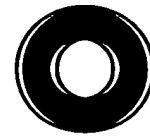


Macquarie Aerospace Holdings UK Limited

Company Registration Number 9457141

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2018



MACQUARIE

The Company's registered office is:
Ropemaker Place
28 Ropemaker Street
London
EC2Y 9HD
United Kingdom



Macquarie Aerospace Holdings UK Limited

2018 Strategic Report, Directors' Report and Financial Statements

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Macquarie Aerospace Holdings UK Limited

Strategic Report for the financial year ended 31 March 2018

In accordance with a resolution of the directors (the "Directors") of Macquarie Aerospace Holdings UK Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activity

The principal activity of the Company during the financial year ended 31 March 2018 was to act as a holding company.

Review of operations

The profit for the financial year ended 31 March 2018 was \$87,932,000, an increase of 75,966,000 from \$11,966,000 in the previous year.

Operating profit for the financial year ended 31 March 2018 was \$91,056,000, an increase of 91,122,000 from loss of \$66,000 in the previous year.

As at 31 March 2018, the Company had net assets of \$180,532,000 (2017: \$195,273,000).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 18.

Financial risk management

Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of asset risk, credit risk, liquidity risk, operational risk, interest rate risk and foreign exchange risk. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL.

The risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Asset risk

The Company bears the risk of loss on its investments in subsidiary and related party balances. The risk of loss is minimised by the fact that all investments and balances are with wholly owned entities within MGL. In addition, the Company periodically performs reviews of the recoverable amount of its investments in subsidiary, deferred tax assets and the sufficiency of accruals and provisions.

Credit risk

Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by the RMG. Credit approvals are processed within this framework and limits are set in accordance with current practices. Daily monitoring occurs using the standard framework, with exposure information fed by the risk management system.

Macquarie Aerospace Holdings UK Limited

Strategic Report (continued) for the financial year ended 31 March 2018

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively. The directors are satisfied that the Macquarie Group will extend funding as required.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include receivables from other Macquarie Group undertakings, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings which incur a fixed/variable rate of interest. The company utilises interest rate swaps to manage part of its interest rate risk.

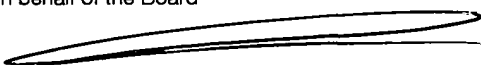
Foreign exchange risk

The Company has foreign exchange exposures which include amounts receivable from and payable to other Macquarie Group undertakings and external parties which are denominated in non-functional currencies. Any material non-functional currency exposures are managed by applying a group wide process of minimising exposure at an individual company level.

Key performance indicators ("KPIs")

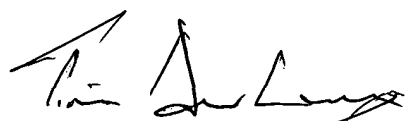
Given the nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of KPIs in this report is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored at each business segment and also at the Macquarie Group level.

On behalf of the Board



Director

05.12.2018
Gregg Walker
Director



Director

05.12.2018
Timothy Durham
Director

Macquarie Aerospace Holdings UK Limited

Directors' Report for the financial year ended 31 March 2018

In accordance with a resolution of the Directors of the Company, the Directors submit herewith the financial statements of the Company and report for the financial year ended 31 March 2018.

Directors and Secretaries

The Directors who each held office as a Director of the Company throughout the year and until the date of this report, unless disclosed below, were:

Gregg Macalister Walker
Liam James Kavanagh
Timothy Sebastian Durham

The Secretary who held office as a Secretary of the Company throughout the year and until the date of this report, unless disclosed otherwise, was:

Helen Louise Everitt

Results

The profit attributable to ordinary equity holders of the Company for the financial year ended 31 March 2018 was \$87,932,000 (2017: \$11,966,000).

Dividends paid or provided for

Interim dividend of \$102,673,000 was paid during the financial year (2017: \$nil).

State of affairs

There were no significant changes in the state of the affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Events after the reporting date

On 15 May 2018, the company issued additional 475,556,999 ordinary shares at \$0.63 each to its parent, Macquarie Aerospace Investments Limited, proceeds from this issue have been further invested in its subsidiary, Macquarie Aerospace Finance UK Limited.

On 25 May 2018, the ownership of the Company transferred from Macquarie Aerospace Investments Limited to Macquarie AirFinance Holdings Limited.

