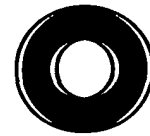


Macquarie Aerospace Finance UK Limited

Company Registration Number 9458807

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 Finance UK Limited

2018 Strategic Report, Directors' Report and Financial Statements

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Macquarie Aerospace Finance 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 Finance UK Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

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

Review of operations

The profit for the financial year ended 31 March 2018 was \$27,970,000, a decrease of 38 percent from \$44,940,000 in the previous year.

Operating profit for the financial year ended 31 March 2018 was \$14,477,000, an increase of \$15,837,000 from previous year.

As at 31 March 2018, the Company had net assets of \$289,999,000 (2017: \$343,796,000).

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 19.

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 subsidiaries 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 Finance 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.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include receivables from other Macquarie Group undertakings and cash at bank, all of which earn a fixed/variable rate of interest. Interest bearing liabilities include payables to an external party and other Macquarie Group undertakings, which incur a fixed/variable rate of interest.

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")

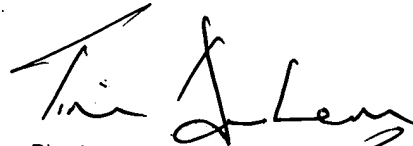
Given the nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of KPIs in this report is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored at each business segment 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 Finance 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
Stephen Wesley Cook
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 \$27,970,000 (2017: \$44,940,000).

Dividends paid or provided for

Dividend of \$81,767,000 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 299,600,909 ordinary shares at \$1.00 each to its parent, Macquarie Aerospace Holdings UK Limited.

On 15 May 2018, the company purchased the investment in two Macquarie Group undertakings, Macquarie AirFinance Acquisitions (UK) Limited and Macquarie Aerospace Limited from other Macquarie Group undertakings.

In May 2018, the Company amended its secured credit facility so as to increase its external borrowings from \$1.5 billion to \$3.0 billion, extended the final maturity date of the loans thereunder to May 2025, and decreased the interest rate applicable to such loans from LIBOR plus 190 basis points to LIBOR plus 150 basis points. The Company used the additional proceeds drawn under the secured credit facility primarily to repay related party borrowings which had previously financed the subsidiaries that the Company acquired.

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.

Macquarie Aerospace Finance UK Limited

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

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.

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.

Macquarie Aerospace Finance UK Limited

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

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

05.12.2018
Gregg Walker
Director

Director



05.12.2018

Timothy Durham
Director



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

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Aerospace Finance 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 Finance UK Limited

Financial Statements

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

| | Note | 2018 \$'000 | 2017 \$'000 |
|--|------|----------------|----------------|
| Income from subsidiaries | 2 | 12,295 | - |
| Other operating income/(expenses) | 2 | 3,121 | (1,134) |
| Administrative expenses | 2 | (939) | (226) |
| Operating profit/(loss) | | 14,477 | (1,360) |
| Interest receivable and similar income | 3 | 88,938 | 136,261 |
| Interest payable and similar charges | 4 | (71,682) | (80,787) |
| Income effect from derivatives | | - | 2,142 |
| Net interest income | | 17,256 | 57,616 |
| Profit on ordinary activities before taxation | | 31,733 | 56,256 |
| Tax on profit on ordinary activities | 6 | (3,763) | (11,316) |
| Profit on ordinary activities after taxation | | 27,970 | 44,940 |

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.

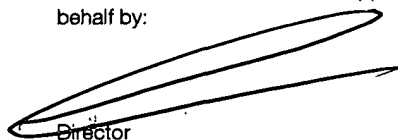
Macquarie Aerospace Finance UK Limited
Company Registration Number 9458807

Balance sheet
as at 31 March 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|--|------|--------------------|--------------------|
| Investments in subsidiaries | 7 | 779,880 | 779,880 |
| Deferred tax assets | 8 | 515 | 1,236 |
| | | 780,395 | 781,116 |
| Current assets | | | |
| Cash at bank | 9 | 60,619 | 61,687 |
| Debtors | 10 | 1,674,252 | 1,800,639 |
| Creditors: amounts falling due within one year | 11 | (773,026) | (539,916) |
| Net current assets | | 961,845 | 1,322,410 |
| Total assets less current liabilities | | 1,742,240 | 2,103,526 |
| Creditors: amounts falling due after more than one year | 12 | (1,452,241) | (1,759,730) |
| Net assets | | 289,999 | 343,796 |
| Capital and reserves | | | |
| Called up share capital presented as equity | 13 | 279,269 | 279,269 |
| Profit and loss account | 14 | 10,730 | 64,527 |
| Total shareholders' funds | | 289,999 | 343,796 |

