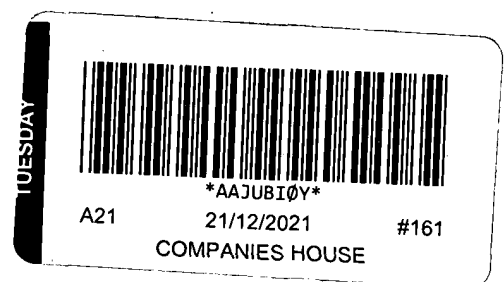


MASL UK (1) Limited

Company Registration Number 6386342

Directors' Report and Financial Statements
For the financial year ended 31 March 2021

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



MASL UK (1) Limited

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MASL UK (1) Limited

Directors report

For the financial year ended 31 March 2021

The directors (the "Directors") present their report and the audited financial statements of MASL UK (1) Limited (the "Company") for the financial year ended 31 March 2021.

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 2021 were aircraft leasing, trading, management and operating lease in and operating onward leasing of commercial aircraft and aircraft engines.

As of the reporting date, the Company owns two aircraft (2020: two aircraft). Both aircraft were off lease as of 31 March 2021. The company leases two engines (2020: two engines) from one of the aircraft to an airline operator and another Group company.

In addition, the Company leases one aircraft (2020: one aircraft) from another Group company and leases out to an airline operator under an operating lease.

At the beginning of the prior year, the ultimate holding company was Macquarie Group Limited (hereafter referred to as "MGL" or "Macquarie"). On 23 April 2019 Macquarie AirFinance Limited ("MAF") was incorporated to support the anticipated sale by Macquarie of a 25% stake in the fixed-wing aircraft leasing, financing and trading business (defined as the "Business") to PGGM Infrastructure Fund ("PGGM"). Concurrently with the sale to PGGM, the Business was reorganised such that MAF became the ultimate holding company of the Business. MAF and its subsidiaries (which include the Company) are hereinafter referred to as the "Group". On 31 March 2020, Sunsuper Pty Limited, in its capacity as trustee of the Sunsuper Superannuation Fund ("Sunsuper"), purchased a further 25% share of the Group.

In December 2019, an illness caused by a novel strain of coronavirus, Covid-19 virus ("COVID"), was first detected in Wuhan, China, and has since spread globally. On 11 March 2020, the World Health Organization declared that the rapidly spreading COVID outbreak was a global pandemic. The outbreak of COVID and responsive government actions caused significant economic disruption, a dramatic reduction in commercial airline traffic and a high volume of flight cancellations, resulting in a broad adverse impact on air travel and the aviation industry, all of which has impacted the results of our operations, financial condition, liquidity and cash flows. The rapid development of efficient vaccines gives grounds for optimism that travel will recover in some markets during 2021. Nevertheless, distribution of vaccines globally has been very uneven, with the result that it will be some time before we see a major recovery in international travel. Until vaccines are readily available globally, we will continue to face risks from new clusters of infection as we have seen recently in India.

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 profit attributable to ordinary equity holders of the Company for the financial year ended 31 March 2021 was \$2,020,000 (2020: profit of \$4,330,000).

No dividend was paid during the financial year ended 31 March 2021 (2020: \$nil).

MASL UK (1) Limited

Directors' report (continued)

For the financial year ended 31 March 2021

During the current financial year, the Company issued 43,500,000 shares at \$1 each. Proceeds from the share issuance were used to purchase a portion of debt held by an external lender to the Group. Refer to Note 10 for additional details.

Political contributions

The Company has made no political donations or incurred any political expenditure during the year (2020: \$nil).

Post balance sheet events

The Company has considered all post 31 March 2021 matters including those related to COVID. These include leasing activities and whether there have been any rent deferrals or bankruptcies specific to the Company's customers. We have also considered similar activities in relation to the Group in so far as the Group operations might affect the financial results and operations of the Company. None of the above factors have affected the Company's position or financial results.

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 2021.

Future developments

There are no significant changes 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.

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:

Gregg Macalister Walker
Liam James Kavanagh
Stephen Wesley Cook (resigned on 30 September 2021)

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.

MASL UK (1) Limited

Directors' report (continued)

For the financial year ended 31 March 2021

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.

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 them, 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

Due to the impact of COVID the Company has agreed to defer rent obligations for one of its lessees. The Company may grant additional rent deferrals and extend the periods of repayment in certain circumstances, and if the financial condition of airline customers continues to weaken, the Company may grant further accommodations or change the terms as appropriate.

If the Company determines that collectability of lessee rental payments is no longer probable (including any deferral thereof), the Company records allowances against the related rent and receivables. In addition, the significant decline in air travel has resulted in lower utilisation of our aircraft and engines, resulting in reductions of future supplemental rent and end of lease ("EoL") compensation payable to the Company.

