Macquarie Aerospace Finance 6140-2 Limited

Company Registration Number 8934031

Directors' Report and Financial Statements
for the financial year ended 31 March 2019

MACQUARIE

The Company's registered office is:
66 Prescot Street
London
England
E1 8NN
United Kingdom

Macquarie Aerospace Finance 6140-2 Limited

2019 Directors' Report and Financial Statements

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Macquarie Aerospace Finance 6140-2 Limited

Directors' Report
for the financial year ended 31 March 2019

In accordance with a resolution of the directors (the "Directors") of Macquarie Aerospace Finance 6140-2 Limited (the "Company"), the Directors submit herewith the financial statements of the Company and report for the financial year ended 31 March 2019.

As the Company meets the qualifying conditions under section 382 of the Companies Act 2006 (the "Act"), the Directors have taken advantage of the exemption provided in sections 414B (as incorporated into the Act by the Strategic Report and Directors' Report Regulations 2013) and 415A of the Act for the preparation of a Strategic Report.

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 otherwise, were:

Gregg Macalister Walker	
John Robert Willingham	
Liam James Kavanagh	(appointed on 14 August 2019)
Timothy Sebastian Durham	(resigned on 14 August 2019)

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:

Carter Backer Winter Trustees Limited

Principal activities
The principal activity of the Company during the financial year ended 31 March 2019 was operating lease in and operating onward leasing of commercial aircraft.

As of the reporting date, the Company leases one aircraft (2018: one aircraft) from another group Company under an operating lease. This aircraft was onward leased to an airline operator in both years presented.

Results
The loss attributable to ordinary equity holders of the Company for the financial year ended 31 March 2019 was $6,000 (2018: profit of $12,000).

Dividend paid
No dividend was paid during the financial year ended 31 March 2019 (2018: $nil).

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

Events after the reporting date
On 13 August 2019, Macquarie Group sold 25% of the Macquarie AirFinance Group, of which the Company is a part, to a third-party investor, PGGM Infrastructure Fund.

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 2019 not otherwise disclosed in this report.

Directors' Report (continued)
for the financial year ended 31 March 2019

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.

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, Macquarie Group Limited ("MGL"), purchased and maintained throughout the financial year Directors' liability insurance in respect of the Company and its Directors.

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 credit risk, liquidity 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.

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.

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, which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings, which also incur a variable rate of interest. Interest rate risk is minimised by hedging activities undertaken at a business group level.

Directors' Report (continued)
for the financial year ended 31 March 2019

Foreign exchange risk
The Company has foreign exchange exposures which include amounts receivable from and payable to other Macquarie Group undertakings 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.

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 Financial Reporting Standard 101 '*Reduced Disclosure Framework*' ("FRS101"), 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- *make judgements and accounting estimates that are reasonable and prudent;* 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
The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the Board

Director
22 November 2019

Gregg Walker
Director

Director
22 November 2019

Liam Kavanagh
Director

pwc

Independent auditors' report to the members of Macquarie Aerospace Finance 6140-2 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Aerospace Finance 6140-2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss 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 2019; the Profit and loss account and the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Gillian Carroll (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
22 November 2019

Financial Statements

Profit and loss account
for the financial year ended 31 March 2019

	Note	2019 $'000	2018 $'000
Turnover	2	**3,573**	3,378
Other operating expenses	2	**(3,549)**	(3,344)
Administrative expenses	2	**(16)**	(21)
Operating profit		**8**	13
Interest receivable and similar income	3	**396**	180
Interest payable and similar charges	4	**(404)**	(180)
Net interest expense		**(8)**	-
Profit on ordinary activities before taxation		**-**	13
Tax on profit on ordinary activities	5	**(6)**	(1)
(Loss)/profit on ordinary activities after taxation		**(6)**	12

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 6140-2 Limited
Company Registration Number 8934031