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 Finance 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 | | 279,269 | 19,587 | 298,856 |
| Profit for the financial year | 14 | - | 44,940 | 44,940 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | - | 44,940 | 44,940 |
| Balance as at 31 March 2017 | | 279,269 | 64,527 | 343,796 |
| Profit for the financial year | 14 | - | 27,970 | 27,970 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | - | 27,970 | 27,970 |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | |
| Dividend paid | 5,14 | - | (81,767) | (81,767) |
| Balance as at 31 March 2018 | | 279,269 | 10,730 | 289,999 |

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 Finance 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 19 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.

The immediate holding company undertaking of the company is Macquarie Aerospace Holdings UK Limited, a company incorporated in the UK. The ultimate holding company is MGL.

Macquarie Aerospace Finance 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:

- impairment of investment in subsidiaries (Notes 1(vii), 1(xi), 7); and
- recoverability of deferred tax assets and measurement of current tax liabilities (Notes 1(vi), 6, 8).

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 subsidiaries

Income from subsidiaries 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, foreign exchange loss, service fee to related party and other operating expense.

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 Finance 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) Investments in subsidiaries

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

The Company utilises derivative financial instruments to manage its exposure to interest risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Fair value is determined and calculated based on the present value of future cash flows, discounted using the appropriate interest rate. Movements in the fair values of derivatives are recognised in the income statement in Other operating income.

The Company designates certain derivatives or financial instruments as hedging instruments in qualifying hedge relationships. For a derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability, the gain or loss on the derivative or financial instrument is recognised in the income statement immediately, together with the loss or gain on the hedged asset or liability that is attributable to the hedged risk.

On initial designation of the hedge, the Company documents the hedging relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether hedging relationships have been and will continue to be highly effective.

ix) Cash at bank

Cash at bank comprises cash balances, call deposits and restricted cash balances with qualifying financial institutions.

Macquarie Aerospace Finance 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) 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.

xi) 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.

Investments in subsidiaries

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.

xii) 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.

xiii) 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.

xiv) 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.

xv) 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 Finance 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 subsidiaries | | |
| Dividend from subsidiaries | 12,295 | - |
| Total income from subsidiaries | 12,295 | - |
| Other operating income/(expenses) | | |
| Gain on revaluation of financial instruments ¹ | 3,794 | - |
| Foreign exchange loss | (672) | (1,155) |
| Service fee to related party | - | 87 |
| Other expenses | (1) | (66) |
| Total other operating income/(expenses) | 3,121 | (1,134) |
| Administrative expenses | | |
| Legal fees | (309) | (393) |
| Auditors' remuneration ² | (35) | 171 |
| Other expenses | (595) | (4) |
| Total administrative expenses | (939) | (226) |
| ¹ Gain on revaluation of financial instruments represents the revaluation gain on the derivative financial instruments (Note 15). | | |
| ² Auditors' remuneration (excluding VAT and including expenses) to the Statutory Audit Firm, PricewaterhouseCoopers Ireland of \$7,000 (2017: \$5,000) 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 | 88,119 | 135,947 |
| Interest receivable from external parties | 819 | 314 |
| Total interest receivable and similar income | 88,938 | 136,261 |
| Note 4. Interest payable and similar charges | | |
| Interest payable to external parties | (54,780) | (48,801) |
| Interest payable to other Macquarie Group undertakings | (16,902) | (31,986) |
| Total interest payable and similar charges | (71,682) | (80,787) |
| Note 5. Dividend paid | | |
| Interim dividend paid (Note 14) | (81,767) | - |
| Total dividend paid | (81,767) | - |

Macquarie Aerospace Finance 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 | | |
| (i) Analysis of tax charge for the year: | | |
| Current tax: | | |
| Amounts payable in respect of group relief received | (3,035) | (10,822) |
| Adjustments to tax in respect of prior years | (7) | - |
| Total current tax | (3,042) | (10,822) |
| Deferred tax: | | |
| Origination and reversal of timing differences | (721) | (494) |
| Total deferred tax | (721) | (494) |
| Tax on profit on ordinary activities | (3,763) | (11,316) |

