

Registration number: 07317238

Aircraft 32A-3454 Limited

Directors' Report and Financial Statements

For the year ended 31 December 2019



Aircraft 32A-3454 Limited

Strategic Report, Directors' Report and Financial Statements

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Aircraft 32A-3454 Limited

Company information

Company Registration Number 07317238

Directors Joint Corporate Services Limited
Tamzin Lawrence
Gordon Chase
Nita Savjani

**Company Secretary
and Registered Office** Joint Secretarial Services Limited
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20 Farringdon Street
London
EC4A 4AB
United Kingdom

Independent Auditors PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Bank Bank of America
2 King Edward Street
London
EC1A 1HQ
United Kingdom

Company Definitions:
“the Company” Aircraft 32A-3454 Limited
“the Group” AerCap Holdings N.V. and its subsidiary undertakings

Aircraft 32A-3454 Limited

Directors' Report

For the year ended 31 December 2019

The directors present their annual report on the affairs of the Company together with the audited financial statements and auditor's report, for the year ended 31 December 2019.

Principal activities and business review

The Company is a special purpose company engaged in aircraft leasing and associated activities. The aircraft currently appearing on the Company's statement of financial position was purchased in July 2010 and is on lease with an airline in Asia.

The Directors have prepared the financial statements under FRS 102. The Company is constantly under review by the Directors, as future results depend on industry conditions and the ability of the Company to achieve satisfactory lease rates in the current environment and minimize downtime.

Principal risks and uncertainties

The Directors have identified a number of risks facing the Company and have undertaken the following approach to deal with the relevant risks:

Covid-19 infectious diseases risks

The outbreak of Covid-19 has resulted in a number of countries imposing travel restrictions and mandatory quarantine periods for people travelling from affected regions, and has sharply reduced passenger demand for travel across the world, causing a great reduction in commercial airline traffic, substantial flight cancellations, and significant economic disruption. The continuing spread of the virus to additional countries and regions, or the persistence of current conditions for any appreciable period of time, could lead to even greater economic disruption and a broader adverse impact on air travel and the aviation industry.

The Company's financial condition depends on the ability of lessees to perform their payment and other obligations under the leases, and the downturn in the aviation industry resulting from Covid-19 has begun and in the future could continue to weaken the financial condition and exacerbate the liquidity problems of some of the lessees, and further increases the risk that they will delay, reduce or fail to make rental payments when due. In addition, the downturn has begun and in the future could continue to cause lower utilization of the Company's aircraft assets, which in turn results in a reduction in supplemental maintenance rent or end-of-lease compensation payable to the Company, and could impact the Company's ability to lease or sell aircraft.

Moreover, some regions have suffered or may suffer disproportionate impacts from the virus. A downturn in the aviation industry that affects the regions where the Company's lessees are concentrated to a greater degree than other regions will in turn have an increased impact on the Company. All of these actual and potential developments arising from the outbreak of Covid-19 could materially and adversely affect the Company's financial condition, results and cash flows.

Asset and credit risk

The Company leases aircraft on an operating lease and bears i) the asset risk of a deterioration in the underlying value of the aircraft and ii) the credit risk of the airline during the life of the lease. The Directors look to mitigate these risks by collecting maintenance reserves and/or collecting security deposits where appropriate, and, where possible either extending the lease term on the aircraft or remarketing the aircraft.

Technical, maintenance and environmental risks

The lessee undertakes the responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations where necessary.

Public liability risk

The lessee is responsible for ensuring that the aircraft has adequate insurance cover.

Future developments

The Directors have no plans to significantly change the activities and operations of the Company for the foreseeable future.

Aircraft 32A-3454 Limited

Directors' Report *(continued)*

For the year ended 31 December 2019

Financial results and dividends

The directors are satisfied with the results of operations of the Company for the current year and expect the Company will continue as a going concern for the foreseeable future.

The results for the year are set out on page 7. The profit for the year, after taxation is \$549 thousand (2018: \$688 thousand). No dividends were paid by the company during the year (2018: nil) or after the financial year-end.