Balance sheet
as at 31 March 2019

	Note	2019 $'000	2018 $'000
Current assets			
Debtors	6	**13,446**	9,536
		13,446	9,536
Creditors: amounts falling due within one year	7	**(13,158)**	(9,221)
Net current assets		**288**	315
Total assets less current liabilities		**288**	315
Creditors: amounts falling due after more than one year	8	**(245)**	(245)
Net assets		**43**	70
Capital and reserves			
Profit and loss account	11	**43**	70
Total shareholders' funds		**43**	70

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 22 November 2019 and were signed on its behalf by:

Director

Gregg Walker
Director

Director

Liam Kavanagh
Director

Statement of changes in equity
for the financial year ended 31 March 2019

	Note	Called up share capital presented as equity $'000	Profit and loss account $'000	Total shareholders' funds $'000
Balance as at 1 April 2017		-	58	58
Profit for the financial year	11	-	12	12
Other comprehensive income		-	-	-
Total comprehensive income		-	12	12
Balance as at 31 March 2018		**-**	**70**	**70**
Change on initial application of IFRS 9	11	-	(21)	(21)
Restated balance as at 1 April 2018		**-**	**49**	**49**
Loss for the financial year	11	-	(6)	(6)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(6)	(6)
Balance as at 31 March 2019		**-**	**43**	**43**

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.

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

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 66 Prescot Street, London, England, E1 8NN, 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 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 17 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 the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to 119(c), 120 to 127 and 129 of IFRS 15 '*Revenue from Contracts with Customers*';
- 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 paragraph 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.

New Accounting Standards that are effective and adopted in the current financial year

IFRS 9 '*Financial Instruments*'

IFRS 9 replaced IAS 39 '*Financial Instruments: Recognition and Measurement*' from 1 April 2018. IFRS 9 results in changes to accounting policies for the classification and measurement of financial assets and financial liabilities and the manner in which credit impairments are required to be determined as well as requirements with respect to Hedge accounting.

As permitted under the new standard, the Company has not restated its comparative financial statements and has recorded a transition adjustment to opening balance sheet, opening proft and loss acount 1 April 2018 for the impact of the adoption of IFRS 9.

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

Note 1. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

IFRS 9 '*Financial Instruments*' *(continued)*

The transition adjustment, which relates to IFRS 9's expected credit loss ("ECL") requirements, has reduced the Company's profit and loss account as at 1 April 2018 by $21,000 after tax. There were no classification and measurement changes arising from the adoption of IFRS 9. The table in Note 12 provides the detailed impact of the transition adjustment.

The key changes in significant accounting policies from the transition to IFRS 9 are included within the relevant sections of this note and other notes in the financial statements. Accounting policies applicable to the prior period items of financial assets, financial liabilities, incomes and expenses are provided and highlighted for comparability.

IFRS 15 '*Revenue from Contracts with Customers*'

IFRS 15 replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer.

The Company adopted IFRS 15 on 1 April 2018. The adoption of the standard did not have a material impact on the financial statements of the Company.

ii) 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 loan assets held at amortised cost, which includes amounts receivable from other Macquarie Group undertakings and amounts receivable from lessees (Note 1(vii));
- measurement of ECL including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecast of economic conditions (Notes 1(vii)); and
- recognition and measurement of end of lease compensation (Note 1(viii)).

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.

iii) 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.

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

Note 1. Summary of significant accounting policies (continued)

iii) Foreign currency translations (continued)

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.

iv) 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:

Turnover

Turnover for the year comprises operating sublease income and supplemental rent income.

(a) Operating sublease income

Operating sublease income consists of rental payments received in exchange for the lease of aircraft. A lease is classified as an operating lease where it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease income under fixed and floating rent leases is recorded as revenue on an accrual and straight-line basis, assuming no future changes in interest rates, over the non-cancellable term of the lease. If applicable, the contingent rent component, which is comprised of the variable rent for floating rate leases, is based on future changes in the interest rates and is recognised through an increase or decrease in the rental of flight equipment revenue in the financial period when the change occurs.