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial year subsequent to 31 March 2018 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

The Directors believe that no significant changes are expected other than those already disclosed in this report.

Creditor payment policy

It is the Company's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

Macquarie Aerospace Holdings UK Limited

Directors' Report (continued) for the financial year ended 31 March 2018

Indemnification and insurance of Directors

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent purchased and maintained throughout the financial year Directors' liability insurance in respect of the Company and its Directors.

Statement of Directors' responsibilities

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "*Reduced Disclosure Framework*", and applicable law).

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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from these standards being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The 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.

Disclosure of information to auditors

In the case of each Director in office at the date the Directors' Report is approved:

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

Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board


Director
Gregg Walker
Director

05.12.2018

Director


Timothy Durham
Director



Independent auditors' report to the members of Macquarie Aerospace Holdings UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Aerospace Holdings UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 balance sheet as at 31 March 2018; the profit and loss account, 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

We have nothing to report in respect of the following matters in relation to which 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.

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 Strategic Report and 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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 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 Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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
6 December 2018

Macquarie Aerospace Holdings UK Limited

Financial Statements

Profit and loss account for the financial year ended 31 March 2018

	Note	2018 \$'000	2017 \$'000
Income from subsidiary	2	81,767	-
Other operating income/(expenses)	2	9,419	(157)
Administrative (expenses)/income	2	(130)	91
Operating profit/(loss)		91,056	(66)
Interest receivable and similar income	3	10,943	8,687
Interest payable and similar charges	4	(12,298)	(16,512)
Income effect from derivative		-	22,940
Net interest (expense)/income		(1,355)	15,115
Profit on ordinary activities before taxation		89,701	15,049
Tax on profit on ordinary activities	6	(1,769)	(3,083)
Profit on ordinary activities after taxation		87,932	11,966

The above profit and loss account should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

There were no other comprehensive income and expenses other than those included in the results above and therefore no separate statement of comprehensive income has been presented.

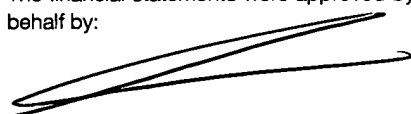
Macquarie Aerospace Holdings UK Limited
Company Registration Number 9457141

Balance sheet
as at 31 March 2018


	Note	2018 \$'000	2017 \$'000
Investment in subsidiary	7	279,269	279,269
Deferred tax assets	11	-	1,378
		279,269	280,647
Current assets			
Debtors	8	244,400	250,342
Creditors: amounts falling due within one year	9	(341,573)	(20,345)
Net current (liabilities)/assets		(97,173)	229,997
Total assets less current liabilities		182,096	510,644
Creditors: amounts falling due after more than one year	10	-	(315,371)
Provision for liabilities			
Deferred tax liabilities	11	(1,564)	-
Net assets		180,532	195,273
Capital and reserves			
Called up share capital presented as equity	13	179,089	179,089
Profit and loss account	14	1,443	16,184
Total shareholders' funds		180,532	195,273

The above balance sheet should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 5 December 2018 and were signed on its behalf by:


 Director

Gregg Walker
Director


 Director

Timothy Durham
Director

Macquarie Aerospace Holdings UK Limited

Statement of changes in equity for the financial year ended 31 March 2018

	Note	Called up share capital presented as equity \$'000	Profit and loss account \$'000	Total shareholders' funds \$'000
Balance as at 1 April 2016		284,269	(33,962)	250,307
Capital restructure	13	(105,180)	105,180	-
Profit for the financial year	14	-	11,966	11,966
Other comprehensive income		-	-	-
Total comprehensive income		(105,180)	117,146	11,966
Transactions with equity holders in their capacity as ordinary equity holders:				
Return of capital	14	-	(67,000)	(67,000)
Balance as at 31 March 2017		179,089	16,184	195,273
Profit for the financial year	14	-	87,932	87,932
Other comprehensive income		-	-	-
Total comprehensive income		-	87,932	87,932
Transactions with equity holders in their capacity as ordinary equity holders:				
Dividend paid	5,14	-	(102,673)	(102,673)
Balance as at 31 March 2018		179,089	1,443	180,532

The above statement of changes in equity should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements for the financial year ended 31 March 2018

Note 1. Summary of significant accounting policies

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom (the "UK"). The address of its registered office is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, United Kingdom.

i) Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 (the "Act") as applicable to companies using FRS 101.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of European Union ("EU") adopted International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The Company is a qualifying entity for the purposes of FRS 101. Note 18 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The principal accounting policies adopted in the preparation of these financial statements and that of the previous financial year are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

In accordance with FRS 101 the Company has availed of an exemption from the following requirements of IFRS:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- the requirements of International Accounting Standards ("IAS") 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- the requirements of paragraphs 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding);
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and
- the requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.

ii) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent company of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent company, MGL, a company incorporated in Australia.

