

BBAM UK Limited

Directors' Report and Financial Statements for the year ended
31 December 2016

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BBAM UK Limited

Directors' Report and Financial Statements

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BBAM UK Limited

Directors and Other Information

Directors

Max Pentelow
Steven Zissis
Gregory Azzara

Registered Office

Suite 1, 3rd Floor
11-12 St James's Square
London SW1Y 4LB

Company Secretary

Jordan Company Secretaries Limited

Registered Number of Incorporation

7037498

Auditors

Ernst & Young
Chartered Accountants
Ernst & Young Building
Harcourt Centre
Harcourt Street
Dublin 2

Solicitors

Jordans Limited
21 St Thomas Street
Bristol BS1 6JS

BBAM UK Limited

Directors' Report

The Directors present herewith their annual report and audited financial statements for the year ended 31 December 2016.

Strategic Report

Principal Activities and Review of the Development of the Business

The principal activity of BBAM UK Limited (the "Company") is the provision of management services to BBAM companies. The Directors expect these activities to continue for the foreseeable future. The Directors continue to review and seek business opportunities for the Company. The Company is operated and managed as a single operating segment.

Principal Risks and Uncertainties

BBAM UK Limited, in the course of its business activities, is exposed to market, credit and liquidity risk. The Company in turn has a financial risk policy that is managed by a fellow group undertaking, BBAM Aircraft Management LLP ("BBAM"). The Board of Directors ensures that risks are identified and managed in accordance with the objectives of the organisation. The financial risks are discussed in more detail in note 17 'Risk and uncertainties'.

Results for the Year and State of Affairs at 31 December 2016

The Statement of Comprehensive Income for the year ended 31 December 2016 and the Statement of Financial Position at that date are set out on pages 7 and 8. The profit on ordinary activities for the year before taxation amounted to US\$934,790 (2015: US\$1,623,990). After charging taxation of US\$183,904 (2015: US\$329,742), a profit of US\$ 750,886 (2015: US\$1,294,248) is transferred to reserves. Shareholders' funds at 31 December 2016 amounted to US\$ 1,007,357 (2015: US\$1,656,471). The Directors recommend a dividend be paid in respect of the current financial year of US\$1,400,000 (2015: US\$1,000,000).

Directors' Interests

The Directors who served during the year are set out on page 1 of these financial statements. In accordance with the Articles of Association the Directors are not required to retire by rotation.

Events after the Reporting Period

There are no significant events subsequent to 31 December 2016 that require adjustment to or disclosure in the financial statements.

Political Donations

No political donations were made by the Company during the year (2015: US\$Nil).

Charitable Contributions

No charitable contributions were made by the Company during the year (2015: US\$Nil).

BBAM UK Limited

Directors' Report (continued)

Disclosure of Information to the Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Qualifying Third Party Indemnity Provisions

The Company benefits from an indemnity policy which protects its Directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Directors' Responsibilities Statement

The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards "IFRSs" and the International Financial Reporting Interpretations Committee "IFRIC" interpretations endorsed by the European Union and with those parts of the Companies Acts applicable to companies reporting under IFRS.

Company law requires the Directors to prepare financial statements for each financial year which 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards and note the effect and the reasons for any material departure from those standards.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping proper books of account that 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 provision of the applicable Companies Acts.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BBAM UK Limited

Directors' Report (continued)

Auditors

Ernst & Young, Chartered Accountants, will be proposed for reappointment in accordance with section 485 of the Companies Act, 2006.

Approved by the Board and authorised for issue on *13 September 2017.*


Director Gregory Azzara

Independent auditor's report to the members of BBAM UK Limited

We have audited the financial statements of BBAM UK Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of BBAM UK Limited (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



John McCormack
for and on behalf of Ernst & Young
Chartered Accountants and Statutory Audit Firm

Dublin

Date 15 September 2017

BBAM UK Limited

Statement of Comprehensive Income for the year ended 31 December 2016

| | Note | 2016 US\$ | 2015 US\$ |
|--|------|----------------|------------------|
| Operating income | 2 | 1,377,226 | 2,326,597 |
| Operating expense | 3 | (442,436) | (702,607) |
| Profit on ordinary activities before taxation | | 934,790 | 1,623,990 |
| Tax charge on profit on ordinary activities | 4 | (183,904) | (329,742) |
| Profit on ordinary activities after taxation | | 750,886 | 1,294,248 |

The Company has adopted a single Statement of Comprehensive Income. There are no components of Other Comprehensive Income and therefore no separate Statement of Other Comprehensive Income has been prepared.

