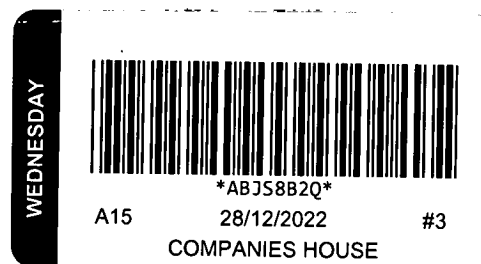


Aerospace Finance 6818 UK Limited
Company Registration Number 9819666

Directors' Report and Financial Statements
For the financial year ended 31 March 2022

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



Aerospace Finance 6818 UK Limited

Contents

	Page
Directors' report.....	2
Independent auditors' report	8
Profit and loss account.....	11
Balance sheet.....	12
Statement of changes in equity.....	13
Notes to the financial statements	14
1. General information	14
2. Summary of significant accounting policies.....	14
2.1 Basis of preparation	14
2.2 Changes in accounting policy and disclosures	15
2.3 Critical accounting estimates and significant judgements.....	17
2.4 Foreign currency translation.....	17
2.5 Revenue and expense recognition.....	18
2.6 Taxation.....	20
2.7 Tangible assets	21
2.8 Financial instruments	22
2.9 Security deposits	24
2.10 Maintenance reserves and end of lease compensation.....	24
2.11 Called up share capital.....	25
2.12 Comparatives	25
3. Loss on ordinary activities before taxation	26
4. Interest receivable and similar income	26
5. Interest payable and similar charges.....	26
6. Tax on loss on ordinary activities.....	27
7. Tangible assets.....	28
8. Operating lease receivables and commitments.....	28
9. Deferred tax	29
10. Debtors	30
11. Creditors: amounts falling due within one year.....	30
12. Creditors: amounts falling due after more than one year	31
13. Maintenance reserves	31
14. Called up share capital presented as equity.....	31
15. Accumulated deficit.....	32
16. Related party information.....	32
17. Directors' remuneration	32
18. Contingent liabilities and commitments	32
19. Events after the reporting date	32
20. Approval of accounts	32

Aerospace Finance 6818 UK Limited

Directors' report

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

The directors ("the Directors") present their report and the audited financial statements of Aerospace Finance 6818 UK Limited ("the Company", "we" or "us") for the financial year ended 31 March 2022.

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 414A of the Act for the preparation of a Strategic Report.

Business review and principal activities

The principal activities of the Company during the financial year ended 31 March 2022 were aircraft leasing, trading and management. The Company's ultimate parent is Macquarie AirFinance Limited ("MAF") and its details are provided in Note 16. MAF and its subsidiaries, which include the Company, are hereinafter referred to as the "Group".

As of the reporting date, the Company owns one aircraft (2021: one aircraft). This aircraft was leased to an airline operator in both years presented.

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.

Results and dividends

The loss attributable to ordinary equity holders of the Company for the financial year ended 31 March 2022 was \$2,483,000 (2021: \$5,954,000).

No dividend was paid during the financial year ended 31 March 2022 (2021: \$nil).

Political contributions

The Company has made no political donations or incurred any political expenditure during the year (2021: \$nil).

Post balance sheet events

The Directors are not aware of any 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 2022.

Future developments

There are no significant changes expected other than those already disclosed in this report.

Aerospace Finance 6818 UK Limited

Directors' report (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

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.

Directors and secretary

The names of the persons who held office as a Director of the Company throughout the year and through the date of this report, unless disclosed below, were:

Eamonn Bane (appointed on 16 February 2022)
Gregg Macalister Walker
Liam James Kavanagh
John Robert Willingham (resigned on 28 January 2022)

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

The name of the person who held office as a Secretary of the Company throughout the year and through the date of this report, unless disclosed below, was:

Carter Backer Winter Trustees Limited

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.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are similar to the financial risks of the Group and are described in the financial risk management section below.

Energy and carbon reporting

The Group has a limited direct presence in the United Kingdom. The impact of its UK operations and related carbon emissions is immaterial.

Financial risk management

The Company's risks are interlinked with the Group's risks as its financial performance and position are wholly dependent on the Group's performance and operations. As such, the relevant financial risks are the Group's financial risks which are described below. In addition, all risk management for the Group is managed at the consolidated Group level and not at an individual Company level.

Aerospace Finance 6818 UK Limited

Directors' report (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

The Group's Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. This is primarily achieved through the engagement of qualified and experienced personnel, training, policies and procedures. The Group has a disciplined control environment in which all employees understand that they are responsible for the management and mitigation of risk. The financial risks the Group is exposed to and how they are addressed is explained below.

Asset risk / Aviation industry risk

Aviation industry risk is the risk of a downturn in the commercial aviation industry, as a result of global, regional or industry-specific factors which could adversely impact lessees' ability to make payments, increase the risk of unscheduled lease terminations and depress lease rates and the value of the Group's aircraft. The Company's and Group's results depend on the ability to consistently acquire strategically attractive aircraft, continually and profitably lease and re-lease those assets, and finally sell or otherwise dispose of them.