As of the reporting date, the immediate holding company undertaking of the company is Macquarie Aerospace Investments Limited, a company incorporated in the UK. The ultimate holding company is MGL.

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 1. Summary of significant accounting policies (continued)

iii) Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial statements, such as:

- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (Notes 1(vi), 6, 11);
- impairment of investment in subsidiaries (Notes 1(vii), 1(x), 7).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

iv) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the "functional currency"). The Company's financial statements are presented in United States Dollars ("\$") (the "presentation currency"), which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

v) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Income from subsidiary

Income from subsidiary consists of dividend income from its subsidiaries.

Interest income/expense

Interest income/expense is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Other operating income

Other operating income comprise of gain on revaluation of financial instruments, service fee expense and other income.

Expenses

Expenses are brought to account on an accrual basis and, if not paid at the end of the reporting period, are reflected on the balance sheet as a payable.

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 1. Summary of significant accounting policies (continued)

vi) Taxation

The principles of the balance sheet method of tax effect accounting have been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

vii) Investment in subsidiary

Subsidiaries are all those entities over which the Company has the power to direct the relevant activities of the entity, exposure to significant variable returns and the ability to utilise power to affect the Company's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 '*Consolidated and Separate Financial Statements*'.

viii) Derivative financial instruments and hedging activities

Derivatives are categorised as held for trading, unless they are designated as hedges. The Company only has derivatives categorised as held for trading. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value.

The Company utilises derivative financial instruments to manage interest risk. Movements in the fair value are recorded in the income statement within the Other operating income line item.

ix) Other financial assets

Loans and receivables

Included within debtors are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes amounts due from related parties, and amounts due from customers for contractual lease revenues, supplemental rent or services performed in the ordinary course of business. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost.

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 1. Summary of significant accounting policies (continued)

x) Impairment

Loans and receivables

All receivables are subject to regular review and assessment for possible impairment. Provisions for impairment are recognised based on an incurred loss model and re-assessed at each balance sheet date. A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

If, in a subsequent year, the amount of impairment losses decrease and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through the profit and loss account to the extent of the impairment earlier recognised. Bad debts are written off in the year in which they are identified.

Investment in subsidiary

Investments in subsidiaries are reviewed annually for indicators of impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of the impairment.

xi) Financial liabilities

Financial liabilities includes amounts due to related parties which are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss account over the period of the borrowing using the effective interest method.

xii) Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

xiii) Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

xiv) Comparatives

Where necessary, comparative information is reclassified to conform with changes in presentation in the current year.

In accordance with the requirements of FRS101 the Company considers if any prior period accounting errors are material to the users of the financial statements and if so will, to the extent practicable, correct a material prior period error retrospectively in the first financial statements authorised for issue after its discovery. For errors that are not considered to be material the Company will consider on a case by case basis if retrospective adjustment will be made or if the error should be corrected in the current period.