The Company currently has variable rent lease income on its aircraft.

All rental amounts received but unearned under the lease agreements are recorded as deferred income in creditors: amounts falling due within one year on the balance sheet until earned.

Past-due rentals are recognised on the basis of management's assessment of whether future economic benefit will flow to the entity. No revenues are recognised from a lease when future economic benefit is not reasonably assured. Estimating whether future economic benefit will flow to the entity requires some level of subjectivity and judgement. Future economic benefit is evaluated based on factors such as the lessee's credit rating, payment performance, financial condition, requests for modifications of lease terms and conditions as well as security deposits received from the lessee. When rent collections are in doubt, a provision is recorded against the related receivable.

(b) Supplemental rent income

In all cases, the lessees are responsible for maintenance and repairs, including major maintenance events ("MMEs") over the term of the lease.

In some cases, usually after the first lease has ended, the Company offers an incentive to the next lessee by committing to contribute to lessee's cost for the next planned MMEs for the major aircraft components over and above supplemental rent paid by that lessee. These lessor contributions reflect the prior lessee's utilisation of the relevant components in respect of which the lessor has usually received payment under the terms of the previous lease. These contributions are recorded as an operating lease incentive to the new lessee and recorded on a straight line basis over the lease term as contra-revenue in Supplemental rent with a corresponding entry in maintenance reserve liability.

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

Note 1. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition (continued)

(b) Supplemental rent income (continued)

Under an end of lease compensation mechanism ("EoL Compensation"), the lessor agrees to defer the receipt of the lessee's compensation for the use of the aircraft until the end of the lease term. The compensation is typically calculated on the basis of the condition of each major component at the end of the lease relative to the commencement of the lease. If each major component is returned in better condition, the lessor would typically make a payment to the lessee. If each major component is returned to the lessor in worse condition, the lessee is required to make a payment to the lessor. Such payment will be calculated on the basis of condition measured by hours, number of cycles or calendar time at an agreed rate specified in the lease.

For all of the above scenarios, the Company estimates the total payments toward the cost of MMEs expected to be received or paid over the lease term, at the beginning of each new lease or whenever there is a change in lease terms. The Company regularly reviews these estimates, and adjustments are made accordingly. The estimates are determined based on quantitative and qualitative information including aircraft utilisation, area of operation, and costs and timing of MMEs. Where applicable management relies on specialists, aircraft manufacturers and operators' data to assist in determining the inputs for these estimates. The evaluation also considers the costs and timing of any MMEs which occur during the financial year for the affected or similar aircraft types, lease activity and any other factors affecting the MMEs.

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 ("EIR") 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.

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.

Other operating expenses

Other operating expenses comprises operating lease expense and credit impairment charges.

(a) Operating lease expense

Operating lease expense consists of rental payments under leases of aircraft. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease rental expense under fixed and floating rate leases are recorded as an expense on an accrual and straight-line basis, assuming no future changes in interest rates, over the term of the lease. If applicable, the contingent rent component, which is comprised of the variable rent for floating rate leases, is based on future changes in the interest rates and is recognised through an increase or decrease in rental expense in the financial period where the change occurs.

The Company currently has variable rent lease expense on its aircraft.

All rental out payments paid in advance are included as deferred rent in debtors in the balance sheet until incurred.

Administrative expenses

Administrative expenses comprises cost recoveries from other Macquarie group undertakings, auditors' remuneration and other expenses.

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

Note 1. Summary of significant accounting policies (continued)

v) 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.

vi) Classification and subsequent measurement of financial assets and liabilities

The Company classifies and presents financial assets and liabilities into various balance sheet categories on the basis of the nature of the financial instrument and the purpose for which the financial asset was acquired or the financial liability issued and held by the Company.