Approved by the Board and authorised for issue on *13 September 2017.*


Director Gregory Azzara

BBAM UK Limited

Statement of Financial Position at 31 December 2016

| | Note | 2016 US\$ | 2015 US\$ |
|--|------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 985,464 | 2,158,854 |
| Amounts due from fellow group undertakings | 6 | 328,620 | 50,278 |
| Property, plant & equipment | 7 | 93 | 290 |
| Deferred tax assets | | 13,980 | 14,919 |
| Other assets | 8 | 4,757 | 5,137 |
| Total assets | | 1,332,914 | 2,229,478 |
| Liabilities | | | |
| Amounts due to fellow group undertakings | 9 | 960 | 27,917 |
| Current tax payable | | 75,211 | 133,052 |
| Other liabilities | 10 | 249,386 | 412,038 |
| Total liabilities | | 325,557 | 573,007 |
| Equity | | | |
| Share capital | 11 | 1 | 1 |
| Retained earnings | | 1,007,356 | 1,656,470 |
| Total equity | | 1,007,357 | 1,656,471 |
| Total liabilities and equity | | 1,332,914 | 2,229,478 |

Approved by the Board and authorised for issue on *13 September 2017.*


 Director Gregory Azzara

BBAM UK Limited

Statement of Changes in Equity for the year ended 31 December 2016

| | Share Capital US\$ | Retained Earnings US\$ | Total Equity US\$ |
|-----------------------------|-----------------------|---------------------------|----------------------|
| Balance at 31 December 2014 | 1 | 1,362,222 | 1,362,223 |
| Dividend declared and paid | – | (1,000,000) | (1,000,000) |
| Profit for the year | – | 1,294,248 | 1,294,248 |
| Balance at 31 December 2015 | 1 | 1,656,470 | 1,656,471 |
| Dividend declared and paid | – | (1,400,000) | (1,400,000) |
| Profit for the year | – | 750,886 | 750,886 |
| Balance at 31 December 2016 | 1 | 1,007,356 | 1,007,357 |

Dividends paid amounted to US\$1,400,000 in 2016 (2015: US\$1,000,000) per share issued.

BBAM UK Limited

Statement of Cash Flows for the year ended 31 December 2016

| | 2016 US\$ | 2015 US\$ |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Operating profit from continuing operations | 934,790 | 1,623,990 |
| Depreciation | 197 | 1,147 |
| (Increase)/decrease in amounts due from fellow group undertakings | (278,342) | 885,977 |
| (Decrease)/increase in amounts due to fellow group undertakings | (26,957) | 26,967 |
| Decrease/(increase) in other assets | 380 | (4,369) |
| Decrease in other liabilities | (162,652) | (158,743) |
| Cash inflow from operations | 467,416 | 2,374,969 |
| Income taxes paid | (240,806) | (271,365) |
| Net cash inflow from operations | 226,610 | 2,103,604 |
| Cash flows from financing activities | | |
| Dividends declared and paid | (1,400,000) | (1,000,000) |
| Net cash outflow from financing activities | (1,400,000) | (1,000,000) |
| Net (decrease)/increase in cash and cash equivalents | (1,173,390) | 1,103,604 |
| Cash and cash equivalents at the beginning of the year | 2,158,854 | 1,055,250 |
| Cash and cash equivalents at the end of the year | 985,464 | 2,158,854 |

BBAM UK Limited

Notes to the Financial Statements

31 December 2016

1. Statement of accounting policies

BBAM UK Limited (the “Company”) is a limited liability company incorporated on 11 October 2009 and domiciled in the UK. The following accounting policies have been applied consistently to all years presented, unless otherwise stated.