The Group bears the risk of re-leasing and/or selling of aircraft. If demand for aircraft decreases market lease rates may fall. Should this continue for an extended period, it could affect the market value of aircraft including their residual values and may result in an impairment charge. The Group has appropriate experience in the aviation industry to evaluate, manage, lease and sell aircraft as required in order to manage this risk.

Covid-19

Over the last two financial years, the aviation industry has gone through an unprecedented downturn due to the coronavirus pandemic ("COVID"). More recently, with the widespread availability and distribution of vaccines, most restrictions on travel and social gatherings enacted to combat COVID have been lifted. As a result, the recovery in air travel has continued throughout the year with data from International Air Transport Association ("IATA") showing a total passenger traffic increase of 76% for the year to 31 March 2022, although those volumes are still 41% below pre-pandemic levels. The increase in travel has manifested in more leasing activity towards the end of the year which has assisted in the improvement in the Group's results compared to prior year. However, the recovery is still in its early stages and the impact of COVID is still being felt, with the Group's and Company's financial metrics below pre-pandemic levels.

In the prior year, as a result of the reduced leasing activity, lease rates and aircraft values decreased. With the uptick in leasing activity and aircraft trading, lease rates and aircraft values have stabilised for the Group. Rent and related collections from customers have increased in gross and percentage terms and in the latter part of the financial year, the Group has seen increased lease activity in terms of new leases being agreed and increased volume of letters of intent ("LOIs") from discussions with airlines.

Notwithstanding positive developments in the current year, the effects of COVID on the airline industry and on the Group's airline customers remained challenging. Airlines still relied on a blend of support from their governments, capital markets and operating lessors. Many of the Group's customers have requested accommodations on their contractual obligations since COVID began, although the number of requests has decreased in the current year compared to the prior year. These accommodations take various forms, but more recently, they include a short-term deferral of lease payments linked to an extension of the lease term.

In assessing the Company's liquidity and going concern risk, lessee credit risk, aircraft impairment, and events after the reporting date, the Directors considered the potential impact of COVID on the aviation industry and the Group's business, including the Company's.

Aerospace Finance 6818 UK Limited

Directors' report (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

Credit risk

Credit risk is the risk that a counterparty is unable to pay or perform its obligations in due time. The primary exposure to the Group is from lessees but also extends to derivative and banking counterparties.

Overall, credit exposures, approvals and limits are controlled within the Group's credit framework which is overseen by the Risk Management Team which monitors and assesses lessee credit worthiness on a regular basis. The assessment process takes into account qualitative and quantitative information about the lessee including but not limited to business plans, ownership structure, management team, financial performance, competitive environment, access to capital and liquidity.

The Group also mitigates lessee credit risks through a combination of invoicing and collecting rents in advance, obtaining security deposits in the form of cash and letters of credit and the regular review of past due receivables.

The Group may from time to time be the beneficiary of a letter of credit. Letters of credit give rise to credit risk from the issuing financial institution. The Group also holds significant cash balances which give rise to credit risk from financial institutions. All cash and cash equivalents and restricted cash are deposited with investment grade financial institutions.

Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting its short-term financial obligations.

The Company has no contractual liabilities which are coming due within the next 12 months to non-Group entities. The Company's receipts from customers are received by another Group company and that Group company in turn settles the Company's payables. The net receivables from the Group exceed the intercompany payables of the Company. As stated in the future developments section, there are no expected changes in the business of the Company. As such, the Company does not expect any additional significant payables within the 12 months from the date these financial statements were approved. Based on the above, the Directors have concluded that the Company has no material uncertainties which would indicate liquidity risk or a significant doubt on the Company's ability to continue as a going concern over the period of assessment.

Based on current conditions, the Group has sufficient liquidity to satisfy anticipated operational and other business needs over the next 12 months from the issuance date of these financial statements. Refer to Note 2.1 to the financial statements.

Financial market risk

Financial market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's results or value of its holdings of financial instruments. The objective of financial market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Aerospace Finance 6818 UK Limited

Directors' report (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

(a) Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include receivables from related parties which earn a fixed or variable rate of interest. Interest-bearing liabilities include payables to related parties which incur a fixed or variable rate of interest.

The Group is exposed to interest rate risk. Interest rate risk affects borrowings bearing variable interest rates and the portion of lease rentals that changes with floating interest rates. Interest rate risk is highly sensitive to many factors, including government monetary policies, global economic factors and other factors beyond the Group's control. Interest rate risk is minimised by hedging activities undertaken at a Group level.

(b) Currency risk

The Company has limited foreign exchange rate exposures which include amounts receivable from and payable to other Group undertakings and/or external parties which are denominated in non-functional currencies. Since these transactions and balances are limited, the Company does not actively manage this risk at present.

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 the Group level.

Statement of directors' responsibilities

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

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 ("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 the financial statements, the Directors are required to:

- Select suitable accounting policies and then 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aerospace Finance 6818 UK Limited

Directors' report (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

The Directors are also 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.