Financial assets

Financial assets held by the Company include amounts receivable from other Macquarie Group undertakings and amounts receivable from lessees, and are measured at amortised cost.

A financial asset is measured at amortised cost if the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the solely payment of principal and interest test requirements; and
- the financial asset has not been designated to be measured at fair value through profit and loss.

The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- how the performance of the financial assets held within that business model is evaluated and reported to the Company's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to financial assets.

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.

vii) Impairment

Expected credit losses

The Company adopted IFRS 9 on 1 April 2018 under which impairment is recognised on an ECL basis. The ECL requirements apply to financial assets measured at amortised cost and amounts receivable.

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

Note 1. Summary of significant accounting policies (continued)

vii) Impairment (continued)

Expected credit losses (continued)

The Company applies a three stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking and macro-economic information. Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD"). The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(a) Stage 1 – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk ("SICR") or for those financial assets for which the credit risk is considered to be low, ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for forward looking information ("FLI").

(b) Stage 2 – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company assesses whether there has been a SICR since initial recognition based on qualitative and quantitative factors that includes significant management judgement.

The SICR methodology is based on a relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. The Company assigns an internal credit rating to each exposure at origination based on information available at that date. The internal ratings for each exposure are reviewed at least once a year, or more frequently if necessary, to ensure any deterioration is identified and reflected in an adjustment to their rating. Furthermore, other indicators of deterioration in credit quality are regularly monitored, such as payment history, changes in the exposure's business and external data from credit reference agencies. Where an exposure's assigned credit rating deteriorates beyond pre-defined thresholds, the exposure is categorised as stage II.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset.

(c) Stage 3 – Lifetime ECL credit-impaired

Financial assets are classified as stage 3 where they are determined to be credit impaired. The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.

The loss allowance for ECL is presented in the balance sheet as a deduction to the gross carrying amount of financial assets held at amortised cost.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the financial asset and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of amounts previously written off are recorded based on the cash received.

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

Note 1. Summary of significant accounting policies (continued)

vii) Impairment (continued)

IAS 39 Provisions

In prior years under IAS 39, all financial assets were subject to regular review and assessment for possible impairment. Provisions for impairment was recognised based on an incurred loss model and re-assessed at each balance sheet date. A provision for impairment was recognised when there was objective evidence of impairment, and was 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 decreased and the decrease could be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses were reversed through the profit and loss account to the extent of the impairment earlier recognised. Bad debts were written off in the year in which they were identified.

viii) Maintenance reserves and end of lease compensation

Lessees are responsible for aircraft maintenance during the lease.

In some cases the Company reimburses or pays the lessee for qualifying MMEs performed (collectively termed as "lessor contributions"). This applies primarily when the lessee is paying monthly supplemental rent. The payments could be a reimbursement of the cash previously collected or part of the lease incentive offered to the lessee. In other situations, the Company has EoL Compensation arrangements and expects to pay or receive a payment at the end of the lease depending on the relative condition of the major components.

Under EoL compensation arrangements, no amounts are booked in relation to maintenance until lease termination.

In some cases, instead of paying reserves as described above, the lessee can provide a letter of credit for the benefit of the Company.

Under Lease in Lease Out ("LILO") arrangements, the Company is required to make payments to the head lessor for the EoL Compensation received from the lessee at the end of the lease term.

ix) Security deposits

Security deposits consist of deposits paid by the lessees to ensure lessee compliance during a lease term. They can be in the form of cash or letters of credit. The cash deposits are refundable to the lessees at the successful completion of a lease.

x) 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.

xi) 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.

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

Note 1. Summary of significant accounting policies (continued)

xii) 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.