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018 \$'000	2017 \$'000
Note 2. Profit on ordinary activities before taxation		
Income from subsidiary		
Dividend from subsidiary	81,767	-
Total income from subsidiary	81,767	-
Other operating income/(expenses)		
Gain on revaluation of financial instruments ¹	9,220	-
Service fee to related party	-	(157)
Other income	199	-
Total other operating income/(expenses)	9,419	(157)
Administrative (expenses)/income		
Auditors' remuneration ²	(122)	(20)
Other (expenses)/income	(8)	111
Total administrative (expenses)/income	(130)	91
¹ Gain on revaluation of financial instruments represents the revaluation gain on the derivative financial instruments (Note 12).		
² Auditors' remuneration (excluding VAT and including expenses) to the Statutory Audit Firm, PricewaterhouseCoopers Ireland of \$7,000 (2017: \$4,000) is in relation to the statutory audit of the financial statements. There are no other fees paid or payable by the Company to the Statutory Audit firm in the current or prior years.		
The Company had no employees and staff costs during the year (2017: \$nil).		
Note 3. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	10,943	8,687
Total interest receivable and similar income	10,943	8,687
Note 4. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	(12,298)	(16,512)
Total interest payable and similar charges	(12,298)	(16,512)
Note 5. Dividend paid		
Interim dividend paid (Note 14)	(102,673)	-
Total dividends paid or provided for	(102,673)	-
Note 6. Tax on profit on ordinary activities		
(i) Analysis of tax charge for the year:		
Current tax:		
Amounts receivable in respect of group relief surrendered	281	1,575
Adjustments to tax in respect of prior years	897	(84)
Others	(5)	-
Total current tax	1,173	1,491

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018 \$'000	2017 \$'000
Note 6. Tax on profit on ordinary activities (continued)		
Deferred tax:		
Origination and reversal of timing differences	(2,067)	(4,658)
Adjustments to tax in respect of prior years	(875)	84
Total deferred tax	(2,942)	(4,574)
Tax on profit on ordinary activities	(1,769)	(3,083)

(ii) Reconciliation of income tax expense to tax charged at standard rate:

Factors affecting tax charge for the year:

The taxation charge for the year ended 31 March 2018 is lower (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 20%).

Profit on ordinary activities before taxation	89,701	15,049
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	(17,043)	(3,010)
Effects of:		
Non taxable items	15,572	-
Tax effect of unrealizable loss carry forwards	(315)	-
Adjustments to tax in respect of prior years	22	-
Change in enacted future tax rates	-	(73)
Others	(5)	-
Tax on profit on ordinary activities	(1,769)	(3,083)

Note 7. Investment in subsidiary

Investment at cost	279,269	279,269
Total investment in subsidiary	279,269	279,269

The Company had investments in the following company, whose principal activity is holding:

Name of investment	Country of incorporation	2018 % ownership	2017 % ownership
Macquarie Aerospace Finance UK Limited	United Kingdom	100	100

The subsidiaries indirectly owned by the Company at the end of the financial year are given below. The principal activity of each is aircraft leasing, trading, management and holding:

Name of investment	Country of incorporation	2018 % ownership	2017 % ownership
Aerospace Finance 6771 UK Limited	United Kingdom	100	100
Aerospace Finance 6816 UK Limited	United Kingdom	100	100
Aerospace Finance 6818 UK Limited	United Kingdom	100	100
Macquarie Aerospace Finance 6242 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6220 Limited	Ireland	100	100
Macquarie Aerospace Finance 6254-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6254-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 6288 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6321 Limited	Cayman Islands	100	100

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 7. Investment in subsidiary (continued)

Name of investment	Country of incorporation	2018	2017
		% ownership	% ownership
Merino Aerospace Finance 35845 Limited	Ireland	100	100
Merino Aerospace Finance 36566 Limited	Ireland	100	100
Merino Aerospace Finance 36707 Limited	Ireland	100	100
Macquarie Aerospace Finance 6320 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 39414-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 39414-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 6320 AS	Norway	100	100
Merino Aerospace Finance 6350 Limited	Ireland	100	100
Merino Aerospace Finance 6375 Limited	Ireland	100	100
Merino Aerospace Finance 6458 Limited	Ireland	100	100
Merino Aerospace Finance 6500 Limited	Ireland	100	100
Merino Aerospace Finance 6538 Limited	Ireland	100	100
Macquarie Aerospace Finance 6422 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6422 AS	Norway	100	100
Merino Aerospace Finance 4257-1 Limited	Ireland	100	100
Macquarie Aerospace Finance 4257-2 Limited	United Kingdom	100	100
Merino Aerospace Finance 5482-1 Limited	Ireland	100	100
Macquarie Aerospace Finance 5482-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 39425 AB	Sweden	100	100
Macquarie Aerospace Finance 39429 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 39429 AS	Norway	100	100
Macquarie Aerospace Finance 39437 Limited	Ireland	100	100
Macquarie Aerospace Finance 39438 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 39440 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 39442 Limited	Ireland	100	100
Macquarie Aerospace Finance 40967 Limited	Ireland	100	100
Macquarie Aerospace Finance 4720 AS	Norway	100	100
Macquarie Aerospace Finance 4720-1 Limited	Ireland	100	100
Macquarie Aerospace Finance 4720-2 Limited	Ireland	100	100
Macquarie Aerospace Finance 5027 Limited	Ireland	100	100
Macquarie Aerospace Finance 5090 Limited	Ireland	100	100
Macquarie Aerospace Finance 5092 Limited	Ireland	100	100
Macquarie Aerospace Finance 5178 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5315 Limited	Ireland	100	100
Macquarie Aerospace Finance 5403 Limited	Ireland	100	100
Macquarie Aerospace Finance 5433 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 5466 Limited	Ireland	100	100
Macquarie Aerospace Finance 5673 Limited	Ireland	100	100
Macquarie Aerospace Finance 5742 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5773 AS	Norway	100	100
Macquarie Aerospace Finance 5773 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5822-1 Limited	Ireland	100	100
Macquarie Aerospace Finance 5822-2 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5844 AS	Norway	100	100
Macquarie Aerospace Finance 5844 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5857-1 Limited	Cayman Islands	100	100