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in US Dollars (US\$), functional and presentation currency of the Company.

c) New accounting pronouncements

The IFRS adopted by the EU applied by the Company in the preparation of its financial statements are those that were effective for accounting periods ending on or before 31 December 2016.

d) Adoption of New and Amendment of Accounting Standards

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.
- Annual Improvements 2012-2014 Cycle - These improvements include:

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2016

1. Statement of accounting policies (continued)

d) Adoption of New and Amendment of Accounting Standards (continued)

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

- Amendments to IAS 1 Disclosure Initiative - The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
 - The materiality requirements in IAS 1
 - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company as it does not apply the consolidation exception.

e) New Accounting Standards Or Amendments Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2016

1. Statement of accounting policies (continued)

e) New Accounting Standards Or Amendments Not Yet Effective (continued)

- *IFRS 9 Financial Instruments* - In July 2014, the IASB issued the final version of *IFRS 9 Financial Instruments* that replaces *IAS 39 Financial Instruments: Recognition and Measurement* and all previous versions of *IFRS 9*. *IFRS 9* brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. *IFRS 9* is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company will assess the impact of the new standard when it becomes effective.
- *IFRS 15 Revenue from Contracts with Customers* - *IFRS 15* was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under *IFRS 15*, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under *IFRS*. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of *IFRS 15* by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date.
- *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* - The amendments address the conflict between *IFRS 10* and *IAS 28* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in *IFRS 3*, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will assess the impact of the new standard when it becomes effective.
- *IAS 7 Disclosure Initiative – Amendments to IAS 7* - The amendments to *IAS 7* Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company. The Company will assess the impact of the new standard when it becomes effective.

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2016

1. Statement of accounting policies (continued)

e) New Accounting Standards Or Amendments Not Yet Effective (continued)

- *IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12* - The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Company.

- *IFRS 16 Leases* - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

f) Foreign currency

The financial statements are prepared in US Dollars (US\$) and accordingly foreign currency transactions are translated at the rate of exchange prevailing on the first day of the month. However, where there is a difference of more than 5% between this rate and the rate at the date of the transaction an adjustment is made.

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at exchange rates prevailing at the end of the reporting period. Non-monetary assets are stated at cost based on the exchange rate prevailing at the date of acquisition of the asset. All exchange differences are included in operating income.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2016

1. Statement of accounting policies (continued)

g) Operating income

Operating income comprising of management fee income, remarketing fee income and service charge income from BBAM are recognised in the Statement of Comprehensive Income. Operating income is recognised in the year in which it is earned.

h) Operating expense

Operating expense comprises of payroll, administrative expenses and depreciation.

i) Cash and cash equivalents

Cash and cash equivalents comprise of amounts due from banks and where applicable, overdrafts. They are convertible into cash with an insignificant risk of changes in value and with original maturities of less than 90 days.

j) Property, plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

| | | |
|--------------------|---|---------|
| Computer equipment | – | 3 years |
| Other equipment | – | 5 years |

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the financial year the asset is derecognised.

k) Taxation

Corporation tax payable is provided on the results for the year. The Company is subject to UK Corporation tax on trading operations at the standard rate of 20% (2015: 20.25%).

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting year where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax.

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2016

1. Statement of accounting policies (continued)

k) Taxation (continued)

Provision is made at the rates expected to apply when the temporary differences reverse based on legislation substantively enacted at the end of the reporting year. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

l) Critical accounting estimates and judgments

The preparation of the financial report in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2. Operating income

Operating income is comprised of management fee income, remarketing fee income and service charge income received from BBAM.

3. Operating expenses

| | 2016 US\$ | 2015 US\$ |
|--|----------------|----------------|
| General administrative and service reimbursement charges | 71,294 | 39,110 |
| Payroll | 370,945 | 662,350 |
| Depreciation | 197 | 1,147 |
| | <u>442,436</u> | <u>702,607</u> |

4. Tax on continuing operations

| | 2016 US\$ | 2015 US\$ |
|---|----------------|----------------|
| a) <i>Analysis of tax charge in year</i> | | |
| Current tax: | | |
| UK corporation tax on net profit for year | 183,523 | 344,381 |
| (Over)/under provision in respect of prior year | (558) | 589 |
| Current year movement in deferred tax | 939 | (15,228) |
| Income tax charge for the year on ordinary activities | <u>183,904</u> | <u>329,742</u> |

