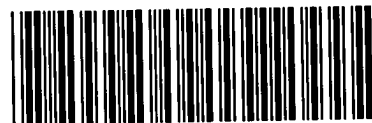


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BBAM UK Limited

Directors' Report and Financial Statements for the year ended
31 December 2018

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BBAM UK Limited

Directors' Report and Financial Statements

<i>Contents</i>	<i>Page</i>
Directors and Other Information	1
Directors' Report	2
Independent auditor's report	5
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12

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

Vistra Company Secretaries Limited

Registered Number of Incorporation

7037498

Auditors

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

BBAM UK Limited

Directors' Report

The Directors present herewith their annual report and audited financial statements for the year ended 31 December 2018.

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, liquidity, foreign currency and interest rate risk. The Company in turn has a financial risk policy that is managed by a fellow group undertaking, BBAM Aircraft Management LP ("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 19 'Risk and uncertainties'.

Results for the Year and State of Affairs at 31 December 2018

The Statement of Comprehensive Income for the year ended 31 December 2018 and the Statement of Financial Position at that date are set out on pages 8 and 9. The profit on ordinary activities for the year before taxation amounted to US\$265,271 (2017: US\$601,247). After charging taxation of US\$25,177 (2017: US\$146,825), a profit of US\$240,094 (2017: US\$454,422) is transferred to reserves. Shareholders' funds at 31 December 2018 amounted to a surplus of US\$701,873 (2017: US\$461,779). The Directors did not recommend a dividend be paid in respect of the current financial year (2017: 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 2018 that require adjustment to or disclosure in the financial statements.

Political Donations

No political donations were made by the Company during the year (2017: US\$Nil).

Charitable Contributions

No charitable contributions were made by the Company during the year (2017: 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" as adopted 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)

Independent 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 27 September 2019.

A handwritten signature in black ink, appearing to read 'Gregory Azzara', written over a horizontal line.

Director
Gregory Azzara

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

Opinion

We have audited the financial statements of BBAM UK Limited for the year ended 31 December 2018 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 21. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the director's report. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

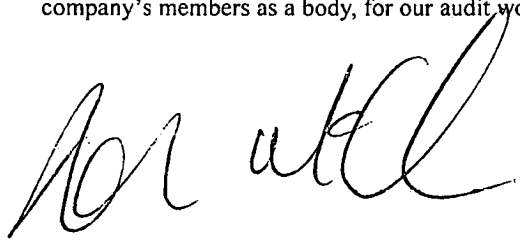
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



John McCormack (*Senior statutory auditor*)

for and on behalf of Ernst & Young, *Statutory Auditor*

Dublin

Date 27 September 2019

BBAM UK Limited

Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 US\$	2017 US\$
Operating income	2	468,036	986,033
Operating expense	3	(202,765)	(384,349)
Net operating profit on continuing operations		265,271	601,684
Interest expense	4	–	(437)
Profit on ordinary activities before taxation		265,271	601,247
Tax charge on profit on ordinary activities	5	(25,177)	(146,825)
Profit on ordinary activities after taxation		240,094	454,422

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.

The accompanying notes on pages 12 to 32 form an integral part of these financial statements.

BBAM UK Limited

Statement of Financial Position at 31 December 2018

	Note	2018 US\$	2017 US\$
Assets			
Cash and cash equivalents	6	797,052	355,270
Amounts due from fellow group undertakings	7	78,098	324,805
Property, plant & equipment	8	—	26
Deferred tax assets	5	9,028	11,442
Other assets	9	881	1,250
Total assets		885,059	692,793
Liabilities			
Amounts due to fellow group undertakings	10	91,779	2,463
Current tax payable		2,050	40,261
Other liabilities	11	89,357	188,290
Total liabilities		183,186	231,014
Equity			
Share capital	12	1	1
Retained earnings		701,872	461,778
Total equity		701,873	461,779
Total liabilities and equity		885,059	692,793

The accompanying notes on pages 12 to 32 form an integral part of these financial statements.

Approved by the Board and authorised for issue on 27 September 2019.



Director
Gregory Azzara

BBAM UK Limited

Statement of Changes in Equity for the year ended 31 December 2018

	Share Capital US\$	Retained Earnings US\$	Total Equity US\$
Balance at 1 January 2017	1	1,007,356	1,007,357
Dividend declared and paid	–	(1,000,000)	(1,000,000)
Profit for the year	–	454,422	454,422
Balance at 31 December 2017	1	461,778	461,779
Dividend declared and paid	–	–	–
Profit for the year	–	240,094	240,094
Balance at 31 December 2018	1	701,872	701,873

No dividends were paid in 2018 (2017: US\$1,000,000) per share issued.