MASL UK (1) Limited

Directors' report (continued)

For the financial year ended 31 March 2021

Current market conditions have materially reduced demand for aircraft, depressing re-lease rates and re-sale values for aircraft with expiring leases, and increased the likelihood that some of the lessees will default on their obligations or experience bankruptcy. These factors could contribute to a decrease in aircraft values, thereby increasing the likelihood that in future periods the Company may recognise impairment charges. In addition, any bankruptcy, insolvency, reorganisation or other restructuring of lessees heightens the risk that lessees may ground aircraft, negotiate reductions in aircraft lease rentals or reject their leases, all of which may result in reduced lease rentals, lower supplemental rent income and increased credit losses.

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. The pandemic has had a negative effect on the creditworthiness of a material number of the Group's lessees.

Overall, credit exposures, approvals and limits are controlled within the Group's credit framework which is overseen by the Risk Management Team ("RMT") 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, except for tax payables. The Company's receipts from customers are received by a Group company and that Group company in turn settles the Company's payables including tax related liabilities. The receivables from the Group exceed the tax related liabilities and 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.

In assessing the Company's liquidity and going concern risk, the Directors have considered the potential impact of COVID on the aviation industry and the Group's business, including the Company's. Based on current conditions, the Group has sufficient liquidity to satisfy anticipated operational and other business needs for 12 months from the issuance date of these financial statements. Refer to Note 2.1 to the financial statements.

MASL UK (1) Limited

Directors' report (continued)

For the financial year ended 31 March 2021

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.

(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.

From a group standpoint, 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 compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

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.

MASL UK (1) Limited

Directors' report (continued)

For the financial year ended 31 March 2021

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 102, 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 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.

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.

Disclosure of information to auditors

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

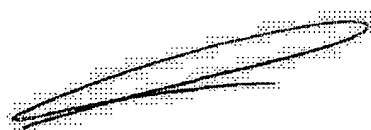
- as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's 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 13 December 2021 and signed on its behalf.



Gregg Macalister Walker



Independent auditors' report to the members of MASL UK (1) Limited

Report on the audit of the financial statements

Opinion

In our opinion, MASL UK (1) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements, which comprise:

- the balance sheet as at 31 March 2021;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended;
- 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 March 2021 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 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 collectability of accounts receivable.

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
Dublin
14 December 2021

MASL UK (1) Limited**Profit and loss account****For the financial year ended 31 March 2021**

	Note	2021 \$'000	2020 \$'000
Turnover	3	7,041	10,415
Gain on disposal of tangible assets	3	-	8,470
Other operating expenses	3	(5,698)	(11,156)
Administrative expenses	3	(61)	(69)
Operating profit		1,282	7,660
Interest receivable and similar income	4	1,923	709
Interest payable and similar charges	5	(612)	(1,318)
Net interest income/(expense)		1,311	(609)
Profit on ordinary activities before taxation		2,593	7,051
Tax on profit on ordinary activities	6	(573)	(2,721)
Profit on ordinary activities after taxation		2,020	4,330

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.

MASL UK (1) Limited

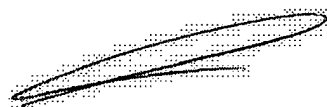
Company registration number: 6386342

Balance sheet

As at 31 March 2021

	Note	2021 \$'000	2020 \$'000
Fixed assets			
Tangible assets	7	19,960	22,487
		19,960	22,487
Current assets			
Debtors (includes \$45,901,000 (2020: \$1,236,000) falling due after more than one year)	10	65,724	91,765
Creditors: amounts falling due within one year	11	(3,919)	(78,567)
Net current assets		61,805	13,198
Total assets less current liabilities		81,765	35,685
Creditors: amounts falling due after more than one year	12	(1,440)	(1,320)
Provision for liabilities			
Maintenance reserves	14	(924)	(516)
Deferred tax	9	(1,317)	(1,285)
		(2,241)	(1,801)
Net assets		78,084	32,564
Capital and reserves			
Called up share capital presented as equity	15	73,500	30,000
Retained earnings	16	4,584	2,564
Total equity		78,084	32,564

The financial statements were approved by the Board of Directors on 13 December 2021 and were signed on its behalf by:



Gregg Macalister Walker

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

MASL UK (1) Limited

Statement of changes in equity

For the financial year ended 31 March 2021

	Note	Called up share capital presented as equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 April 2019		30,000	(1,766)	28,234
Profit for the financial year	16	-	4,330	4,330
Other comprehensive income		-	-	-
Total comprehensive income		-	4,330	4,330
Balance as at 31 March 2020		30,000	2,564	32,564
Profit for the financial year	16	-	2,020	2,020
Other comprehensive income		-	-	-
Total comprehensive income		-	2,020	2,020
Transactions with equity holders in their capacity as ordinary equity holders:				
Issue of share capital	15	43,500	-	43,500
Balance as at 31 March 2021		73,500	4,584	78,084

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

MASL UK (1) Limited

Notes to the financial statements

For the financial year ended 31 March 2021

1. General information

MASL UK (1) Limited (the "Company", "we" or "us") 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 Prescott Street, London, England, E1 8NN, United Kingdom.