Disclosure of information to auditors

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

- as 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, Chartered Accountants, have been appointed in accordance with Section 485 of the Companies Act 2006.

The auditors of the Company are deemed re-appointed for each financial year unless the Directors 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.

This report was approved by the board on 7 December 2022 and signed on its behalf.



Gregg Macalister Walker



Independent auditors' report to the members of Aerospace Finance 6818 UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aerospace Finance 6818 UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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 Annual Report, which comprise:

- the Balance sheet as at 31 March 2022;
 - the Profit and loss account for the year then ended;
 - 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



Reporting on other information

The other information comprises all of the information in the Directors' Report and Financial Statements 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 31-03-2022 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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.



Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Review of board minutes and enquiries of management, those charged with governance, legal counsel and the tax and compliance functions regarding actual or potential fraud and non-compliance with laws and regulations.
- Identifying and testing journal entries, in particular journal entries with unusual account combinations that were posted to revenue or journals posted by senior management.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to asset impairment.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Emma Scott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
PwC Dublin
7 December 2022

Aerospace Finance 6818 UK Limited

Profit and loss account

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

	Note	2022 \$'000	2021 \$'000
Turnover	3	3,625	4,482
Impairment of tangible assets	7	-	(6,794)
Other operating expenses	3	(4,683)	(2,022)
Administrative expenses	3	(122)	(162)
Operating loss		(1,180)	(4,496)
Interest receivable and similar income	4	36	121
Interest payable and similar charges	5	(2,595)	(2,980)
Net interest expense		(2,559)	(2,859)
Loss on ordinary activities before taxation		(3,739)	(7,355)
Tax on loss on ordinary activities	6	1,256	1,401
Loss on ordinary activities after taxation		(2,483)	(5,954)

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.

The accompanying Notes form an integral part of these financial statements.

Aerospace Finance 6818 UK Limited

Company registration number: 9819666

Balance sheet

As at 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

	Note	2022 \$'000	2021 \$'000
Fixed assets			
Tangible assets	7	32,493	34,335
		32,493	34,335
Current assets			
Deferred tax	9	2,253	997
Debtors	10	1,320	17,273
		3,573	18,270
Creditors: amounts falling due within one year	11	-	(280)
Net current assets		3,573	17,990
Total assets less current liabilities		36,066	52,325
Creditors: amounts falling due after more than one year	12	(27,871)	(41,647)
Net assets		8,195	10,678
Capital and reserves			
Called up share capital presented as equity	14	21,400	21,400
Accumulated deficit	15	(13,205)	(10,722)
Total equity		8,195	10,678

The financial statements were approved by the Board of Directors on 7 December 2022 and were signed on its behalf by:



Gregg Macalister Walker

The accompanying Notes form an integral part of these financial statements.

Aerospace Finance 6818 UK Limited

Statement of changes in equity

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

	Note	Called up share capital presented as equity \$'000	Accumulated deficit \$'000	Total equity \$'000
Balance as at 1 April 2020		21,400	(4,768)	16,632
Loss for the financial year	15	-	(5,954)	(5,954)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(5,954)	(5,954)
Balance as at 31 March 2021		21,400	(10,722)	10,678
Loss for the financial year	15	-	(2,483)	(2,483)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(2,483)	(2,483)
Balance as at 31 March 2022		21,400	(13,205)	8,195

The accompanying Notes form an integral part of these financial statements.

Aerospace Finance 6818 UK Limited

Notes to the financial statements For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

1. General information

Aerospace Finance 6818 UK Limited ("the Company", "we" or "us") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 66 Prescott Street, London, England, E1 8NN, United Kingdom.

The principal activities of the Company during the financial year ended 31 March 2022 were aircraft leasing, trading and management.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared on a going concern basis and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). The financial statements have also been prepared in accordance with the requirements of the Companies Act 2006.

The Directors have a reasonable expectation that the Company will continue in operational existence for twelve months from the date of approval of these financial statements ('the period of assessment'). The Company's financial prospects are interlinked and dependent on the Group's financial prospects. The assessment considered the potential impact of the coronavirus pandemic on the aviation industry and the Group's business, including the Company's:

- initial assessment of the impact on its business & profitability;
- funding and liquidity position;
- cashflow forecasts and potential impact of rent deferral agreements requested;
- capital commitments;
- debt maturity profile and covenants obligations; and
- the ability of the Group to provide support if required.

Based on the above, the Directors have concluded that the Company has no material uncertainties which would cast a significant doubt on the Company's ability to continue as a going concern over the period of assessment.

