRO and spares parts demand and saw AerFin revenues decline by 54% from 2019 levels ($57.9m 2020, $125.7m 2019). However gross profit margins held firm at 27% vs 28% in 2019 and there has been no observable reduction in inventory values or discounting in parts pricing.

AerFin was well positioned entering the pandemic due to prudent levels of staffing and focussing resources on key value driving activities while maintaining a responsible approach to credit and a conservative focus of investing in younger vintage narrow body and regional jet aircraft which collectively account for in excess of 65% of global commercial aircraft fleets and which represent products having long in-service lives (>25 years) and frequent maintenance events thus AerFin asset focus comprises in demand inventory that is expected to remain as such for many years to come.

The business has taken such steps as necessarily required to conserve cash to maintain a strong liquidity position through minimising investment in inventory and adopting a conservative approach to new acquisitions and credit terms. The business accessed the Coronavirus Job Retention Scheme through to the end of October 2020 prior to reducing headcount by circa 15% due to declining economic conditions and a need to reduce overheads commensurate with reductions in forecast revenue.

The business recorded a normalised EBITDA of $3.9m for the period, and despite this representing a fall of 82% from 2019 it emphasises the businesses resilience and responsible approach to credit and cost management and an ability to maintain operational profitability despite such a steep drop in revenue during an unprecedented period of decline in global commercial air travel.

Narrow body and regional passenger recovery are widely expected to happen during 2022 with many analysts observing a significant latent demand for travel that will stoke a strong recovery largely dependent

With several effective vaccines approved and in the process of being administered globally, and initiatives such as vaccination passports, enhanced testing and management plans being implemented by passenger airlines, the board of directors and the senior leadership team feel positive about the prospects of the company to meet a significant latent demand during air travel that will stoke a strong global recovery.

However, management have also considered events should the recovery profile transpire to be more protracted and consider the business to be well resourced and financed to adapt to a plateau in demand. Such scenarios have been considered and modelled through adaptive scenario planning.

When the global recovery in air travel commences, the serviceable used parts market is considered to be the one primary area of civil aerospace that is going to lead recovery as airlines and repair organisations seek sustainable long term solutions to reduce material costs which can be as high as 40% compared to buying new production parts. The narrow body and regional jet aircraft product lines of which AerFin's inventory portfolio is concentrated will be the first to recover and this coupled with the preservation of AerFin's liquidity position means that the business is well positioned to emerge from the pandemic on a strong footing with a competitive advantage.

Strategic Report *(continued)*

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 aircraft utilisation which increases the requirement for leased engines, leased aircraft and components used in the refurbishment of aircraft and engines and the Maintenance Repair and Overhaul (MRO) sector. A reduction in global air travel will impact the volume of MRO and thus spares parts demand.
- New equipment manufacture/aircraft retirement cycle: Both market leading aircraft manufacturers (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 reduce aircraft utilisation and MRO and thus the demand for parts. This would reduce the acquisition price at which the company acquires new inventory and would in turn reflect the reduced sale and lease opportunities of parts.
- 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. The low cost of capital and increased availability of financing opportunities provides established and new start-up airlines opportunities for new technology aircraft that require less MRO spend.
- 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 had the potential to disrupt AerFin's business activities with European customers and suppliers. Aviation parts continue to attract low levels of duty as the industry is reliant on a global supply chain to keep aircraft in service. Despite the company not experiencing any significant adverse operational impact resulting from Brexit associated delays and new customs regimes, it is possible that there could be future delays.

  To minimise exposure to possible border delays and to strategically position the business to attract new customers and to maintain a competitive advantage in a post Brexit environment, the company is in advance stages on securing Authorised Economic Operator Status and a licence to operate a Customs Warehouse. AerFin increased its available pool of inventory outside of the UK on signing of new agreements in 2020.

Strategic Report *(continued)*
Principal risks and uncertainties *(continued)*

- 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-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 2021 business plan forecast having considered the following key potential areas of greatest risk to the business as a consequence of 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. Although an increase in supply and a reduction demand could see declining market pricing achievable from AerFin inventory, no such declines have been experienced to date.
- 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.

Section 172 statement:

Commensurate with an 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) has been established. 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 developed a 5-year strategic plan with input from an industry leading consultancy firm who provided an independent in-depth review of the business validating the strategic review of the business working with the leadership team and the board.