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

	2019 $'000	2018 $'000
Note 2. Profit on ordinary activities before taxation		
Turnover		
Operating sublease income	**3,573**	3,378
Total turnover	**3,573**	3,378
Other operating expenses		
Operating lease expense	**(3,537)**	(3,344)
Credit impairment charges	**(12)**	-
Total other operating expenses	**(3,549)**	(3,344)
Administrative expenses		
Auditors' remuneration[1]	**(14)**	(14)
Cost recoveries from other Macquarie Group undertakings	**(2)**	(6)
Other expenses	**-**	(1)
Total administrative expenses	**(16)**	(21)

[1]Auditors' remuneration (excluding VAT and including expenses) to the Statutory Audit Firm, PricewaterhouseCoopers Ireland of $3,000 (2018: $3,000) 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 (2018: $nil).

	2019 $'000	2018 $'000
Note 3. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	**396**	180
Total interest receivable and similar income	**396**	180
Note 4. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	**(404)**	(180)
Total interest payable and similar charges	**(404)**	(180)
Note 5. Tax on profit on ordinary activities		
(i) Analysis of tax charge for the year:		
Current tax:		
Current tax payable	**-**	(2)
Amounts payable in respect of group relief received[1]	**(2)**	-
Adjustments to tax in respect of prior years	**(4)**	1
Total current tax	**(6)**	(1)
Tax on profit on ordinary activities	**(6)**	(1)

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

	2019 $'000	2018 $'000
Note 5. Tax on profit on ordinary activities (continued)		
(ii) Reconciliation of income tax expense to tax charged at standard rates		
Factors affecting tax charge for the year:		
The tax charge for the year ended 31 March 2019 is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).		
Profit on ordinary activities before taxation	-	13
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	-	(2)
Effects of:		
Adjustment to tax charge in respect of previous years	**(4)**	1
Non-taxable items	**(2)**	-
Tax on profit on ordinary activities	**(6)**	(1)

[1]During the year the Company has received tax losses from another Macquarie group company for which a payment has been made.

Note 6. Debtors

	2019 $'000	2018 $'000
Amounts falling due within one year:		
Amounts owed by other Macquarie Group undertakings for:		
Taxation	-	2
Other receivables[1]	**13,224**	9,283
Less: expected credit loss provisions	**(32)**	-
Total amounts owed by other Macquarie Group undertakings, net	**13,192**	9,285
Prepayments and accrued income	**9**	6
Total amounts falling due within one year	**13,201**	9,291
Amounts falling due after more than one year:		
Amounts owed by other Macquarie Group undertakings for:		
Security deposits (Note 8)	**245**	245
Total amounts owed by other Macquarie Group undertakings	**245**	245
Total amounts falling due after more than one year	**245**	245
Total debtors	**13,446**	9,536

[1]Other receivables included within amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company earns interest income on intercompany receivables from group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.93% (2018: LIBOR plus 1.36%).

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

	2019 $'000	2018 $'000
Note 7. Creditors: amounts falling due within one year		
Amounts owed to other Macquarie Group undertakings for:		
Taxation	**4**	-
Other payables[1]	**12,965**	9,034
Total amounts owed to other Macquarie Group undertakings	**12,969**	9,034
Deferred income	**189**	187
Total creditors: amounts falling due within one year	**13,158**	9,221

[1]Other payables are amounts owed to other Macquarie Group undertakings that are unsecured and have no fixed date of repayment. The Company incurs interest expense on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.93% (2018: LIBOR plus 1.47%).

	2019 $'000	2018 $'000
Note 8. Creditors: amounts falling due after more than one year		
Security deposits	**245**	245
Total creditors: amounts falling due after more than one year	**245**	245
Note 9. Security deposits		
Amounts falling due after more than one year	**245**	245
Total security deposits	**245**	245

Security deposits are interest free and refundable to the lessee at the successful completion of the lease terms.

The Company leases in aircraft from other Macquarie Group undertakings under a LILO arrangement and has a corresponding security deposit receivable of $245,000 (2018: $245,000) from the head lessor, which is included within Debtors (Note 6).