BBAM UK Limited

Statement of Cash Flows for the year ended 31 December 2018

	2018 US\$	2017 US\$
Cash flows from operating activities		
Operating profit from continuing operations	265,271	601,684
Depreciation	26	67
Decrease in amounts due from fellow group undertakings	246,707	3,815
Increase in amounts due to fellow group undertakings	89,316	1,503
Decrease in other assets	369	3,507
Decrease in other liabilities	(98,933)	(61,096)
Cash inflow from operations	502,756	549,480
Interest payments made	–	(437)
Income taxes paid	(60,974)	(179,237)
Net cash inflow from operations	441,782	369,806
Cash flows from financing activities		
Dividends declared and paid	–	(1,000,000)
Net cash outflow from financing activities	–	(1,000,000)
Net increase/decrease in cash and cash equivalents	441,782	(630,194)
Cash and cash equivalents at the beginning of the year	355,270	985,464
Cash and cash equivalents at the end of the year	797,052	355,270

BBAM UK Limited

Notes to the Financial Statements

31 December 2018

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”) as adopted by the European Union (“EU”) and with those parts of the Companies Act 2014 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 United States Dollars (US\$). The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by EU.

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 2018.

d) New and amended accounting standards adopted

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018:

- 1) IFRS 9 Financial Instruments
- 2) IFRS 15 Revenue from Contracts with Customers
- 3) IFRIC 22 Foreign Currency Transactions and Advance Consideration

The nature and effects of the changes are explained below.

1) IFRS 9 Financial Instruments

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 “Financial instruments” replaces IAS 39 ‘Financial instruments: Recognition and Measurement’. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale assets. The Company has reviewed the impact of the initial application of IFRS 9 and determined that there is no impact on the financial statements. As permitted by the transitional provisions of IFRS 9, the Company has elected not to restate comparative figures.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets and financial liabilities as at 1 January 2018.

BBAM UK Limited

Notes to the Financial Statements

31 December 2018

1 Statement of accounting policies (continued)

d) New and amended accounting standards adopted (continued)

1) IFRS 9 Financial Instruments (continued)

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 US\$	New carrying amount under IFRS 9 US\$
Financial Assets					
Cash and cash equivalents	6	Loans and receivables	Amortised cost	355,270	355,270
Amounts due from fellow group undertakings	7	Loans and receivables	Amortised cost	324,805	324,805
Other assets	9	Loans and receivable	Amortised cost	317	317
Total Financial Assets				680,392	680,392
Financial Liabilities					
Amounts due to fellow group undertakings	10	Other financial liabilities	Amortised cost	2,463	2,463
Current tax payable	5	Other financial liabilities	Amortised cost	40,261	40,261
Other liabilities	11	Other financial liabilities	Amortised cost	188,290	188,290
Total Financial Liabilities				231,014	231,014

(a) Classification and measurement

Under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

BBAM UK Limited

Notes to the Financial Statements

31 December 2018

1 Statement of accounting policies (continued)

d) New and amended accounting standards adopted (continued)

1) IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

The new classification and measurement of the Company's debt financial assets are as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Company's cash and cash equivalents, amounts due from fellow group undertakings and other assets.

The Company did not hold *Debt Instruments at FVPL*, *Debt Instruments at FVOCI* or *Equity Instruments at FVOCI* at 1 January 2018.

The assessment of the Company's business models was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the Statement of Comprehensive Income.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loan assets, restricted and unrestricted cash, and loan receivables not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

There has been no impact to the Company's financial statements as a result of the IFRS 9 requirements for accounting for impairment losses.

(c) Hedge accounting

The adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Company's financial statements as the Company does not apply hedge accounting.

2) IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Company has reviewed the impact of the initial application of IFRS 15 and determined that there is no impact for the Company.

These amendments have had no significant impact on the Company's financial statements at 31 December 2018.

BBAM UK Limited

Notes to the Financial Statements

31 December 2018

1 Statement of accounting policies (continued)

3) IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Company has reviewed the impact of the initial application of IFRIC 22 and determined that there is no impact for the Company.

e) New standards or interpretations not yet adopted

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 standards listed below are those which are expected to have an impact on the Company. The Company intends to adopt these standards, if applicable, when they become effective.

The Company does not plan to adopt these standards early:

1) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date. Since the Company does not operate in a complex multinational tax environment, applying the Interpretation amendments are not expected to affect its financial statements.

2) Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

1. Statement of accounting policies (continued)

e) New standards or interpretations not yet adopted (continued)

2) Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

3) 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.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company does not expect any effect of IFRS 16 on its financial statements.

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

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

1. Statement of accounting policies (continued)

f) Foreign Currency (continued)

rate prevailing at the date of acquisition of the asset. All exchange differences are included in the Statement of Comprehensive Income.

g) Operating Income

Operating income comprising of rentals from operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the lease term. Operating income arising from lease arrangements where payments are dependent on variable factors is recognised as payment falls due.

h) Operating Expense

The operating expenses of the Company are recognised in the Statement of Comprehensive income on an accrual basis.

Inward lease costs due under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease rentals arising from lease arrangements where payments are dependent on variable factors are charged as payment falls due.

i) Interest Expenses

Interest on notes payable is recognised as incurred. A prepayment is recorded for interest payments made and not yet incurred. For interest that has been incurred but unpaid at the end of the year, an accrual is recorded.

j) Financial Instruments

The Company's financial assets are all categorised as financial assets measured at amortised costs. Financial assets measured at amortised cost include "cash and cash equivalents", "other assets" and "amounts due from fellow group undertakings" in the Statement of Financial Position.

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost comprises "amounts due to fellow group undertakings", "current tax payable" and "other liabilities" in the Statement of Financial Position.

1) Financial Assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at, amortised cost, fair value through Other Comprehensive Income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

1. Statement of accounting policies (continued)

j) Financial Instruments (continued)

1) Financial Assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost
- financial assets at fair value through OCI with recycling of cumulative gains and losses
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- financial assets at fair value through profit or loss

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at amortised cost comprise cash and cash equivalents, current tax asset, restricted cash, amounts due from fellow group undertakings and trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Comprehensive Income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not hold any equity instruments at fair value through OCI.

Financial assets designated at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Comprehensive Income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2018

1. Statement of accounting policies (continued)

j) Financial Instruments (continued)

1) Financial Assets (continued)

The Company does not hold any debt instruments at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Company does not hold financial assets at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Statement of Financial Position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in note 19.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cashflows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

1 Statement of Accounting Policies (continued)

j) Financial Instruments (continued)

1) Financial Assets (continued)

ECLs are recognised in two stages.

- For credit loss exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).
- those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off for these reasons when there is no reasonable expectation of recovering the contractual cash flows.

2) Financial Liabilities

Initial recognition and measurement

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost comprises "amounts due to fellow group undertakings", "current tax payable" and "other liabilities" in the Statement of Financial Position.

All financial liabilities are recognised initially at fair value and, in the case of notes payable, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income.

This category generally applies to interest-bearing loans and borrowings.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

1 Statement of Accounting Policies (continued)

j) Financial Instruments (continued)

2) Financial Liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

3) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise of cash and cash equivalents, amount due from fellow group undertakings, other assets, current tax payable, other liabilities and amounts due to fellow group undertakings.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured at cost using the effective interest rate method, less any impairment losses. Where the terms of a loan facility are amended, the Company determines whether the amendment constitutes a substantial modification under both a quantitative and qualitative basis. If the amendment is deemed a substantial modification, the loan facility is deemed to be a new facility and the loan principal is deemed to have been repaid and all unamortised fees relating to the original loan facility are amortised to the Statement of Comprehensive Income and included under finance expense.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Cash and cash equivalents

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

k) 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.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

1 Statement of accounting policies (continued)

l) Taxation

Corporation tax payable is provided on the results for the year. The Company is subject to Irish Corporation tax on trading operations at the standard rate of 12.5%.

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

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.

m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

n) 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. The estimates and associated assumptions are based upon historical experience and various other factors that the Directors believe 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.

o) Determination of Fair Values

Some of the Company's accounting policies and disclosures require the determination of fair value, for financial and non-financial assets and liabilities. Fair value is the amount at which an instrument could be exchanged in an arm's length transaction between informed and willing parties, other than as part of a forced liquidation sale. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Cash and cash equivalents

The carrying amount approximates to fair value due to the short-term nature of these instruments.

b) Other assets

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

The carrying amount approximates to fair value due to the short-term nature of these instruments.

1 Statement of accounting policies (continued)

c) Current tax payable

The carrying amount approximates to fair value due to the short-term nature of these instruments.

d) Amounts due to and from fellow group undertakings

The carrying amount approximates to fair value due to the short-term nature of these instruments.

e) Other liabilities

The carrying amount approximates to fair value due to the short-term nature of these instruments.