(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 | 31,733 | 56,256 |
| Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%) | (6,029) | (11,251) |
| Effects of: | | |
| Non-taxable items | 2,336 | - |
| Change in enacted future tax rates | - | (65) |
| Others | (70) | - |
| Tax on profit on ordinary activities | (3,763) | (11,316) |

Note 7. Investments in subsidiaries

| | | |
|--|----------------|----------------|
| Investments at cost | 779,880 | 779,880 |
| Total investments in subsidiaries | 779,880 | 779,880 |

The Company had investments in the following company, whose principal activity is aircraft financing and leasing:

| Name of investment | Country of incorporation | 2018 | 2017 |
|--|--------------------------|----------------|----------------|
| | | % ownership | % 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 |
| Merino Aerospace Finance 6218 Limited | Ireland | 100 | 100 |
| Macquarie Aerospace Finance Limited | Cayman Islands | 100 | 100 |
| Macquarie Aerospace Finance 6242 Limited | Cayman Islands | 100 | 100 |
| Macquarie Aerospace Finance 6320 Limited | Cayman Islands | 100 | 100 |
| Macquarie Aerospace Finance 6422 Limited | Cayman Islands | 100 | 100 |
| Macquarie Aerospace Holdings Inc. (incorporated on 6 February 2018) | United States | 100 | - |

Macquarie Aerospace Finance UK Limited

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

Note 7. Investments in subsidiaries (continued)

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 and management:

| Company name | Country of incorporation | 2018 % ownership | 2017 % ownership |
|---|--------------------------|------------------------|------------------------|
| 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 |
| 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 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 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 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 UK Limited

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

Note 7. Investments in subsidiaries (continued)

| Company name | Country of incorporation | 2018 | 2017 |
|---|--------------------------|----------------|----------------|
| | | % ownership | % ownership |
| 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 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 |
| | | 2018 | 2017 |
| | | \$'000 | \$'000 |

Note 8. Deferred tax assets

The balance comprises temporary differences attributable to:

Deferred tax assets

| | | |
|----------------------------------|------------|--------------|
| Tax losses | 515 | 1,236 |
| Total deferred tax assets | 515 | 1,236 |

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 | 1,236 | 1,755 |
| Timing differences: | | |
| Amounts charged to profit and loss account | (721) | (494) |
| Others | - | (25) |
| Balance at the end of the financial year | 515 | 1,236 |

Macquarie Aerospace Finance UK Limited

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

| | 2018 \$'000 | 2017 \$'000 |
|------------------------------|----------------|----------------|
| Note 9. Cash at bank | | |
| The balance comprises of: | | |
| Restricted cash ¹ | 59,401 | 61,045 |
| Other cash at bank | 1,218 | 642 |
| Total cash at bank | 60,619 | 61,687 |

¹Under the terms of the credit facility, the Company is required to segregate and maintain certain minimum cash balances. These are comprised of the debt service reserve, operations reserve and the collections account. The debt service reserve is the total of the fees to be paid to the administrative agent, forecasted interest expense, forecast commitment fees and interest rate swap settlement payments to be paid on and during the next quarterly payment date. The operations reserve is a minimum of \$10,000,000 or the total of projected maintenance payments, security deposits repayments and other cash operating expenses to be paid on and during that quarterly repayment period. The collections account is the remaining cash balance from the total cash collected and the balances defined above. This amount is swept and used to repay the principal on the debt drawdown under the credit facility at each repayment date.

Note 10. Debtors

Amounts falling due within one year

| | | |
|---|----------------|----------------|
| Amounts owed by other Macquarie Group undertakings ¹ | 355,604 | 155,673 |
| Other financial market assets ² | 14,975 | - |
| Prepayments and accrued income | 259 | - |
| Other assets | 22 | 65 |
| Total amounts falling due within one year | 370,860 | 155,738 |

Amounts falling due after more than one year

| | | |
|---|------------------|------------------|
| Amounts owed by other Macquarie Group undertakings ¹ | 1,303,392 | 1,644,901 |
| Total amounts falling due after more than one year | 1,303,392 | 1,644,901 |

| | | |
|----------------------|------------------|------------------|
| Total debtors | 1,674,252 | 1,800,639 |
|----------------------|------------------|------------------|

¹Amounts owed by other Macquarie Group undertakings represent loans given to other Macquarie Group entities and other intercompany receivable balance. A summary of the relevant terms are set out below.