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 7. Investment in subsidiary (continued)

Name of investment	Country of incorporation	2018	2017
		% ownership	% ownership
Macquarie Aerospace Finance 5857-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 5892-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5892-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 5951-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5951-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 5979-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 5979-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 5996 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6025-1 Limited	Ireland	100	100
Macquarie Aerospace Finance 6025-2 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6039/6535 Limited			
	Ireland	100	100
Macquarie Aerospace Finance 6045 Limited	Ireland	100	100
Macquarie Aerospace Finance 6079 Limited	Ireland	100	100
Macquarie Aerospace Finance 6081 Limited	Ireland	100	100
Macquarie Aerospace Finance 6113-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6113-2 Limited	United Kingdom	100	100
Macquarie Aerospace Finance 6140-1 Limited	Cayman Islands	100	100
Macquarie Aerospace Finance 6140-2 Limited	United Kingdom	100	100
Macquarie Aerospace Holdings Inc. (Incorporated on 6 February 2018)	United States	100	-
Merino Aerospace Finance 6218 Limited	Ireland	100	100
		2018	2017
		\$'000	\$'000

Note 8. Debtors

Amounts falling due within one year:

Amounts owed by other Macquarie Group undertakings

Other financial market assets ¹	8,244	-
Other receivables ²	235,589	74,107
Total amounts owed to other Macquarie Group undertakings	243,833	74,107
Taxation	567	1,849
Total amounts falling due within one year	244,400	75,956

Amounts falling due after more than one year:

Amounts owed by other Macquarie Group undertakings

Other receivables ²	-	174,386
Total amounts falling due after more than one year	-	174,386

Total debtors	244,400	250,342
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¹Other financial market assets represents the fair value of the derivative financial instrument (Note 12).

²Amounts owed by other Macquarie Group undertakings primarily represents a loan of \$175,221,000 (2017: \$174,386,000) provided to Macquarie Aerospace Finance UK Limited, which is repayable in June 2018. The Company earned interest on this loan at LIBOR plus 3.77% (2017: LIBOR plus 3.77%). Other balances included within other receivables are unsecured and have no fixed date of repayment. The Company derives interest on intercompany balances to group undertakings at market rates and at 31 March 2018 the rate applied was LIBOR plus 1.36% (2017: LIBOR plus 1.26% to LIBOR plus 2.23%).

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018 \$'000	2017 \$'000
Note 9. Creditors: amounts falling due within one year		
Amounts owed to other Macquarie Group undertakings		
Other financial market liabilities ¹	-	1,001
Other payables ²	341,573	19,339
Total amounts owed to other Macquarie Group undertakings	341,573	20,340
Trade and other payables	-	5
Total creditors: amounts falling due within one year	341,573	20,345

¹Other financial market liabilities represents the fair value of the derivative financial instrument (Note 12).

²Amounts owed to other Macquarie Group undertakings is primarily represents a loan balance of \$323,953,000 (2017: \$nil) from Macquarie Aerospace Investments Limited, which is repayable in September 2018. The Company incurred interest at 1 month LIBOR plus 1.37% (2017: 1 month LIBOR plus 1.37%). Other balances included within other payables are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2018 the rate applied was LIBOR plus 1.36% (2017: LIBOR plus 2.23%).