The review looked at the company's existing core skills and competencies, its products and services and considered the future size and shape of the industry and key global markets and changes in fleet composition alongside the company's vision and mission. The review identified improvements and areas in which the business will focus to meet the investment goals and considered the investment timeframe of the shareholders. The review culminated in creating a sustainable and market desirable business model focussed on growing enterprise value of the company to the benefit of all stakeholders.

Strategic Report *(continued)*

Strategy and Development of 5-year Plan *(continued)*

To ensure complete alignment throughout the business of Key Performance Indicators, staff from management level up were fully engaged in the strategy development program. The strategy document went through a steering committee comprising AerFin Leadership, executive and non-executive directors ensuring 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. The Management Investment and Incentivisation Programme was rolled out to all management in March 2020 who had the option to purchase shares in the business.

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 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.

Strategic Report *(continued)*

Going Concern:

As at 31 December 2020, 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 continues to adopt the going concern basis in preparing its consolidated financial statements.

In particular, the uncertainty as to the future impact on the Company of the Covid-19 pandemic 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 industry wide downturn, core business revenues at AerFin have maintained at levels of 55% (of FY19) in 2020.

The business has managed to retain a large proportion of revenues, due to a strong committed forward order book, 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 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 downturn resulting from the Covid-19 pandemic.

In light of the current pandemic and the uncertainty of recovery timings AerFin management have used data from various aviation bodies and analysts such as Eurocontrol, IATA and Oliver Wyman consultancy. AerFin has created a flexible model which can be flexed to assess performance under a range of scenarios. Under the foreseeably most adverse set of circumstances (using 2020 as the floor) the forecast has concluded that the Company has sufficient cash and covenant headroom during this period to conclude that the business remains a going concern.

The base model assumes a recovery in air travel from the mid-point of Q2 2021. The reverse stress tested model assumes that the recovery will plateau through the duration of 2021, with no dramatic recovery happening, whilst also considering the cost reduction and cash saving actions that would be available to the business.

The management team continue to closely monitor perfomance 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 scenarios" 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 (CataCap) of its willingness to further support the business with additional equity in the unforeseeable event that this is required.

Strategic Report *(continued)*

Streamlined Energy and Carbon Reporting:

AerFin's principle business activities include the recycling and reuse of aircraft parts. In order to prevail this environmentally responsible outlook throughout the operation, the business is continually considering the impact of its wider activities on the environment and looking at ways to improve and reduce its carbon footprint.

The quality control levels of our commodity demand that parts are stored within certain temperature and humidity ranges which means that storage temperatures at our facilities need to be maintained using heating.

The business operates over 2 main UK based sites, one of which is staffed twenty-four hours a day, seven days a week. The sites need to be well lit and heated to ensure a safe operating environment for our colleagues. Therefore, electricity and gas are the main drivers of AerFin's carbon emissions.

In the year the following energy efficiency actions were taken:
- Recycling of cardboard boxed to make packaging inserts
- Provided staff with required hardware to work from home
- Temperature and humidity sensors fitted to regulate the warehouses

The following projects have aimed at reducing the business carbon footprint are being considered:
- More extensive use of video communication to drive down internal inter-site travel
- Revisit the operation layout of storage facility to heat those areas that need to be heated
- Revisit electricity and gas providers and use green energy where possible
- Carbon offsetting

The business will continue to monitor its energy usage and effect improvements where practically possible, whilst maintaining a safe environment for our colleagues to work in.

Energy and carbon reporting for 2020:

UK energy use (kWh) – see (1)	1,443,120
Associated Greenhouse gas emissions (tonnes CO2 equivalent) - see (2)	284
Intensity Ratio: Emissions (Tonnes) per square ft of floor space	0.007

(1) UK energy use covers electricity, gas and transport as follows:

Activity	Source of Information
Electric use	Total kWh used from electricity bills
Natural gas use	Total kWh used from gas bills
Fuel used in company owned vehicles	Litres of fuel purchased from invoices and receipts
Fuel reimbursed to employees for own cars' business use	Mileage travelled taken from expense claims

(2) The collected data is converted into greenhouse gas emissions associated with each activity, using the Government conversion factors for company reporting of greenhouse gas emissions (Data x Emission Factor = Greenhouse gas emissions).

By order of the board

R J James
Director

12th March 2021

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to \$2,458,000 (*2019: profit \$8,843,000*).

No dividends have been paid in the year (2019: £Nil).