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 in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company is a qualifying entity for the purposes of FRS 101. Note 16 gives details of the Company's ultimate parent and from where the Group consolidated financial statements prepared in accordance with UK-adopted International Accounting Standards may be obtained.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

In accordance with FRS 101, the Company has availed exemptions from the following requirements of International Financial Reporting Standards ("IFRS"):

- the requirements of IFRS 7 '*Financial Instruments: Disclosures*', provided that equivalent disclosures are included in the consolidated financial statements of Macquarie AirFinance Limited ("MAF"), in which the Company is consolidated;
- 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), provided that equivalent disclosures are included in the consolidated financial statements of MAF, in which the Company is consolidated;
- 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 paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 '*Impairment of Assets*', provided that equivalent disclosures are included in the consolidated financial statements of MAF, in which the Company is consolidated; and
- the requirements in IAS 24 '*Related Party Disclosures*' 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.

2.2 Changes in accounting policy and disclosures

(a) Change in accounting policy by the Company:

Expected credit losses: Simplified approach

On 1 April 2020, the Company adopted the simplified approach in accounting for expected credit losses on a retrospective basis for all of its trade receivables which have no financing component and are lease related. Under this approach, the Company applies the simplified approach of measuring loss allowances for receivables at an amount equal to lifetime expected credit losses at initial recognition and throughout its life.

(b) New standards, amendments and interpretations adopted by the Company:

Reform of Interest rate benchmarks: Transition from inter-bank offered rates ("IBORs") to alternative reference rates ("ARRs")

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some IBORs with alternative, nearly risk-free rates or alternative reference rates. The most common example of IBOR which affects the Company is the London Inter-bank Offered Rate ("LIBOR"). As a result of the reform, regulators and standard setters have been issuing guidance on how to apply these changes. Phase 2 of this guidance was issued in August 2020 and included additional amendments to IFRS 9: Financial instruments, IAS 39: Financial instruments recognition and measurement, IFRS 7: Financial instruments disclosures, IFRS 4: Insurance contracts and IFRS 16: Leases. These amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted and are to be applied retrospectively. Comparative information is not required to be restated. Phase 2 amendments were adopted by the Company in the current financial year.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

The Phase 2 amendments offer a practical expedient for entities impacted by IBOR reform and which are required to change the basis for determining contractual cash flows as a direct result of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. Under the practical expedient, entities can update the effective interest rate without the recognition of an immediate gain or loss. Without the practical expedient, an entity would need to consider whether these changes result in the derecognition of the financial asset or financial liability. This applies to financial instruments carried at amortised cost as well as leases where future lease payments are indexed to an IBOR rate.

The Company has exposures to USD 'LIBOR' (the London Inter-bank Offered Rate) which will be replaced or reformed as part of the market-wide initiatives. Current financing facilities are primarily based on 1 month USD LIBOR. The publication of USD LIBOR has been extended to June 2023.

The table below sets out the Company's exposure to USD LIBOR as at 31 March 2022. These balances have not yet transitioned to an alternative benchmark rate and some of the balances will naturally expire before USD LIBOR ceases to be published in June 2023.

	31 March 2022 \$'000
Assets	
Receivables from related parties	253

The Company had no contracts for which USD LIBOR was replaced with an ARR for the financial year ended 31 March 2022. The adoption of Phase 2 amendments to date have not had nor is it anticipated that they will have a material impact on the financial statements of the Company. Additionally, comparative information has not been restated for the Company and there was no impact on current year opening balances following the adoption of the Phase 2 amendments.

No changes in the risk strategy have been made to date and none are expected as a result of the transition. The Alternative Reference Rate Committee ("ARRC") has recommended the use of a Secured Overnight Funding Rate ("SOFR"). For all LIBOR-linked contracts, the Company expects to transition to SOFR.

Accounting for lease concessions related to the effects of COVID

The International Accounting Standards Board ("IASB") has issued guidance on the treatment of certain lease changes arising out of the economic disruptions caused by COVID. The guidance was specifically linked to lessees and is not directly applicable to the Company. The Company continues to account for any COVID related lease changes using existing lessor accounting standards.

In the instance where rent concessions take the form of a forgiveness of prior lease payments, with no change in the scope of the lease, the Company acknowledges a policy choice exists for such a reduction in operating lease receivables. The Company accounted for rent concessions in the form of a forgiveness of prior lease payments as meeting the definition of a lease modification due to the change in total consideration for the lease often coupled with an extension of the lease term. The accrued lease receivables are treated as part of the new lease. Consequently, the Company does not change the amount previously recognised on the balance sheet for contractually due past rentals upon modification, but instead, recognises lower lease income over the remaining term of the lease. The same approach is used for leases which are extended, with any accrued lease payments being considered part of the lease payments for the new lease.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

IFRS 16 requires a lessor to recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. IFRS 16 does not specify a collectability criterion that must be met in order for a lessor to recognise operating lease income. The Company continued to recognise operating lease income on a straight-line basis and assesses lease receivables for impairment under IFRS 9.

2.3 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 Company's accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company and the financial statements, such as:

- recoverability of assets under operating lease (Notes 2.7 and 7);
- measurement of expected credit losses including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions (Note 2.8);
- recoverability of deferred tax assets (Notes 2.6, 6 and 9); and
- recognition and measurement of supplemental income, maintenance reserves and end of lease compensation (Notes 2.5, 2.10, 3 and 13).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

2.4 Foreign currency translation

(a) 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.