Directors, Secretary and their interests

The Director and Secretary of the Company who held office at December 31, 2019 and at December 31, 2018 had no interests in the shares in the Company or group companies during the year, which would require disclosure in these financial statements. The Directors and Secretary who held office during the year are listed on the company information page. Unless indicated otherwise, they served for the entire year.

No Director has or has had any interest in any transaction with the Company or other Group companies, which is or was unusual in its nature or conditions or significant to the business of the Company or the Group within the year.

In accordance with the Articles of Association, the Directors are not required to retire by rotation.

Political and charitable donations

The Company made no political or charitable donations or incurred any political expenditure during the year.

Post balance sheet events

The recent outbreak of Covid-19 has caused or in the near future may cause certain underlying risks to the Company's business posed by epidemic diseases to crystallize. These risks include adverse effects to the Company's financial condition arising from a significant decrease in commercial airline traffic, and are described in more detail under the heading "PRINCIPAL RISKS AND UNCERTAINTIES-Covid-19 infectious diseases risk."

Statement on disclosure of information to Auditors

Each of the directors in office as at the date of this report confirms that:

- as far as they are aware there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' qualifying third party indemnity provisions

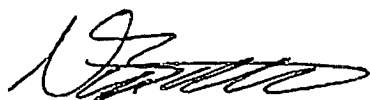
The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in S.234 of the Companies Act 2006, and as outlined in the Company's Articles of Association. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

Independent Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

The Directors have elected to exercise small companies' exemption in preparing this report.

This report was approved by the board on 11 August 2020 and signed on its behalf.



N. Savjani
Director

Aircraft 32A-3454 Limited

Directors' responsibilities statement *For the year ended 31 December 2019*

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board of directors on 11 August 2020 and signed on its behalf.



N. Savjani
Director



Independent auditors' report to the members of Aircraft 32A-3454 Limited

Report on the audit of the financial statements

Opinion

In our opinion Aircraft 32A-3454 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.



Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Emma Scott (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
11 August 2020

Aircraft 32A-3454 Limited

Statement of Comprehensive Income *For the year ended 31 December 2019*

	Note	2019 \$000	2018 \$000
Turnover	3	1,818	2,035
Depreciation and impairment	8	(858)	(858)
Gross profit		960	1,177
Other operating charges		(148)	(168)
Operating profit	4	812	1,009
Interest payable and similar charges	7	(150)	(182)
Profit on ordinary activities before taxation		662	827
Taxation on profit on ordinary activities	5	(113)	(139)
Profit for the financial year		549	688
Total comprehensive income for the year		549	688

The results above arose wholly from continuing operations.

The accompanying notes on pages 11 to 19 are an integral part of the financial statements.

Aircraft 32A-3454 Limited

Statement of Financial Position

As at 31 December 2019

	Note	2019 \$000	2018 \$000
Fixed assets			
Aircraft	8	16,784	17,642
		<u>16,784</u>	<u>17,642</u>
Current assets			
Debtors: Amounts falling due within one year	9	489	3
Cash and cash equivalents		22	9
		<u>511</u>	<u>12</u>
Creditors: Amounts falling due within one year	10	<u>(316)</u>	<u>(3,619)</u>
Net current assets / (liabilities)		195	(3,607)
Creditors: Amounts falling due after more than one year	11	(10,460)	(8,178)
Deferred tax	12	(1,007)	(894)
Net assets		<u>5,512</u>	<u>4,963</u>
Equity			
Capital and reserves			
Share capital	14	-	-
Retained earnings		5,512	4,963
Shareholders' funds		<u>5,512</u>	<u>4,963</u>

The accompanying notes on pages 11 to 19 are an integral part of the financial statements.