Directors

The directors who served during the year were:

RJ James	
P Ryttergaard	
V Hahn-Petersen	(appointed 10 March 2020)
A Hoad	(appointed 10 March 2020)
M J Humphreys	(appointed 10 March 2020)
P Nolan	(appointed 10 March 2020)
LW Mollan	(appointed 1 July 2020)

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 and the Group'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 and the Group's auditor is aware of that information.

Auditor

KPMG LLP was appointed as auditor in the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

R J James
Director

Unit D, Greenway
Bedwas House Industrial Estate
Bedwas
Caerphilly
Mid Glamorgan
CF83 8DW

12th March 2021

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the company and of the 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

Britannia Quay
Cardiff
CF10 4AX
United Kingdom

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 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and the directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as inventory valuation and provision for doubtful debts.

We did not identify any additional fraud risks.
In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with specific keywords, or journal entries posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's ability to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and CAA and FAA regulations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of AerFin Limited *(continued)*

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Jeremy Thomas

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

15th March 2021

Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Turnover	3	**57,941**	125,663
Cost of sales		**(41,967)**	(90,341)
Gross profit		**15,974**	35,322
Administrative expenses		**(15,381)**	(16,579)
Exceptional administrative expenses	10	**(840)**	(6,493)
Operating (loss)/profit	4	**(247)**	12,250
Interest payable and expenses	8	**(2,706)**	(531)
(Loss)/profit before taxation		**(2,953)**	11,719
Tax on (loss)/profit	9	**495**	(2,876)
(Loss)/profit for the financial year		**(2,458)**	8,843
Total comprehensive income for the year		**(2,458)**	8,843

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 17 to 34 form part of these financial statements.

Statement of Financial Position
at 31 December 2020

	Note	2020		Restated 2019	
		$'000	$'000	$'000	$'000
Fixed assets					
Intangible assets	*11*		-		-
Tangible assets	*12*		**17,895**		19,344
			17,895		19,344
Current assets					
Stocks	*14*	**77,723**		77,349	
Debtors: amounts falling due within one year	*15*	**12,661**		17,925	
Cash at bank and in hand	*16*	**5,323**		1,570	
		95,707		96,844	
Creditors: amounts falling due within one year	*17*	**(10,876)**		(13,307)	
Net current assets			**84,831**		83,537
Total assets less current liabilities			**102,726**		102,881
Creditors: amounts falling due after more than one year	*18*		**(61,975)**		(60,036)
Provisions for liabilities					
Deferred taxation	*21*	**(1,008)**		(644)	
			(1,008)		(644)
Net assets			**39,743**		42,201
Capital and reserves					
Called up share capital	*22*		**184**		184
Profit and loss account	*23*		**39,559**		42,017
Equity attributable to owners of the parent company			**39,743**		42,201

*Restatement, see note 25.

These financial statements were approved by the board of Directors on 12 March 2021 and were signed on its behalf by:

R J James
Director

Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital $'000	Profit and loss account $'000	Total equity $'000
Balance at 1 January 2019	184	33,174	33,358
Comprehensive income for the year:			
Profit for the year	-	8,843	8,843
Total comprehensive income for the year	-	8,843	8,843
At 31 December 2019	**184**	**42,017**	**42,201**
Balance at 1 January 2020	184	42,017	42,201
Comprehensive income for the year:			
Loss for the year	-	(2,458)	(2,458)
Total comprehensive income for the financial year	-	(2,458)	(2,458)
At 31 December 2020	**184**	**39,559**	**39,743**

Notes

(forming part of the financial statements)

1. Accounting policies

1.1 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.

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 (note 2). The Company's functional and presentational currency is USD. Monetary amounts in these financial statements are rounded to the nearest $'000.

The following principal accounting policies have been applied:

1.2 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 2020 and these financial statements may be obtained from Companies House.

1.3 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.

1.4 Going concern

As at 31 December 2020, the company had net current assets of $84,831,000 (*2019: restated $83,537,000*), net assets of $39,743,000 (*2019: $42,201,000*) and reported a loss for the year then ended of $2,458,000 (*2019: profit $8,843,000*). The directors have prepared the financial statements on a going concern basis which they consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of the ongoing impact of COVID-19 and a severe but plausible downside, the company will have sufficient funds, through its existing revolving credit facility, recently secured loan and ongoing trading, to meet its liabilities as they fall due for that period.