(b) Transactions and balances

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

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

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

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

2.5 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 lease income and supplemental rent income.

(a) Operating lease income

Operating lease 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. The lease agreements provide for the periodic payments of fixed or a variable amount of rent. Variable rent leases are either linked to an interest rate or the usage of the aircraft, commonly called power by the hour arrangements. The minimum operating lease income under the contract is recorded as revenue on an accrual and a straight-line basis over the non-cancellable term of the lease. If applicable, the contingent rent component, which is comprised of the variable rent leases, is based on future changes in interest rates or usage and is recognised through an increase or decrease in rental of flight equipment revenue in the financial period when the change occurs.

Timing differences between rental amounts billed and earned under the lease agreements are recorded as either deferred income in Creditors or accrued revenue in Debtors.

In certain instances, the Company provides lease concessions to the customer, generally in the form of lease rental deferrals. While these deferral arrangements affect the timing of lease rental payments, the total amount of lease rental payments required over the lease term is generally the same as what was required under the original lease agreement. The Company accounts for the deferrals as if no modifications to the lease agreements were made and records the deferred rentals as accrued revenue.

Past-due rentals are recognised on the basis of management's assessment of whether future economic benefit will flow to the entity. Estimating whether future economic benefit will flow to the entity requires a 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 received from the lessee. Depending on factors such as the lessee's financial condition, there may be doubts about the recoverability of rental amounts due. In these circumstances, we continue to recognise revenue for the rental of flight equipment but will also record a loss allowance against the related receivable. This loss allowance is recorded within credit impairment charges in Other operating expenses.

(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.

Under certain leases the Company requires lessees to make regular additional rent payments based on aircraft utilisation. These payments are calculated on the basis of flight hours, flight cycles or at an agreed rate specified in the lease. These payments are recorded as Supplemental rent revenue. In these situations, the Company is obliged to reimburse the lessee for the cost of MMEs (up to the amount of supplemental rent paid).

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

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 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 ("MR") liability (Note 2.10).

In certain circumstances, the Company agrees to an alternative mechanism to compensate the lessor for the usage of the aircraft. Under an end of lease ("EoL") compensation mechanism, 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 agreement. EoL compensation is estimated and recognised over the lease term as supplemental rent or contra supplemental rent.

For all of the above scenarios, the Company estimates the total payments toward the cost of MMEs or EoL compensation 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 and EoL compensation.

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 comprise depreciation expense on flight equipment, aircraft ownership expenses, service fee to related party, management fees, credit impairment charges and reversal, and foreign exchange loss and gain.

Administrative expenses

Administrative expenses comprise auditors' remuneration, compliance fees, legal and professional fees, and other expenses.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

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.

2.6 Taxation

The tax benefit or expense for the financial year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income ("OCI") or directly in equity.

The current income tax credit or charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when (a) the related deferred income tax asset is realised or (b) the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Income tax liability is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years.

Where allowed, the taxable losses from individual entities are offset against taxable income in other entities within the same jurisdiction. The provision for income taxes incorporates assumptions that these allocations will be reimbursed through intergroup payments.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

2.7 Tangible assets

Flight equipment

Tangible assets include flight equipment held under operating lease and is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Costs related to lessee specific modifications paid by the Company are typically capitalised as part of flight equipment held under operating lease when it is probable that the future economic benefits associated with the item will flow to the Company. They are amortised over either the term of the lease or the depreciable life of the aircraft or improvement, depending upon the nature of the improvement. To the extent the Company has pre-delivery payments made in advance of the purchase of flight equipment; these are included in aircraft purchase deposits and are reclassified to flight equipment held under operating lease when the asset is delivered.

Aircraft are depreciated on a declining balance basis until the aircraft is 15 years old from date of manufacture. The rates applied range from 5.5% to 8% per year depending on the type of aircraft. When an aircraft turns 15 years old, management determines an appropriate depreciation estimate from that date until the end of its useful life. Various factors including the intended use of the asset, prevailing market conditions and estimates of fair values are considered. Where applicable, useful life and residual values are estimated based on data from independent appraisers or management's view where supporting transaction data exists. The determination of residual values, useful life and depreciation method involve significant judgements and estimates. The Company evaluates the appropriateness of these judgements and assessments each reporting period.

Aircraft are assessed for recoverability in accordance with IAS 36, at each reporting date or whenever events or changes in circumstances indicate their carrying value may not be recoverable. For the purposes of measuring an impairment loss, each aircraft is tested individually by comparing its carrying amount to the higher of value in use and fair value less cost to sell. Value in use is the total cash flows expected to be generated by an aircraft discounted at a market rate. Fair value is based on independent appraisers or management's view where supporting transaction data exists. The review for recoverability has a level of subjectivity and requires the use of judgement in the assessment of estimated future cash flows associated with the use of an aircraft and its eventual disposition. Expected future cash flows are based on all relevant information available, including the existing lease, current contracted rates for similar aircraft, residual values, economic conditions, technology, airline demand for a particular aircraft type, appraisal data and industry trends, and assumptions about downtime between re-leasing events and the amount of re-leasing costs.