| Related Party | Interest | Maturity | 2018 \$'000 | 2017 \$'000 |
|--|---------------------|-----------------------------------|----------------|----------------|
| Amounts falling due within one year: | | | | |
| Macquarie Aerospace Finance 6242 Limited | Fixed 5.43% | 19 February 2019 | 17,414 | - |
| Macquarie Aerospace Finance Limited | Fixed 3.82% - 4.31% | 8 October 2018 to 29 January 2019 | 203,960 | 107,705 |
| Other receivables* | | | 134,230 | 47,968 |
| Total amounts falling due within one year | | | 355,604 | 155,673 |

Macquarie Aerospace Finance UK Limited

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

Note 10. Debtors (continued)

Amounts falling due after more than one year:

| Related Party | Interest | Maturity | 2018 \$'000 | 2017 \$'000 |
|---|---|--|------------------|------------------|
| Aerospace Finance 6771 UK Limited | Fixed 7.02% | 23 September 2023 | 30,630 | 35,036 |
| Aerospace Finance 6816 UK Limited | Fixed 7.66% | 16 November 2023 | 27,500 | 32,176 |
| Aerospace Finance 6818 UK Limited | Fixed 7.39% | 13 January 2025 | 33,417 | 38,332 |
| Macquarie Aerospace Finance 6242 Limited | Floating LIBOR + 5.94% Fixed 5.43% - 7.69% | 18 August 2022 to 1 October 2025 | 149,157 | 197,097 |
| Macquarie Aerospace Finance 6320 Limited | Floating LIBOR + 6.42% Fixed 6.75% - 7.66% | 25 April 2021 to 15 October 2025 | 164,663 | 193,457 |
| Macquarie Aerospace Finance 6422 Limited | Floating LIBOR + 5.67% Fixed 7.02% | 14 January 2023 to 25 November 2025 | 55,105 | 65,240 |
| Macquarie Aerospace Finance Limited | Floating LIBOR + 3.89% Fixed 3.82% - 6.63% | 26 June 2019 to 23 October 2026 | 820,124 | 1,056,083 |
| Merino Aerospace Finance 6218 Limited | Fixed 6.84% | 11 September 2022 | 22,796 | 25,845 |
| Macquarie Aerospace Finance 39429 Limited | Fixed 5.81% | 28 April 2023 | - | 1,635 |
| Total amounts falling due after more than one year | | | 1,303,392 | 1,644,901 |

*Other receivables included within amounts owed by other Macquarie Group undertakings 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 ranged between LIBOR plus 1.15% and LIBOR plus 1.94% (2017: LIBOR plus 1.53% and LIBOR plus 2.23%).

²Other financial market assets represents the fair value of the derivative instrument (Note 15).

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Note 11. Creditors: amounts falling due within one year | | |
| Amounts owed to other Macquarie Group undertakings ¹ | 767,539 | 526,750 |
| Taxation | 3,385 | 9,695 |
| Audit fee | 1,368 | 1,263 |
| Trade creditors | 734 | - |
| Other financial market liabilities ² | - | 2,208 |
| Total creditors: amounts falling due within one year | 773,026 | 539,916 |

¹Amounts owed to other Macquarie Group undertakings are either unsecured and have no fixed date of repayment or are payable within one year. 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%). Included within amounts owed to other Macquarie Group undertakings is a loan balance of \$175,221,000 (2017: \$nil) taken from Macquarie Aerospace Holdings UK Limited, which is repayable in June 2018. The Company incurred interest at LIBOR plus 3.77%.

²Other financial market liabilities represents the fair value of the derivative instrument (Note 15).

Macquarie Aerospace Finance UK Limited

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

| | 2018 \$'000 | 2017 \$'000 |
|---|------------------|------------------|
| Note 12. Creditors: amounts falling due after more than one year | | |
| Borrowings ¹ | 1,452,241 | 1,573,678 |
| Amounts owed to other Macquarie Group undertakings ² | - | 186,052 |
| Total creditors: amounts falling due after more than one year | 1,452,241 | 1,759,730 |

¹Borrowings represents loan taken at LIBOR plus 1.90%, which is due to mature in April 2023. Below are the movements on the borrowings:

| | | |
|--|------------------|------------------|
| Opening balance | 1,573,678 | - |
| Transfer from credit facility - principal | - | 1,800,000 |
| Transfer from credit facility - debt issuance cost | - | (10,571) |
| Principal repayment | (126,000) | (200,279) |
| Additional debt issuance cost | - | (19,850) |
| Amortisation of debt issuance cost | 4,346 | 4,250 |
| Accrued interest | 49,874 | 44,369 |
| Interest payment | (49,657) | (44,241) |
| Closing balance | 1,452,241 | 1,573,678 |