In preparing these forecasts the directors have considered reasonably possible downside scenarios including factors resulting from the ongoing impact of COVID-19. Please refer to the Strategic Report on page 1 that references the going concern review undertaken by the board.

Notes *(continued)*

1. Accounting policies (continued)

1.4 Going concern (continued)

As at 31 December 2020 the company had drawn down USD $58m of the USD $80m revolving credit debt facility, in place through to October 2024. In addition to this, in December 2020, the Company obtained loan finance of £3,900,000 from the Development Bank of Wales to provide liquidity during the COVID-19 crisis and to support the purchase of stock and assets. The loan was drawn down in one tranche in December 2020. The 3-year loan is subject to capital repayment holiday for the first 6 months, and then repayable in 30 monthly instalments. The repayments have been included in the forecast cashflows as described above in accordance with the terms.

Based on the forecasts prepared and assumptions described above, including reasonably possible downside scenarios, the Directors are confident that the Company will have sufficient funds and covenant headroom to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.5 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.

1.6 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

Notes *(continued)*

1. Accounting policies *(continued)*

1.7 *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.

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.

1.8 *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.

Notes *(continued)*

1. Accounting policies *(continued)*

1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

Notes *(continued)*

1. Accounting policies *(continued)*

1.13 Financial instruments (continued)

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 arid 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.

1.14 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.

1.15 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'.

Notes *(continued)*

1. Accounting policies *(continued)*

1.16 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.

1.17 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.

1.18 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.

1.19 Borrowing costs

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

1.20 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.

Notes *(continued)*

1. Accounting policies *(continued)*

1.21 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.

1.22 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.

1.23 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.

2. 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.

Notes *(continued)*

2. Judgements in applying accounting policies and key sources of estimation uncertainty *(continued)*

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.

3. Turnover

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

Analysis of by country of destination:

	2020 $'000	2019 $'000
United Kingdom	**14,449**	24,682
United States of America	**8,145**	24,794
Rest of the world	**35,347**	76,186
	57,941	125,662

4. Operating (loss)/profit

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

	2020 $'000	2019 $'000
Tangible fixed assets – depreciation	**2,805**	3,043
Intangible fixed assets – amortisation	**-**	3
Exchange differences	**71**	241
Income received from the Coronavirus Job Retention Scheme	**533**	-

Notes *(continued)*

5. Auditor's remuneration

	2020 $'000	2019 $'000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	**72**	70

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

Taxation compliance services	**12**	10
Other non-audit fees	**-**	49

6. Employees

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

	2020 $'000	2019 $'000
Wages and salaries	**7,122**	10,982
Social security costs	**1,313**	1,589
Cost of defined contribution scheme	**385**	297
	8,820	12,868

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

	2020 No.	2019 No.
Average monthly number of employees	**119**	113

7. Directors' remuneration

	2020 $'000	2019 $'000
Directors' emoluments	**694**	1,224
Company contributions to defined contribution pension schemes	**113**	111
	807	1,335

During the year retirement benefits were accruing to 1 director (*2019: 1*) in respect of defined contribution pension schemes.

The highest paid director received remuneration of $565,128 (*2019: $1,223,958*). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to $109,417 (2019: $111,265).

Notes *(continued)*

8. Interest payable and similar expenses

	2020 $'000	2019 $'000
Bank interest payable	2,703	525
Finance leases and hire purchase contracts	3	6
	2,706	531

9. Taxation

	2020 $'000	2019 $'000
Corporation tax		
Current tax on (loss)/profit for the year	(665)	2,731
Adjustments in respect of previous periods	(195)	(5)
Total current tax	(860)	2,726
Deferred tax		
Origination and reversal of timing differences	146	141
Adjustments in respect of prior periods	128	9
Effect of tax rate change on opening balance	91	-
Total deferred tax	365	150
Taxation on (loss)/profit on ordinary activities	(495)	2,876

Notes *(continued)*

9. Taxation *(continued)*

Reconciliation of effective tax rate

	2020 $'000	2019 $'000
(Loss)/profit for the year	(2,458)	8,843
Total tax (credit)/expense	(495)	2,876
(Loss)/profit excluding taxation	(2,953)	11,719
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	(561)	2,227
Effects of:		
Non qualifying depreciation	7	(5)
Expenses not deductible for tax purposes	48	600
Adjustments due to exchange rate movements	-	56
Non-taxable income	(13)	-
Reduction in tax rate on deferred tax balances	91	-
Adjustment to tax charge in respect of prior periods	(67)	(2)
Total tax (credit)/expense included in profit or loss	(495)	2,876

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax liability as at 31 December 2019 had been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. The deferred tax balance at 31 December 2020 has been calculated based on these rates.