The Company capitalises initial direct costs incurred by it in connection with identifying, negotiating and delivering aircraft to lessees, to the extent they are identifiable and incremental. The costs are amortised over the initial non-cancellable term of the related lease against operating lease income.

At the time flight equipment is retired or sold, the cost and accumulated depreciation are removed from the related accounts and the difference, net of proceeds, is recorded as a gain or loss in profit or loss.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

2.8 Financial instruments

(a) Classification

Financial assets are classified in the following categories:

- i. those to be measured subsequently at fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), and
- ii. those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

(b) Recognition of financial instruments

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset.

(c) Initial and subsequent measurement

A financial instrument is initially recognised at fair value and is adjusted for (in the case of instruments not carried at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument. Transaction costs relating to financial instruments carried at FVTPL are expensed in the profit and loss account.

Financial assets that do not have cash flows that represent solely payments of principal and interest are subsequently measured at FVTPL.

(d) Classification and subsequent measurement

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

(e) Derecognition of financial instruments

i. Financial assets

Financial assets are de-recognised when:

- the rights to cash flows have expired
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

ii. Financial liabilities

Financial liabilities are de-recognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

(f) Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The determination of ECL takes into account collateral held or other credit enhancements that are integral to the contractual terms. The collateral held is in the form of security deposits and letters of credit.

Loss allowances of the Company are measured either by applying the simplified approach or general approach.

i. Simplified approach

The Company applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

ii. General approach

Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition. This is commonly referred to as stage I.

Periodically, and at a minimum at each reporting date, the Company assesses whether there is a significant increase in credit risk ("SICR") since initial recognition. If there is, the loss allowance is measured at an amount equal to lifetime ECL. This is commonly referred to as stage II.

When evaluating changes in credit risk the Company primarily relies on internal credit ratings. 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 other external data. Because of the nature of our business and operations and our historical experience, exposures which are 30 days past due are not automatically considered to represent a SICR.

Financial assets with objective evidence of impairment at the reporting date are classified as credit impaired. For these assets lifetime ECL are recognised. This is commonly referred to as stage III.

Default is generally defined as the point when the counterparty is unlikely to pay its credit obligations in full, without recourse by the Company to the realisation of collateral; or the borrower is 90 days or more past due.

A financial asset loss allowance calculation is upgraded from lifetime ECL (stage II or stage III) to 12-month ECL (stage I) if a counterparty performs consistently for at least six months and meets its credit obligations. There were no such movements in the current reporting year or in the prior year.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

Write-off

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 allowance. Recoveries of financial assets previously written off are recorded based on the cash received.

Forward-looking information ("FLI")

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information. In incorporating FLI management has exercised judgement in determining the inputs and application of the methodology to calculate ECL. Changes in actual or future economic conditions could vary which would result in variances between the calculated ECL and actual results.

2.9 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.

2.10 Maintenance reserves and end of lease compensation

Lessees are responsible for aircraft maintenance during the lease.

As described in Note 2.5(b), 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.

The lessee has an obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (supplemental amounts). Upon lessee presentation of the invoices evidencing the completion of the qualifying work on the aircraft, the Company reimburses the lessee for the work, up to a maximum of the supplemental rent amounts received with respect to such work.

At the beginning and throughout the term of each lease, the Company estimates the maintenance liability for MMEs which are expected to occur during the lease and accrues for this over the same term with a corresponding contra-revenue entry in supplemental rent. Amounts not expected to be reimbursed during the lease are recorded as supplemental rent income when the Company has reliable information that the lessee will not seek reimbursement of maintenance reserves based on the maintenance forecasting model.

Under EoL compensation arrangements, the Company accrues the expected lessee's compensation for the use of the aircraft over the term of the lease as EoL maintenance reserves receivable with a corresponding entry in supplemental rent or contra supplemental rent and agrees to defer the receipt of this compensation until the lease ends. In estimating the EoL maintenance reserves receivable, the Company incorporates the credit risk of the

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

counterparty as part of the estimate. In determining credit risk, the Company applies the impairment methodology described in Note 2.8.

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

When aircraft are sold, the portion of the accrued reserves not specifically assigned to the buyer is recognised as part of the gain or loss on disposal of the aircraft.

Maintenance costs incurred when an aircraft is off lease are recorded as an expense in the period incurred.

Under EoL arrangements, the total expected EoL compensation due to, or receivable from, the lessee is accrued over the life of the lease as a maintenance reserve asset or liability (depending on the expected relative condition of the major components compared with the condition at the inception of the lease).

2.11 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.