The financial statements were approved by the board of directors on 11 August 2020 and signed on its behalf by:



N. Savjani
Director

Company number: 07317238

Aircraft 32A-3454 Limited

Statement of changes in equity

For the year ended 31 December 2019

	Share Capital \$000	Retained Earnings \$000	Total Equity \$000
Opening balance at 1 January 2018	-	4,275	4,275
Profit for the year and total comprehensive income	-	688	688
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	-	4,963	4,963
	<hr/>	<hr/>	<hr/>
Opening balance at 1 January 2019	-	4,963	4,963
Profit for the year and total comprehensive income	-	549	549
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	-	5,512	5,512
	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 11 to 19 are an integral part of the financial statements.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting Policies

1.1 Basis of preparation

The entity financial statements have been prepared on the going concern basis and in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006.

The entity financial statements have been prepared under the historical cost convention.

The Directors have a reasonable expectation that the Company will continue in operational existence for twelve months from the date of approval of the financial statements ("the period of assessment") and have prepared the financial statements on a going concern basis. In making this assessment the Directors considered the potential impact of Covid-19 on the aviation industry and the Company's business, including:

- the Company's initial assessment of the impact on its business and profitability;
- the Company's funding and liquidity position;
- cashflow forecasts and potential impact of rent deferral agreements requested, and
- the ability of the ultimate parent, AerCap Holdings N.V to provide support.

While at this early stage it is not possible to quantify the financial impact on the Company's business, the Directors do not expect it to impact the Company's ability to meet its commitments as they fall due over the next 12 months. On the basis of the above, the Directors have concluded that the Company has no material uncertainties which would cast a significant doubt on the Company's ability to continue as a going concern over the period of assessment.

Non-adjusting event

FRS 102 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.

The situation at 31 December 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation [WHO]. There was no explicit evidence of human-to-human transmission at that date. These are the conditions that existed at 31 December 2019. The subsequent spread of the virus and its identification as the Covid-19 pandemic by the WHO does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore a non-adjusting event.

As Covid-19 is a non-adjusting event, its post year end impact has not been taken account of in the recognition and measurement of the Company's assets or liabilities at 31 December 2019. The Covid-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. The full impact on the aviation industry including the Company's business, assets and liabilities is not yet certain. The impact of the current uncertainty around airlines, global travel restrictions and businesses and global markets could lead to material impact on the value of certain aircraft models and future lease rates in the short to medium term.

However, given the inherent uncertainties, it is not possible to quantify the financial impact of Covid-19 on the Company's future financial performance, assets and liabilities at this point in time.

The Company is a qualifying entity for the purposes of FRS 102. Note 15 gives details of the Company's ultimate parent and from where its consolidated financial statements may be obtained.

As a qualifying entity the Company has availed of a number of exemptions from the disclosure requirements of FRS 102 in the preparation of the entity financial statements. The Company has notified its shareholders in writing about, and they do not object to, the disclosure exemptions availed of by the Company in the entity financial statements.

Aircraft 32A-3454 Limited

Statement of changes in equity

For the year ended 31 December 2019

1 Accounting Policies *(continued)*

1.1 Basis of preparation *(continued)*

In accordance with FRS 102 the Company has availed of an exemption from the following paragraphs of FRS 102:

- The requirements of paragraph 4.12(a)(iv) to disclose a reconciliation of the number of shares outstanding at the beginning and at the end of the period.
- The requirements of section 7 and paragraph 3.17(d) to present a statement of cash flows.
- The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A to disclose information about financial instruments;
- The requirements of paragraphs 26.18(b), 26.19 to 26.21 and 26.23 to disclose certain information about share based payment arrangements.
- The requirement of paragraph 33.7 to disclose key management personnel compensation.

The following accounting policies have been applied:

1.2 Turnover

Revenue from aircraft on operating lease is recognised as income as it accrues over the period of the lease on a straight line basis. Unearned revenue from finance and sales type leases is amortized to lease income in a manner which produces a constant rate of return on the net investment in the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Gains/losses from aircraft trading transactions are recognised separately in the Income Statement when the contract for sale or supply of the relevant aircraft is completed and the risk of ownership of the equipment is transferred. Revenue from lease management fees is recognised as other income as it accrues over the life of the contract. Penalties and charges on lessee notes receivable is recognised as other income as it accrues.

1.3 Current and deferred tax

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date, being 19% for the year ended 2019 (19% for the year ended 2018).