2. Operating income

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

3. Operating expenses

	2018 US\$	2017 US\$
General administrative and service reimbursement charges	78,371	82,946
Payroll related		
Salaries and compensation	116,862	274,200
Benefits	(3,917)	1,267
Taxes	11,423	25,869
Depreciation	26	67
	<u>202,765</u>	<u>384,349</u>

4. Interest Expense

	2018 US\$	2017 US\$
Interest expense	—	437
	<u>—</u>	<u>437</u>

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

5. Tax on continuing operations

	2018 US\$	2017 US\$
a) Analysis of tax charge in year		
Current tax:		
UK corporation tax on net profit for year	44,615	121,728
Adjustments in respect of prior periods	(21,852)	22,559
Corporation tax charge	22,763	144,287
Deferred tax:		
Origination and reversal of temporary timing differences	6,610	2,538
Adjustments in respect of prior periods	(4,196)	-
Deferred tax charge	2,414	2,538
Total tax charge for the period	25,177	146,825

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 higher (2017: higher) than the standard rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below:

	2018 US\$	2017 US\$
Profit on ordinary activities before taxation	265,271	601,247
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%)	50,402	115,740
Effects of:		
Non-assessable income not allowed for tax purposes	1,601	3,980
Adjustments in respect of prior periods	(26,048)	22,559
Difference the in rate for current tax and deferred tax	(778)	4,546
Total tax charge for the period	25,177	146,825

c) Circumstances affecting current and future tax charges

The UK corporation tax rate reduced to 19% from 1 April 2017. The rate will reduce to 17% from 1 April 2020, and as of the reporting date, both these future tax rate reductions had been "substantively enacted". The deferred tax asset at 31 December 2018 has been calculated based upon the substantively enacted rates of 19% & 17%. The respective rate changes will impact the amount of future tax payments to be made by the company.

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2018

d) *Deferred income tax*

	2018 US\$	2017 US\$
Opening balance	11,442	13,980
Deferred tax (expense)	(2,414)	(2,538)
Total deferred tax asset	9,028	11,442

The deferred tax asset is driven mainly by differences in bonus payment for tax purposes.

6. Cash and cash equivalents

	2018 US\$	2017 US\$
Cash at bank	797,052	355,270
	797,052	355,270

7. Amounts due from fellow group undertakings

	2018 US\$	2017 US\$
Amounts due from fellow group undertakings	78,098	324,805
	78,098	324,805

Amounts due from fellow group undertakings are unsecured, interest free and repayable on demand.

8. Property, plant and equipment

	2018 US\$	2017 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	(3,554)	(3,487)
Current year depreciation	(26)	(67)
Balance at end of year	(3,580)	(3,554)
Net Book Value		
Balance at end of year	—	26

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

9. Other assets

	2018 US\$	2017 US\$
Prepaid expenses	881	933
Employee receivables	-	317
	<u>881</u>	<u>1,250</u>

10. Amounts due to fellow group undertakings

	2018 US\$	2017 US\$
Amounts due to fellow group undertakings	91,779	2,463
	<u>91,779</u>	<u>2,463</u>

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

11. Other liabilities

	2018 US\$	2017 US\$
Expense accruals	89,357	188,290
	<u>89,357</u>	<u>188,290</u>

12. Share capital

	2018 US\$	2017 US\$
<i>Authorised</i>		
100,000 ordinary shares of \$1 each	<u>100,000</u>	<u>100,000</u>
	2018 US\$	2017 US\$
<i>Allotted, called up and fully paid</i>		
1 ordinary share of \$1 each	<u>1</u>	<u>1</u>

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

13. Fair value

Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing and able parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

a) Fair value of financial assets and liabilities

The fair value of the Company's cash and cash equivalents, amounts due from fellow group undertakings, amounts due to fellow group undertakings, current tax payable and other liabilities approximate their carrying value.