2.12 Comparatives

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

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

3. Loss on ordinary activities before taxation

	2022 \$'000	2021 \$'000
Turnover		
Operating lease income ¹	4,055	4,912
Supplemental rent income ²	(430)	(430)
Total turnover	3,625	4,482
Other operating expenses		
Depreciation: flight equipment (Note 7)	(1,842)	(2,331)
Aircraft ownership expenses	(9)	(10)
Service fee to related party	(102)	(261)
Management fees	(234)	(249)
Credit impairment (charges)/reversal	(2,491)	803
Foreign exchange (loss)/gain	(5)	26
Total other operating expenses	(4,683)	(2,022)
Administrative expenses		
Auditors' remuneration ³	(28)	(28)
Compliance fees	(10)	(14)
Legal and professional fees	(84)	(116)
Other expenses	-	(4)
Total administrative expenses	(122)	(162)

¹The Company currently has fixed rent lease income on its aircraft.

²Supplemental rent income

Accruals for expected maintenance events	(430)	(430)
Total supplemental rent income	(430)	(430)

³Auditors' remuneration (excluding value added tax ("VAT") and including expenses) to the Statutory Audit Firm, PricewaterhouseCoopers Ireland of \$7,000 (2021: \$7,000) 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 (2021: \$nil).

4. Interest receivable and similar income

	2022 \$'000	2021 \$'000
Interest receivable from related parties	36	121
Total interest receivable and similar income	36	121

5. Interest payable and similar charges

	2022 \$'000	2021 \$'000
Interest payable to related parties	(2,595)	(2,980)
Total interest payable and similar charges	(2,595)	(2,980)

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

6. Tax on loss on ordinary activities

(a) Analysis of tax benefit for the year

	2022 \$'000	2021 \$'000
Current tax:		
Amounts receivable in respect of group relief surrendered ¹	-	130
Adjustments to tax in respect of prior years	-	98
Total current tax	-	228
Deferred tax:		
Origination and reversal of timing differences	1,256	1,271
Adjustments to tax in respect of prior years	-	(98)
Total deferred tax	1,256	1,173
Tax on loss on ordinary activities	1,256	1,401

¹During the prior financial year, the Company surrendered tax losses from related parties for which a payment was received.

(b) Reconciliation of tax benefit to tax credited at standard rates

Factors affecting tax credit for the year:

The tax benefit for the year ended 31 March 2022 is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 \$'000	2021 \$'000
Loss on ordinary activities before taxation	(3,739)	(7,355)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	710	1,397
Tax effects of:		
- Non-taxable items	5	4
- Change in future enacted tax rates	541	-
Tax on loss on ordinary activities	1,256	1,401

Tax expense for the year ended 31 March 2022 includes the effect of revaluing affected deferred tax assets and liabilities for the scheduled UK rate increase from the current rate of 19% to 25%.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

7. Tangible assets

	2022 \$'000	2021 \$'000
Assets for operating lease		
Flight equipment		
Cost	56,366	56,366
Less: accumulated depreciation	(23,873)	(22,031)
Total flight equipment	32,493	34,335
Total assets for operating lease	32,493	34,335
Total tangible assets	32,493	34,335
Reconciliation of the movement in the Company's tangible assets at their carrying value:		
Balance at the beginning of the financial year	34,335	43,460
Impairment during the year ¹	-	(6,794)
Depreciation expense (Note 3)	(1,842)	(2,331)
Balance at the end of the financial year	32,493	34,335

¹During the prior financial year, the Company determined that its aircraft held for operating lease had book value exceeding its recoverable value by a total of \$6,794,000. The aircraft was written down to its recoverable value. The recoverable value was determined by reference to anticipated cash flows, discounted at the weighted average rate of 4.49%.

8. Operating lease receivables and commitments

Operating lease 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 leases are as follows:

	2022 \$'000	2021 \$'000
Within 1 year	3,950	4,648
Between 1 and 2 years	3,950	4,648
Between 2 and 3 years	2,962	4,648
Between 3 and 4 years	-	3,486
Total	10,862	17,430

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

9. Deferred tax

	2022 \$'000	2021 \$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Loss carryforwards	1,053	-
Fixed assets: depreciation in excess of capital allowances	838	722
Other	362	275
Total deferred tax assets	2,253	997
Net deferred tax assets	2,253	997

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

	2022 \$'000	2021 \$'000
Reconciliation of the Company's movement in deferred tax balances:		
Balance at the beginning of the financial year	997	(177)
Timing differences:		
Amounts charged to profit or loss (Note 6)	1,256	1,173
Other items	-	1
Balance at the end of the financial year	2,253	997

United Kingdom deferred tax assets and liabilities have been revalued to reflect the scheduled tax rate increase from 19% to 25%.

Deferred income tax assets are recognised for tax loss carry-forwards of \$4,213,000 (2021: \$nil) to the extent that the realisation of the related tax benefit through future taxable profits is probable. All other losses carry forward indefinitely.