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the Directors.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

1 Accounting policies (*continued*)

1.4 Foreign currencies

Functional and presentation currency

The Company's functional currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

1.5 Aircraft and depreciation

Aircraft acquired by the Company are recorded at cost, less impairment and accumulated depreciation.

Cost comprises the invoiced cost net of manufacturers' discounts, but inclusive of applicable capitalised interest. Depreciation is calculated on a straight-line basis. The estimate of useful life and residual value is reviewed periodically. The current estimate of residual value and economic life is approximately 15% of manufactured cost and 25 years from date of manufacture, respectively.

Recoverable amount is the higher of the net realisable value and value in use. Net realisable value is the amount at which an asset could be disposed of less any direct selling costs, and value in use is the present value of future cashflows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.

Additional charges may be recorded to reduce the carrying value of specific assets to the recoverable amount when impairment is considered to have occurred. Where the recoverable amount is greater than the carrying value, no adjustment is made.

1.6 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

1 Accounting policies (*continued*)

1.7 Basic financial instruments

Trade receivables and payables

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Maintenance

In most lease contracts the lessee has the obligation to pay for maintenance costs on airframes, engines and other major life-limited components which arise during the term of the lease. In many lease contracts the lessee makes a payment of supplemental rent to cover the anticipated maintenance cost. In the majority of leases, the Company do not recognise supplemental rent as revenue, but as accrued liability. In these contracts, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft, the Company reimburses the lessee for the maintenance up to a maximum of the supplemental rent received in respect to the lease contract. In addition, the Company may be obligated in some instances to contribute to the maintenance work from its own reserves. Any surplus amounts of accrued maintenance liability existing on termination of a lease are recorded as income at that time.

In most lease contracts not requiring the payment of supplemental rents, the lessee is required to re-deliver the aircraft in a similar maintenance condition (normal wear and tear accepted) as when accepted under the lease, with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than at acceptance, there is normally an end-of-lease compensation adjustment for the difference at redelivery. The Company recognise receipts of end-of-lease compensation adjustments as lease revenue when received and payments of end-of-lease adjustments as leasing expenses when paid.

In addition, in both types of contracts, the Company may be obligated to make additional payments to the lessee for maintenance related expenses (lessor maintenance contributions or top-ups) primarily related to usage of major life-limited components occurring prior to the lease. The Company record a charge to leasing expenses at the time of the occurrence of a lessor contribution or top-up payment, except in instances where the Company have established an accrual as an assumed liability for such payment in connection with the purchase of an aircraft with a lease attached, in which case such payments are charged against the existing accrual.

1.9 Finance costs

Interest income and interest expense are recognised using the effective interest method. Accrued interest is included in the related party receivable and payable balances on the balance sheet.

1.10 Security deposits

The lease requires the lessee to pay a security deposit, either in cash or in the form of a letter of credit. This deposit is refundable to the lessee upon the expiration of the lease and the lessee satisfactorily meeting aircraft return conditions. Where such deposits are received in cash, they are recorded in the statement of financial position as a liability.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

1.11 Provision for bad debts

Provisions are made for doubtful debts where it is considered that there is a significant risk of non recovery. The assessment of risk of non recovery is primarily based on the extent to which amounts outstanding exceed the value of the security held together with an assessment of the financial strength and condition of a lessee and the economic conditions persisting in the lessee's operating environment.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies especially with the uncertainty in the current climate due to COVID-19.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements 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 on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or on the year of the revision and future years if the revision affects both current and future years. Further details are set out below;

Collectability of trade receivables

Evaluating collectability of trade receivables requires some level of subjectivity and judgement. When collectability of rental payments is not deemed probable, revenue is recognised when payments are received. Collectability is evaluated based on factors such as the lessee's credit rating, payment performance, financial condition and requests for modifications of lease terms and conditions as well as security received from the lessee in the form of guarantees and/or letters of credit.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

3 Turnover

An analysis of turnover by class of business is as follows:

	2019 \$000	2018 \$000
Aircraft leasing – operating lease rental receivable	1,818	2,035
	<u>1,818</u>	<u>2,035</u>

All income is derived from aircraft leasing activities in Asia.