Note 10. Creditors: amounts falling due after more than one year

Amounts owed to other Macquarie Group undertakings ¹	-	315,371
Total creditors: amounts falling due after more than one year	-	315,371

¹Amounts owed to other Macquarie Group undertakings represent a loan from Macquarie Aerospace Investments Limited. The Company incurs interest at 1 month LIBOR plus 1.37%. This loan is due to mature in September 2018 and has been presented within "Creditors: amounts falling due within one year" in the current year.

Note 11. Deferred tax (liabilities)/assets

The balance comprises temporary differences attributable to:

Deferred tax assets

Tax losses	-	1,378
Total deferred tax assets	-	1,378

Deferred tax liabilities

Unrealised derivative gains	(1,564)	-
Total deferred tax liabilities	(1,564)	-
Net deferred tax (liabilities)/assets	(1,564)	1,378

The above amounts are expected to be recovered after 12 months of the balance date by the Company.

Reconciliation of the Company's movement in deferred tax balances:

Balance at the beginning of the financial year	1,378	6,226
Timing differences:		
Amounts debited to profit and loss account	(2,942)	(4,574)
Other	-	(274)
Balance at the end of the financial year	(1,564)	1,378

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 12. Derivative financial instruments

In 2015, the Company entered into an interest swap agreement to economically hedge against the variability on current and expected future interest rate payments on the debt borrowings of the companies subsidiary. The swap amortises over the term and terminates on 31 December 2026. During the term of the swap, the Company pays interest at fixed rate of 2.05% and receives floating interest based on 3 month LIBOR.

The swaps counterparties are related parties within Macquarie Group. There is no collateral held or provided in respect of the swaps. There are no provisions which would require the counterparty to demand collateral or require termination or replacement of derivative instruments in a net liability position.

At 31 March 2018, the fair value of the outstanding swap held by the Company was an asset of \$8,244,000 (2017: liability of \$1,001,000).

	2018	2017	2018	2017
	Number of	Number of	\$'000	\$'000
	shares	shares		

Note 13. Called up share capital presented as equity

Ordinary share capital

Opening balance of fully paid ordinary shares of \$0.63 each (2017: \$1 each)	284,269,394	284,269,394	179,089	284,269
Reduction in the nominal value of ordinary shares by \$0.37 each on 30 September 2016 ¹	-	-	-	(105,180)
Closing balance of fully paid ordinary shares presented as equity			179,089	179,089

¹In previous year, the Company restructured its share capital by reducing the nominal value of its common shares to \$0.63 per share. The proceeds from this reduction in share capital were applied against retained earnings, from which subsequently a capital distribution of \$67,000,000 was made to its parent.

	2018	2017
	\$'000	\$'000

Note 14. Profit and loss account

Balance at the beginning of the financial year	16,184	(33,962)
Capital restructure	-	105,180
Return of capital	-	(67,000)
Dividend paid (Note 5)	(102,673)	-
Profit attributable to the ordinary equity holders of Macquarie Aerospace Holdings UK Limited	87,932	11,966
Balance at the end of the financial year	1,443	16,184

Note 15. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 18.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned above.

Macquarie Aerospace Holdings UK Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 16. Directors' remuneration

During the financial years ended 31 March 2018 and 31 March 2017, all Directors were employed by, and received all emoluments from, other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Note 17. Contingent liabilities and commitments

The Company has no commitments or contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

Note 18. Ultimate holding company

As of the reporting date, the immediate parent company of the Company is Macquarie Aerospace Investments Limited.

The ultimate parent company and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Bank Limited ("MBL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MBL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000, Australia.

Note 19. Events after the reporting date

On 15 May 2018, the company issued additional 475,556,999 ordinary shares at \$0.63 each to its parent, Macquarie Aerospace Investments Limited, proceeds from this issue have been further invested in its subsidiary, Macquarie Aerospace Finance UK Limited.

On 25 May 2018, the ownership of the Company transferred from Macquarie Aerospace Investments Limited to Macquarie AirFinance Holdings Limited.

There were no other material events subsequent to 31 March 2018 that have not been reflected in the financial statements.

Note 20. Approval of accounts

The Directors approved the financial statements on 5 December 2018.