Below are the components of the borrowings:

| | | |
|-------------------------------------|------------------|------------------|
| Principal | 1,473,721 | 1,599,721 |
| Debt issuance cost, net | (21,825) | (26,171) |
| Accrued interest | 345 | 128 |
| Total outstanding borrowings | 1,452,241 | 1,573,678 |

²Amounts owed to other Macquarie Group undertakings represent amount payable to Macquarie Aerospace Holdings UK Limited. The Company incurs interest at market rates and the rate applied at 31 March 2017 was LIBOR plus 3.77%. The loan is due to mature in June 2018 and has been presented within "Creditors: amounts falling due within one year" in the current year.

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

Note 13. Called up share capital presented as equity

Ordinary share capital¹

| | | | | |
|--|-------------|-------------|----------------|----------------|
| Opening balance of fully paid ordinary shares of \$1 each | 279,269,394 | 279,269,394 | 279,269 | 279,269 |
| Closing balance of fully paid ordinary shares presented as equity | | | 279,269 | 279,269 |

¹The shares of the Company have been pledged as security over its payables to other financial institutions. The terms preclude the Company and its assets and liabilities from being sold or used without the permission of the financial institution.

Macquarie Aerospace Finance UK Limited

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

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Note 14. Profit and loss account | | |
| Balance at the beginning of the financial year | 64,527 | 19,587 |
| Profit attributable to the ordinary equity holders of Macquarie Aerospace Finance UK Limited | 27,970 | 44,940 |
| Dividend paid (Note 5) | (81,767) | - |
| Balance at the end of the financial year | 10,730 | 64,527 |

Note 15. Derivative financial instruments

The Company has interest rate swaps to minimise interest rate risk for itself and its subsidiaries. The swaps were initially entered into by the parent, Macquarie Aerospace Holdings UK Limited, and subsequently a portion of the swaps were novated to the Company.

The swaps are used to manage interest rate risk. Generally, the Company and its subsidiaries raise funds at floating rates and lease aircraft at rentals which are either fixed or change with movements in interest rates ("floating rate leases"). The floating rate leases provide a natural hedge against movements in interest rates as the impact of the changes in rates on interest payments on borrowings would be mitigated by the impact on floating rate leases. The remaining exposure is primarily related to the borrowings which are matched or have financed aircraft with fixed rate leases. For these leases, the Company has entered into fixed to floating interest rate swaps.

Under the terms of the interest rate swaps, the Company agrees to periodically exchange the difference between fixed interest rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The Company receives floating amounts and pays fixed amounts on the swap.

To minimise the impact of the fair value movements of the swaps on the Company's results the Company has designated a portion of its loan notes assets as hedging instruments. Fair value movements in the portion of the loan notes assets designated as hedging instruments offset the fair value movements in the swaps.

The swap 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 \$14,975,000 (2017: liability of \$2,208,000).

Note 16. 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 19.

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 Finance UK Limited

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

Note 17. 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 18. 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 19. Ultimate holding company

The immediate parent company of the Company is Macquarie Aerospace Holdings UK 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, a company incorporated in Australia. Copies of the consolidated financial statements for MGL and Macquarie Bank Limited can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000, Australia.

Note 20. Events after the reporting date

On 15 May 2018, the company issued additional 299,600,909 ordinary shares at \$1.00 each to its parent, Macquarie Aerospace Holdings UK Limited.

On 15 May 2018, the company purchased the investment in two Macquarie Group undertakings, Macquarie AirFinance Acquisitions (UK) Limited and Macquarie Aerospace Limited from other Macquarie Group undertakings.

In May 2018, the Company amended its secured credit facility so as to increase its external borrowings from \$1.5 billion to \$3.0 billion, extended the final maturity date of the loans thereunder to May 2025, and decreased the interest rate applicable to such loans from LIBOR plus 190 basis points to LIBOR plus 150 basis points. The Company used the additional proceeds drawn under the secured credit facility primarily to repay related party borrowings which had previously financed the subsidiaries that the Company acquired.

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

Note 21. Approval of accounts

The Directors approved the financial statements on 5 December 2018.