The Company leases aircraft to airlines under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk of the residual value of the equipment at the end of the lease. The lessee must operate the aircraft in compliance with all applicable laws and regulations. Upon expiration of the operating lease, the Company may extend the lease term or take redelivery of the aircraft, to remarket and re-lease it to a new lessee or sell the aircraft. Generally the lessor must approve any sublease of the aircraft.

The lease agreement provides for the payment of a fixed, periodic amount of rent. The lease may contain extension options which provide the lessee the option to extend the lease on the provision of notice to the lessor. In addition, the lease may require the payment of supplemental maintenance rent based on aircraft utilisation during the lease term, or end-of-lease compensation calculated with reference to the technical condition of the aircraft at lease expiration. Both supplemental rent and end-of-lease arrangements generally include escalation clauses with the rate payable increasing over time. See accounting policies for additional information regarding policy in relation to supplemental rentals.

4 Operating profit

The operating profit is stated after charging:

	2019 \$000	2018 \$000
Depreciation of aircraft	858	858
	<u>858</u>	<u>858</u>

Auditors' remuneration was borne by AerCap Ireland Limited on behalf of the Company in the financial year ended December 31, 2019 or prior years as applicable and is not recharged specifically to the entity. Auditors' remuneration relates to statutory audit only.

During the current and prior year, all Directors, with the exception of Nita Savjani and Joint Corporate Services Limited were employed by, and received all emoluments from, other Group entities. The Directors perform duties for multiple entities in the AerCap Group, as well as their employment duties within the AerCap Group operations. TMF Global Services (UK) Services Limited provide director and secretarial services to the Company by way of the appointment of Nita Savjani and Joint Corporate Services Limited as Directors of the Company. During 2019 \$16k (2018: \$15k) was paid to TMF Global Services (UK) Limited for the provision of these services. There was no remuneration paid to the directors in relation to their services as directors of the Company in both years presented.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

5 Taxation on profit on ordinary activities

The standard rate of tax in the UK is 19% (2018: 19%). A reconciliation is set out below:

	2019 \$000	2018 \$000
Analysis of tax charge in the period		
Current tax		
Current tax charge	-	-
Deferred tax		
Deferred tax charge	113	139
Total tax charge	113	139
Reconciliation of total tax charge		
Profit before income tax	662	827
Standard tax rate at 19% (2018: 19%)	126	157
Effects of:		
Effect of decreased tax rate	-	(16)
Expenses not deductible for tax purposes	(13)	(3)
Prior period adjustment	-	1
Total tax charge	113	139

6 Staff costs

The Company has no employees (2018: none).

Management and support services are provided to the Company by AerCap Ireland Ltd. The related costs were borne by AerCap Ireland Limited on behalf of the Company.

7 Interest payable and similar charges

	2019 \$000	2018 \$000
Loans from Group undertakings	150	182
Total interest payable	150	182

Interest payable on loans from Group undertakings is wholly repayable within five years.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

8 Aircraft

	2019 \$000	2018 \$000
Cost		
Opening balance at 1 January	27,225	27,225
Additions	-	-
At 31 December	27,225	27,225
Depreciation		
Opening balance at 1 January	(9,583)	(8,725)
Charge for the financial year	(858)	(858)
At 31 December	(10,441)	(9,583)
Net book value at 31 December	16,784	17,642

In accordance with the stated accounting policy, an impairment review was performed at year end. As a result of this review, no impairment provision was recognised in the year (2018: nil). This impairment provision was calculated by comparing the carrying value of the aircraft to the higher of net realisable value and value in use, based on anticipated cash flows, discounted at 5.8% (2018: 5.8%). Discount rates are kept constantly under review for appropriateness based on current market conditions.

The aircraft may from time to time be pledged as collateral for external funding across the Group.