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2016

4. Tax on continuing operations (continued)

b) *Reconciliation of the expected tax charge at the standard tax rate to the actual tax charge at the effective rate*

The tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the UK 20% (2015: 20.25%). The differences are explained below:

| | 2016 US\$ | 2015 US\$ |
|---|--------------|--------------|
| Profit on ordinary activities before taxation | 934,790 | 1,623,990 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%) | 186,958 | 328,858 |
| <i>Effects of:</i> | | |
| Non-assessable income not allowed for tax purposes | (2,345) | (1,559) |
| (Over)/under provision in respect of prior year | (558) | 589 |
| Change in rate in current tax and deferred tax | (151) | 1,854 |
| Income tax charge for the year on ordinary activities | 183,904 | 329,742 |

c) *Circumstances affecting current and future tax charges*

The UK corporation tax rate reduced to 20% from 1 April 2015. The rate will further reduce to 19% from April 2017 and to 18% from 1 April 2020, and as at the balance sheet date, both these future tax rate reductions had been "substantively enacted". The deferred tax asset at 31 December 2016 has been calculated based upon the substantively enacted rate of 18%. The respective rate changes will impact the amount of future tax payments to be made by the company.

5. Cash and cash equivalents

| | 2016 US\$ | 2015 US\$ |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 985,464 | 2,158,854 |
| | 985,464 | 2,158,854 |

6. Amounts due from fellow group undertakings

| | 2016 US\$ | 2015 US\$ |
|--|--------------|--------------|
| Amounts due from fellow group undertakings | 328,620 | 50,278 |
| | 328,620 | 50,278 |

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2016

7. Property, plant and equipment

| | 2016 US\$ | 2015 US\$ |
|---|--------------|--------------|
| Cost: | | |
| Balance at beginning of year | 3,580 | 3,580 |
| Additions during the year | – | – |
| Balance at end of year | 3,580 | 3,580 |
| Accumulated depreciation and amortisation: | | |
| Balance at beginning of year | (3,290) | (2,143) |
| Current year depreciation | (197) | (1,147) |
| Balance at end of year | (3,487) | (3,290) |
| Net Book Value | | |
| Balance at end of year | 93 | 290 |

8. Other assets

| | 2016 US\$ | 2015 US\$ |
|------------------|--------------|--------------|
| Prepaid expenses | 4,757 | 5,137 |
| | 4,757 | 5,137 |

9. Amounts due to fellow group undertakings

| | 2016 US\$ | 2015 US\$ |
|--|--------------|--------------|
| Amounts due to fellow group undertakings | 960 | 27,917 |
| | 960 | 27,917 |

10. Other liabilities

| | 2016 US\$ | 2015 US\$ |
|------------------|--------------|--------------|
| Expense accruals | 249,386 | 412,038 |
| | 249,386 | 412,038 |

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2016

11. Share capital

| | 2016 US\$ | 2015 US\$ |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| 100,000 ordinary shares of \$1 each | 100,000 | 100,000 |
| <i>Allotted, called up and fully paid</i> | | |
| 1 ordinary share of \$1 each | 1 | 1 |

12. Statutory and other information

The profit on ordinary activities before taxation is stated after charging:

| | 2016 US\$ | 2015 US\$ |
|-----------------------------|--------------|--------------|
| Directors' remuneration | 342,540 | 633,233 |
| Auditor's remuneration | 13,854 | 4,024 |
| Tax preparer's remuneration | (526) | 3,200 |
| | 355,868 | 640,457 |

The highest paid Director was paid an amount of \$342,540 in 2016 (2015: US\$633,233). Auditor's remuneration for the current and prior year arises solely on fees incurred for the statutory audit. The tax compliance fee incurred for the current and prior year are payable to the auditors.

13. Employees

The Company has one employee who is also a Director. The Company also employs a fellow group undertaking (BBAM) to provide management and consulting services with respect to the aircraft on lease.

14. Ultimate and immediate parent undertaking

The Company is a limited liability company incorporated and domiciled in the UK. The Company is a wholly-owned subsidiary of BBAM International Limited Partnership ("BBAM ILP"), a company incorporated in the Cayman Islands. BBAM ILP is a wholly-owned subsidiary of BBAM Limited Partnership ("BBAM LP"), a company incorporated in the Cayman Islands.