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

10. Debtors

	2022 \$'000	2021 \$'000
Amounts falling due within one year:		
Amounts owed by related parties for:		
Taxation	120	476
Other receivables ¹	23	15,304
Less: expected credit loss provisions	(4)	(38)
Total amounts owed by related parties, net	139	15,742
Trade debtors	3,062	937
Less: expected credit loss provisions	(3,062)	(937)
Maintenance reserves advance receivable (Note 13)	1,181	1,486
Total amount receivable from lessee, net	1,181	1,486
Prepayments and accrued revenue	399	-
Less: expected credit loss provisions	(399)	-
Other assets	-	1
Taxation	-	26
VAT recoverable	-	18
Total other assets	-	45
Total amounts falling due within one year	1,320	17,273
Total debtors	1,320	17,273

¹On 31 March 2022, the Company became a party to a Group Omnibus Agreement with a legally enforceable right of set-off for all related party balances between Group companies. As of 31 March 2022, related party receivables and related party payables including management fees payable have been offset for each intergroup counterparty and the net related party receivables have been aggregated and disclosed in the table above. Other receivables are amounts owed by related parties that are unsecured and have no fixed date of repayment. The Company earns interest income on amounts owed by related parties at market rates and at 31 March 2022 the rate applied was LIBOR plus 1.88% (2021: LIBOR plus 0.36%).

11. Creditors: amounts falling due within one year

	2022 \$'000	2021 \$'000
Amounts falling due within one year:		
Amounts owed to related parties for:		
Management fees payable ¹	-	(249)
Other payables ¹	-	(13)
Total amounts owed to related parties	-	(262)
VAT payable	-	(18)
Total creditors: amounts falling due within one year	-	(280)

¹On 31 March 2022, the Company became a party to a Group Omnibus Agreement with a legally enforceable right of set-off for all related party balances between Group companies. As of 31 March 2022, related party receivables and related party payables including management fees payable have been offset for each intergroup counterparty and the net related party payables have been aggregated and disclosed in the table above. Other payables and management fees payable are amounts owed to related parties that are unsecured and have no fixed date of repayment. The Company incurs interest expense on amounts owed to related parties as applicable at market rates and at 31 March 2022 the rate applied was LIBOR plus 1.88% (2021: LIBOR plus 0.36%).

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

12. Creditors: amounts falling due after more than one year

	2022 \$'000	2021 \$'000
Amounts falling due after more than one year:		
Amounts owed to related parties for:		
Term loan payable ¹	(27,871)	(41,647)
Total amounts owed to related parties	(27,871)	(41,647)
Total creditors: amounts falling due after more than one year	(27,871)	(41,647)

¹Term loan payable represents a loan from Macquarie Aerospace Finance UK Limited, which is repayable in January 2025. The Company incurs fixed interest expense on this loan at 7.39% (2021: 7.39%).

13. Maintenance reserves

	2022 \$'000	2021 \$'000
Balance at the beginning of the financial year	1,486	(1,960)
Accruals for expected maintenance events	(430)	(430)
Supplemental rent billed and collected	125	-
Reductions for claims and other	-	3,876
Balance at the end of the financial year	1,181	1,486

14. Called up share capital presented as equity

	2022 Number of shares	2021 Number of shares	2022 \$'000	2021 \$'000
Ordinary share capital:¹				
Opening balance of fully paid ordinary shares of GBP 1 each ²	1	1	-	-
Opening balance of fully paid ordinary shares of \$1 each	21,400,000	21,400,000	21,400	21,400
Closing balance of called up share capital presented as equity	21,400,001	21,400,001	21,400	21,400

¹The shares and assets of the Company have been pledged as security over payables of its parent company, Macquarie Aerospace Finance UK 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 institutions.

²Represents share capital equivalent of \$1.44 (2021: \$1.44).

Aerospace Finance 6818 UK Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2022

(All amounts not in tables are in US dollars and not rounded to the nearest thousandth unless otherwise indicated.)

15. Accumulated deficit

	2022 \$'000	2021 \$'000
Balance at the beginning of the financial year	(10,722)	(4,768)
Loss attributable to the ordinary equity holders of the Company	(2,483)	(5,954)
Balance at the end of the financial year	(13,205)	(10,722)

16. Related party information

As of the reporting date, the immediate parent company of the Company is Macquarie Aerospace Finance UK Limited. The ultimate parent undertaking and controlling party of the Company is MAF, a company incorporated in England. MAF is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements for MAF can be obtained from the Company Secretary, 66 Prescott Street, London, E1 8NN, United Kingdom.

As 100% of the voting rights of the Company are controlled within the Group headed by MAF, 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 Group. The consolidated financial statements of MAF, within which the Company is included, can be obtained from the address given above.

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

17. Directors' remuneration

During the financial years ended 31 March 2022 and 31 March 2021, all Directors were employed by, and received all emoluments from, other Group undertakings. The Directors perform duties as directors for multiple entities in the Group, as well as their employment duties within the Group. There was no remuneration paid to the Directors in relation to their services as directors of the Company in both years presented.

18. Contingent liabilities and commitments

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

19. Events after the reporting date

The Directors are not aware of any 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 2022.

20. Approval of accounts

The Directors approved the financial statements on 7 December 2022.