The following table summarises fair value measurements recognised in the statement of financial position or disclosed in the Company's financial statements by asset or liability and categorised by level according to the significance of the inputs used in making the measurements.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

13. Fair value (continued)

a) Fair value of financial assets and liabilities (continued)

	Instruments at fair value through profit and loss 2018 US\$	Instruments at fair value through other comprehensive income 2018 US\$	Amortised Cost 2018 US\$	Carrying Amount 2018 US\$	Fair Value 2018 US\$
Cash and cash equivalents	—	—	797,052	797,052	797,052
Amounts due from fellow group undertakings	—	—	78,098	78,098	78,098
Financial assets 2018	—	—	875,150	875,150	875,150

Amounts due to fellow group undertakings	—	—	91,779	91,779	91,779
Current tax payable	—	—	2,050	2,050	2,050
Other liabilities	—	—	89,357	89,357	89,357
Financial liabilities 2018	—	—	183,186	183,186	183,186

	Instruments at fair value through profit and loss 2017 US\$	Instruments at fair value through other comprehensive income 2017 US\$	Amortised Cost 2017 US\$	Carrying Amount 2017 US\$	Fair Value 2017 US\$
Cash and cash equivalents	-	-	355,270	355,270	355,270
Amounts due from fellow group undertakings	-	-	324,805	324,805	324,805
Other assets	-	-	371	371	371
Financial assets 2017	-	-	680,446	680,446	680,446

Amounts due to fellow group undertakings	-	-	2,463	2,463	2,463
Current tax payable	-	-	40,261	40,261	40,261
Other liabilities	-	-	188,290	188,290	188,290
Financial liabilities 2017	-	-	231,014	231,014	231,014

BBAM UK Limited

Notes to the Financial Statements (continued) 31 December 2018

14. Statutory and other information

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

	2018 US\$	2017 US\$
Directors' remuneration	112,945	275,467
Auditor's remuneration	14,642	13,586
Tax preparer's remuneration	3,262	2,880
	<u>130,849</u>	<u>291,933</u>

The highest paid Director was paid an amount of US\$112,945 in 2018 (2017: US\$275,467). 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.

15. Employees

The Company has one employee who is also a Director.

16. 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 2018, the immediate parent undertaking and controlling party is BBAM ILP. The ultimate parent undertaking and controlling party is BBAM LP. BBAM LP, the smallest and largest group in which the financial statements of the Company are consolidated. The consolidated financial statements of BBAM LP are not publicly available.

17. 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\$436,556 (2017: US\$902,219). The balance receivable from BBAM at 31 December 2018 was US\$67,618 (2017: US\$255,815). 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\$Nil from BBAM Aviation Services Limited during the year (2017: US\$Nil). Consequently, BBAM UK had a payable balance of US\$91,554 at 31 December 2018 (2017: payable of US\$1,802). Its ultimate parent, BBAM LP, also paid operating expenses on behalf of the Company and has a payable balance of US\$Nil at 31 December 2018 (2017: US\$Nil).

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

17. Related party transactions (continued)

The Company has amounts receivable/(payable) from fellow group undertakings as disclosed in aggregate in notes 7 and 10. The following is a list of those fellow group undertakings and their relationship with the Company:

Company	Relationship Type	31-Dec-2018	31-Dec-2017
BBAM International LP	Immediate parent undertaking	US\$Nil	US\$65,402
BBAM US LP	Owned by immediate parent	(US\$225)	(US\$661)
BBAM Aircraft Management LP	Owned by immediate parent	US\$67,618	US\$255,815
Summit Meridian GP Co. Ltd	Related party undertaking	US\$7,017	US\$3,588
Horizon Aircraft Manager Co. Ltd	Related party undertaking	US\$3,463	US\$Nil
BBAM Aviation Services Ltd	Owned by immediate parent	(US\$91,554)	(US\$1,802)

18. 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\$701,873 as at 31 December 2018 (2017: US\$461,779). 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 2018.

19. 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.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

19. Risk and uncertainties (continued)

b) Credit risk

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 airline customer credit risk is a competency of BBAM as part of the financial risk policy the Company has entered into. Creditworthiness of each new customer is assessed and the Company seeks security deposits in the form of cash or Letter of Credit to mitigate overall financial exposure to its lessees. 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.

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

Impairment of financial assets

The Company has two types of financial assets that are subject to the expected credit loss ("ECL") model:

- cash and cash equivalents
- amounts due from group undertakings

Cash and Cash equivalents

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Amounts due from group undertakings

While amounts due from group undertakings are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

c) Liquidity risk

In the management of liquidity risk, the Company and BBAM monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of the fluctuation in cash flows.

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. Therefore, no sensitivity analysis has been provided.

BBAM UK Limited

Notes to the Financial Statements (continued)

31 December 2018

20. Events after the reporting period

There are no significant events subsequent to 31 December 2018 that require adjustment to or disclosure in the financial statements.

21. Approval of financial statements

The Board of Directors approved and authorised these financial statements on 27 September 2019.