As at 31 December 2016, the immediate parent undertaking is BBAM ILP. The ultimate parent undertaking and controlling party is BBAM LP. BBAM ILP and BBAM LP are respectively, the smallest and largest group in which the financial statements of the Company are consolidated. The consolidated financial statements of BBAM ILP are not publicly available.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2016

15. Related party transactions

The Company has been engaged to provide management and consulting services to BBAM. BBAM is a wholly owned subsidiary of the ultimate parent undertaking. The fees earned from BBAM during the year totalled US\$1,345,251 (2015: US\$2,276,319). The balance receivable from BBAM at 31 December 2016 was US\$295,284 (2015: payable of US\$24,853). BBAM US LP and a fellow group undertaking, BBAM Aviation Services Limited, paid operating expenses on behalf of the Company. The Company earned fees totalling US\$31,975 from BBAM Aviation Services Limited during the year (2015: US\$50,278). Consequently, BBAM UK had a receivable balance of US\$33,336 at 31 December 2016 (2015: US\$50,278). Its ultimate parent, BBAM Limited Partnership, also paid operating expenses on behalf of the Company, and the Company and has a payable balance of US\$Nil at 31 December 2016 (2015: US\$94).

16. Capital management

The primary objective of the Company in terms of capital management is to ensure that appropriate capital ratios are maintained in order to support the business. Capital comprises issued share capital and retained earnings and is measured at US\$1,007,357 as at 31 December 2016 (2015: US\$1,656,471). The Company manages its capital base and makes adjustments to it in light of changes in economic conditions. There have been no changes in the objectives, policies or processes relating to capital management during the financial year 2016.

17. Risk and uncertainties

a) Market risk

The Company is subject to the market risk of the companies for which management services are provided. The Company is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Company through a reduced demand for aircraft in the fleet and/or reduced market rates, higher incidences of lessee default and aircraft on ground all of which may require that the carrying value of aircraft be materially reduced. These exposures are managed through the requirement of the airlines that lease the Company's assets to maintain insurance, adequate maintenance policies and/or contribute to a maintenance reserve for the major maintenance on each aircraft. The effective monitoring and controlling of these exposures for the year was a competency of BBAM as part of the financial risk policy which the Company has entered into.

A significant deterioration in the financial condition of or bankruptcy by a lessee could impair their ability to comply with their lease payment obligations to the Company and expose the Company to significant financial loss.

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

b) Credit risk

The Company is subject to the credit risk of the companies for which management services are provided. Credit risk is defined as unexpected loss in cash and earnings if the counterparty is unable to pay its obligations in due time. The effective monitoring and controlling of customer credit risk is a competency of BBAM as part of the financial risk policy the Company has entered into. The assessment process takes into account qualitative and quantitative information about the customer such as business activities, financial resources and performance or business risks, to the extent that this information is publicly available or otherwise disclosed to the Company.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2016

17. Risk and uncertainties (continued)

The Company holds cash balances which are invested on a short-term basis and are classified as cash and cash equivalents. These deposits give rise to credit risk on amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty. The Company typically does not enter into deposits with duration of more than 3 months.

The values of trade receivables are highly dependent upon the financial strength of the commercial aviation industry as described in market risk section. Defaults by the lessee could have a material adverse effect on our cash flow and earnings and our ability to meet the debt obligations of the Company.

c) Liquidity risk

The Company's exposure to liquidity risk is minimal as the Company maintains sufficient cash and cash equivalents to meet its short term liabilities.

d) Foreign currency risk

The Company's exposure to foreign currency risk is minimal. The Company's foreign currency exposures arise mainly on audit and tax fees which are denominated in Euro and Pound Sterling, respectively.

e) Interest rate risk

The Company is not exposed to interest rate risk through the impact of rate changes as interest bearing liabilities are zero.

18. Events after the reporting period

There are no significant events subsequent to 31 December 2016 that require adjustment to or disclosure in the financial statements.

19. Approval of financial statements

The Board of Directors approved and authorised these financial statements on *13 September 2017.*