Note 10. Called up share capital presented as equity

	2019 Number of shares	2018 Number of shares	2019 $'000	2018 $'000
Ordinary share capital[1]				
Opening balance of fully paid ordinary shares of GBP 1 each[2]	**1**	1	**-**	-
Closing balance of fully paid ordinary shares presented as equity			**-**	-

[1]The shares and assets of the Company have been pledged as security over payables of its intermediate ultimate parent company, Macquarie Aerospace Finance Limited 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.

[2]Represents share capital equivalent of $1.40 (2018: $1.40).

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

	2019 $'000	2018 $'000
Note 11. Profit and loss account		
Balance at the beginning of the financial year	**70**	58
Change on initial application of IFRS 9 (Note 12)	**(21)**	-
Restated balance as at 1 April 2018	**49**	58
(Loss)/profit attributable to the ordinary equity holders of the Company	**(6)**	12
Balance at the end of the financial year	**43**	70

Note 12. Transitional impact of IFRS 9

The following table summarises the changes in the carrying amounts in the Company's balance sheet as a result of the adoption of IFRS 9 as at 1 April 2018. The impact on the Company's balance sheet is due to the reversal of provision under IAS 39 and ECL provision created under IFRS 9, net of tax.

	Carrying amount at 31 March 2018	Net ECL impact on adoption of IFRS 9	Carrying amount at 1 April 2018
Current assets			
Debtors	9,536	(21)	9,515
	9,536	(21)	9,515
Creditors: amounts falling due within one year	(9,221)	-	(9,221)
Net current assets	315	(21)	294
Total assets less current liabilities	315	(21)	294
Creditors: amounts falling due after more than one year	(245)	-	(245)
Net assets	**70**	**(21)**	**49**
Capital and reserves			
Profit and loss account	70	(21)	49
Total shareholders' funds	**70**	**(21)**	**49**

	2019 $'000	2018 $'000

Note 13. Operating lease receivables and commitments

Operating leases rental receivables - Company as lessor

The Company leases out aircraft under non-cancellable operating leases. The lease arrangements do not have renewal or purchase options or escalation clauses.

The future aggregate minimum lease payments receivable under non-cancellable operating lease are as follows:	2019 $'000	2018 $'000
Not later than one year	**3,556**	3,517
Later than one year and no later than five years	**590**	4,054
Later than five years	**-**	-
Total	**4,146**	7,571

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

	2019 $'000	2018 $'000

Note 13. Operating lease receivables and commitments (continued)

The Company recognised contingent rent income of $407,000 (2018: $204,000) during the year ended 31 March 2019.

Operating lease commitments - Company as lessee
The Company leases aircraft under non-cancellable operating leases. The lease arrangements do not have renewal or purchase options or escalation clauses.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:	2019 $'000	2018 $'000
Not later than one year	**3,520**	3,482
Later than one year and no later than five years	**584**	4,013
Later than five years	**-**	-
Total	**4,104**	7,495

The Company recognised contingent rent expense of $403,000 (2018: $202,000) during the year ended 31 March 2019.

Note 14. 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 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 17.

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.

Note 15. Directors' remuneration
During the financial years ended 31 March 2019 and 31 March 2018, 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.There was no remuneration paid to the directors in relation to their services as directors of the Company in both years presented.

Note 16. Contingent liabilities and commitments
Other than the operating lease commitments disclosed in (Note 13), the Company had no commitments or contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

Note 17. Ultimate holding company
As of the reporting date, the immediate parent company of the Company is Macquarie Aerospace Finance Limited.

As of the reporting date, 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 Financial Holdings Pty Limited ("MFHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000, Australia.

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

Note 18. Events after the reporting date

On 13 August 2019, Macquarie Group sold 25% of the Macquarie AirFinance Group, of which the Company is a part, to a third-party investor, PGGM Infrastructure Fund. There were no other material events subsequent to 31 March 2019 that have not been reflected in the financial statements.

Note 19. Approval of accounts

The Directors approved the financial statements on 22/11/2019.