Aircraft may be analysed as follows:

On operating leases for a further period of:

	2019 \$000	2018 \$000
Less than one year	-	-
From one to two years	-	17,642
From two to five years	16,784	-
After 5 years	-	-
	16,784	17,642

9 Debtors: Amounts falling due within one year

	2019 \$000	2018 \$000
Amounts due from group companies	488	-
Other debtors	1	3
	489	3

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

10 Creditors: Amounts falling due within one year

	2019 \$000	2018 \$000
Early rents received	28	28
Lease payables	288	410
Amounts due to group companies	-	3,181
	<u>316</u>	<u>3,619</u>

All amounts due to Group companies are due to the parent undertaking and fellow subsidiary undertakings and are repayable on demand. Interest is charged at a composite rate of 4.6% (2018: 5.0%).

11 Creditors: Amounts falling due after more than one year

	2019 \$000	2018 \$000
Security deposits	870	870
Maintenance reserves liability	9,590	7,308
	<u>10,460</u>	<u>8,178</u>

12 Deferred tax

	2019 \$000	2018 \$000
Opening balance	894	755
Charged/(credited) to income statement	113	139
Closing balance	<u>1,007</u>	<u>894</u>

The deferred tax at the year-end comprises the following:

	2019 \$000	2018 \$000
Tax losses carried forward	(446)	(551)
Accelerated capital allowances	1,453	1,445
Adjustment for change in tax rate	-	-
	<u>1,007</u>	<u>894</u>

13 Commitments

Future minimum contracted rental under operating leases at 31 December 2019, were as follows:

	2019 \$000	2018 \$000
Less than one year	1,362	1,696
From one to two years	1,284	452
From two to five years	1,605	-
More than five years	-	-
	<u>4,251</u>	<u>2,148</u>

Refer to Note 3 for further information on lease arrangements.

Aircraft 32A-3454 Limited

Notes to the financial statements for the year ended 31 December 2019 (*continued*)

14 Share capital

	2019 \$000	2018 \$000
Authorised		
1 ordinary shares of £ 1.00 each	-	-
Issued		
1 ordinary shares of £ 1.00 each	-	-

The share was issued at the date of incorporation at par. The foreign exchange rate at date of issue was £1-\$1.98.

15 Parent company and holding company

The Company is a 100% indirect subsidiary of AerCap Holdings N.V., a company incorporated in the Netherlands, into which the results of the Company are consolidated. The consolidated accounts of AerCap Holdings N.V. are publicly available from the Trade Register in the city of Amsterdam under the number 34251954.

16 Related party transactions

Under FRS102, the Company is exempt from the requirement to disclose related party transactions with other group companies on the grounds that it is a wholly owned indirect subsidiary of AerCap Holdings NV, which prepares consolidated financial statements that are available to the public.

17 Post balance sheet events

The recent outbreak of COVID-19 has caused certain underlying risks to the Company's business posed by epidemic diseases to crystallize. These risks include adverse effects to the Company's financial condition arising from a significant decrease in commercial airline traffic. Internationally, countries have imposed travel restrictions and mandatory quarantine periods for people traveling from affected regions, and this has sharply reduced passenger demand for travel across the world, causing a great reduction in commercial airline traffic, substantial flight cancellations, and significant economic disruption.

The Company's financial condition depends on the ability of lessees to perform their payment and other obligations to the Company under the leases, and the downturn in the aviation industry resulting from COVID-19 has begun and in the future could continue to weaken the financial condition and exacerbate the liquidity problems of some lessees, and further increases the risk that they will delay, reduce or fail to make rental payments when due. As the downturn continues, this may cause lower utilization of the Company's aircraft assets, which in turn may result in a reduction in supplemental maintenance rent or end-of-lease compensation payable to the Company, and could impact the Company's ability to lease or sell its aircraft.

Moreover, some regions have suffered or may suffer disproportionate impacts from the virus. A downturn in the aviation industry that affects the regions where the Company's lessees are concentrated to a greater degree than other regions will in turn have an increased impact on the Company. All of these actual and potential developments arising from the outbreak of COVID-19 could materially and adversely affect the Company's financial condition, results and cash flows.

18 Approval of the financial statements

The board of directors approved these financial statements for issue on 11 August 2020.