10. Exceptional items

	2020 $'000	2019 $'000
Bonuses paid relating to the acquisition	-	3,453
Professional fees	704	2,876
Financing costs	-	164
Staff costs - redundancy	136	-
	840	6,493

The exceptional costs relate to the acquisition of the group by CataCap, Professional fees in relation to the set-up of the Management Investment program and the 5-year strategy development. Staff costs relate to redundancy costs resulting from the Covid-19 pandemic.

Notes *(continued)*

11. Intangible assets

	Development $'000	Trademarks $'000	Total $'000
Cost			
At 1 January 2020	33	5	38
Additions	-	-	-
At 31 December 2020	**33**	**5**	**38**
Amortisation			
At 1 January 2020	33	5	38
Charge for the year	-	-	-
At 31 December 2020	**33**	**5**	**38**
Net book value			
At 31 December 2020	-	-	-
At 31 December 2019	-	-	-

Notes *(continued)*

12. Tangible fixed assets

	Long-term leasehold property $'000	Plant and machinery $'000	Warehouse and storage equipment $'000	Fixtures and fittings $'000	Office equipment $'000	Capitalised inventory $'000	Total $'000
Cost or valuation							
At 1 January 2020	56	1,908	692	1,342	1,187	22,914	28,099
Additions	-	1	15	41	113	1,974	2,144
Disposals	-	(23)	-	-	-	(924)	(947)
31 December 2020	56	1,886	707	1,383	1,300	23,964	29,296
Depreciation							
At 1 January 2020	11	1,636	617	1,186	813	4,492	8,755
Charge for the year	13	147	32	71	244	2,298	2,805
Disposals	-	(23)	-	-	-	(136)	(159)
31 December 2020	24	1,760	649	1,257	1,057	6,654	11,401
Net book value							
At 31 December 2020	**32**	**126**	**58**	**126**	**243**	**17,310**	**17,895**
At 31 December 2019	45	272	74	156	375	18,422	19,344

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

	2020 $'000	2019 $'000
Furniture, fittings and equipment	11	63
	11	63

Notes *(continued)*

13. Fixed asset investments

Company

	Investments in subsidiary companies $'000
Cost or valuation	
At 1 January 2020	25
At 31 December 2020	**25**
Impairment	
At 1 January 2020	25
At 31 December 2020	25
Net book value	
At 31 December 2020	-
At 31 December 2019	-

AerFin Ireland Limited underwent a voluntary strike off during the year and is no longer on the Irish company register.

14. Stocks

	2020 $'000	2019 $'000
Finished goods and goods for resale	**77,723**	77,349

15. Debtors

	2020 $'000	Restated 2019 $'000
Trade debtors	**5,578**	10,717
Amounts owed by group undertakings	**2,090**	2,090
Prepayments and accrued income	**4,993**	5,118
	12,661	17,925

Notes *(continued)*

16. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	**5,323**	1,570
	5,323	1,570

17. Creditors: Amounts falling due within one year

	2020 $'000	Restated 2019 $'000
Bank loans	**1,358**	-
Trade creditors	**2,116**	2,092
Amounts owed to group undertakings	**1,510**	247
Corporation tax	**51**	1,363
Other taxation and social security	**228**	282
Obligations under finance lease and hire purchase contracts	**42**	51
Other creditors	**631**	945
Accruals and deferred income	**4,940**	8,327
	10,876	13,307

Bank loans consist of $1,222,000 (*2019: $Nil*) being amounts falling due within one year in respect of a loan from the Development Bank of Wales and $136,000 (*2019: $nil*) due under the group's senior revolving credit facility. See note 18 for details of repayment terms.

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

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

	2020 $'000	Restated 2019 $'000
Bank loans	**61,960**	59,979
Obligations under finance leases and hire purchase contracts	**15**	57
	61,975	60,036

Bank loans consist of $4,016,000 (*2019: $Nil*) being amounts falling after more than one year in respect of a loan from the Development Bank of Wales and $57,944,000 (*2019: $59,979,000*) due under the group's senior revolving credit facility.

The group's senior revolving credit facility is secured via a fixed and floating charge over assets of the group headed by Atlantic Offerco Limited. The facility is in place until October 2024 and interest is charged at 1-month USD Libor +350 Bps.

The loan from the Development Bank of Wales, obtained in December 2020, is secured against certain assets of the company and a second priority ranked fixed and floating charge over assets of the company, repayable over 36 months with interest only being applied for the first six months. Interest is charged at 5% per annum.

Notes *(continued)*

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 $'000	2019 $'000
Within one year	**42**	51
Between 1 – 2 years	**15**	57
	57	108

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020 $000	Restated 2019 $000
Creditors falling due more than one year		
Revolving credit facility	**57,944**	59,979
Secured bank loan	**4,016**	-
Finance lease liabilities	**15**	57
	61,975	60,036
Creditors falling due within less than one year		
Revolving credit facility	**136**	-
Secured bank loan	**1,222**	-
Finance lease liabilities	**42**	51
	1,400	51

Secured bank loans consist of $5,238,000 (*2019: $Nil*) amounts in respect of a loan from the Development Bank of Wales. The loan, obtained in December 2020, is repayable over 36 months with interest only being applied for the first six months. Interest is charged at 5% per annum.

Amounts of $58,080,000 (*2019: $59,979,000*) due under the group's senior revolving credit facility are secured via a fixed and floating charge over all assets of the group headed by Atlantic Offerco Limited. The facility is in place until October 2024 and interest is charged at 1-month USD Libor +350 Bps.

Terms and debt repayment schedule

	Currency	nominal interest rate	Year of maturity	Repayment schedule	2020 $000	2019 $000
Revolving credit facility	USD($)	Variable	2024	Variable	**58,080**	59,979
Secured bank loan	GBP(£)	5%	2023	Monthly	**5,238**	-
Finance lease liabilities	GBP(£)	Variable	2021	Monthly	**57**	108
					63,375	60,087

Notes *(continued)*

21. Deferred taxation

	2020 $'000	2019 $'000
At beginning of year	**(644)**	(494)
Charged to profit or loss	**(365)**	(150)
At the end of year	**(1,008)**	(644)

The provision for deferred taxation is made up as follows:

	2020 $'000	2019 $'000
Accelerated capital allowances	**(1,013)**	(733)
Short term timing differences	**5**	89
At the end of year	**(1,008)**	(644)

22. Share capital

	2020 $	2019 $
Allotted, called up and fully paid		
115,741 (*2019: 115,741*) Ordinary shares of £1 each	**183,984**	183,984

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

23. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

Notes *(continued)*

24. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 $'000	2019 $'000
Not later than 1 year	648	271
Later than 1 year and not later than 5 years	3,113	695
Later than 5 years	2,486	139
	6,247	1,105

25. Prior year restatement

During preparation of the current year financial statements, it was noted that in the prior year accounts the liability in respect of the senior revolving credit facility of *$59,979,000* was presented with 'Creditors: Amounts falling due within one year' as: 'Bank loans' $6,479,000 and 'Amounts of owed to group undertakings' $53,500,000. This has been restated to 'Creditors: Amounts falling due after more than one year' in the 2019 comparatives to reflect the that these amounts are external and due in 2024.

Further, the 2019 comparative intercompany balances have been restated to represent Debtors: Amounts owed by group undertakings of $1,843,000 to 'Debtors: Amounts owed by group undertakings' of $2,090,000 and 'Creditors: Amounts owed by group undertakings' of $247,000, i.e. increasing debtors, and decreasing creditors due within one year by $247,000. In the prior year accounts inter-company debtor and creditor amounts had not been offset against the appropriate counterparties. This reclassification corrects that.

The restatement to reclassify liabilities and associated intercompany balances has no impact on profit, net assets and capital and reserves as reported in the prior year.

26. Related party transactions

During the year, the company made purchases of $181,970 *(2019: $453,532)* from CataCap Management NS. CataCap Management NS, an entity incorporated in Denmark, is the ultimate controlling party. The company also made a purchase of $1,650,000 from REDI 216 Limited, an entity incorporated in England and Wales, AerFin Director Robert James is the ultimate controlling party.

At the year-end, the company owed R James, a director and shareholder, $nil *(2019: $426,915)*.

The group 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 Atlantic Holdco 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/Atlantic Holdco level. Accounts are available at Unit D Greenway, Bedwas House Industrial Estate, Bedwas, Caerphilly, Mid Glamorgan, CF83 8DW.