The principal activities of the Company during the financial year ended 31 March 2021 were aircraft leasing, trading, management and operating lease in and operating onward leasing of commercial aircraft and aircraft engines.

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 in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The financial statements of the Company are prepared on a going concern basis, under the historical cost convention and are stated in US Dollars, which is the principal operating currency of the Company and of the aviation industry.

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 financial impact of COVID on the Company's business for year ended 31 March 2021, the Directors do not expect it to impact the Company's ability to meet its commitments as they fall due over the next 12 months from the issuance date. 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.

The Company is a qualifying entity for the purposes of FRS 102. Note 17 gives details of the Company's ultimate parent and from where the Group consolidated financial statements prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 may be obtained.

MASL UK (1) Limited

Notes to the financial statements (continued)
For the financial year ended 31 March 2021

In accordance with FRS 102, the Company has availed of the following exemptions in preparing its individual financial statements:

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

2.2 Changes in accounting policy and disclosures

(a) *Change in accounting policy by the Company:*

Expected credit losses ("ECL"): Simplified approach

On 1 April 2020, the Company adopted the simplified approach in accounting for expected credit losses on a retrospective basis as all of its trade receivables and accrued revenue 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 ECL at initial recognition and throughout its life. The Company has elected to apply the simplified approach in accounting for expected credit losses to all trade receivables and accrued revenue. There is no cumulative effect of measuring loss allowances under the simplified approach.

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

The following amendments became effective 1 April 2020 and have been adopted by the Company. The impact of the adoption of these amendments has not had a material impact on the Company's financial statements.

Accounting for lease concessions related to the effects of the Covid-19 pandemic

In October 2020, the Financial Reporting Council ("FRC") issued an amendment to Section 20 *Leases* of FRS 102, for lease concessions related to the effects of COVID. The amendment is applicable to companies whose leases are affected by the economic disruptions caused by COVID. The amendment requires entities to recognise changes in operating lease payments that arise from COVID-related rent concessions on a systematic basis over the periods that the change in lease payments is intended to compensate when all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The amendment is applicable to both lessors and lessees. Entities are required to disclose the amount of the change in lease payments recognised in profit or loss as a result of the amendment.

In June 2021 an additional amendment was issued extending the criteria for affected lease payments from 30 June 2021 to 30 June 2022. A lessee can apply the amendment on a retrospective basis, for annual reporting periods beginning on or after 1 January 2021 but earlier application is permitted.

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

Due to the impact of COVID, the Company agreed to defer rent obligations for one of its lessees. In most cases, the deferrals consisted of lower or no lease rent for a short-term period of three to six months. Deferred lease payments do not change the consideration for the lease but change only the timing of individual payments. The requirements therefore do not apply to changes in lease payments that result from rent deferrals and these changes are accounted for under the existing requirements of FRS 102.

FRS 102 requires a lessor to recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. FRS 102 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.

(c) *New standards, amendments and interpretations not yet adopted by the Company:*

Amendments to Interest rate benchmark reform: Transition from inter-bank offered rates ("IBOR") to alternative reference rates ("ARRs")

IBORs are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. The most common example of IBOR which affects the Company is "LIBOR" (the London Inter-bank Offered Rate). Over time, changes in interbank funding markets have meant that IBOR panel bank submissions have become based less on observable transactions and more on expert judgement. The Company's current financing facilities are based on 1, 3 and 6 month LIBOR ("Relevant LIBOR").

Financial markets' authorities reviewed what these changes meant for financial stability, culminating in recommendations to reform major interest rate benchmarks. As a result of these recommendations, many IBORs around the world are undergoing reforms. The UK Financial Conduct Authority (the regulator of LIBOR) has confirmed that it will no longer compel or persuade panel banks to submit rates for the calculation of Relevant LIBOR beyond the end of June 2023. As such, there can be no guarantee that Relevant LIBOR will be determined after June 2023 on the same basis as at present, if at all.

Existing LIBOR-linked contracts for derivatives, loans, bonds and other financial instruments that mature beyond the end of June 2023 are therefore expected to transition to ARR. Industry working groups are currently working with authorities and consulting with market participants to develop market practices that may be used to transition these contracts. To facilitate the transition of contracts from LIBOR to ARR on an economically equivalent basis, adjustments for term and credit differences might need to be applied.

Phase two of the interest rate benchmark reform was issued in December 2020 and included additional amendments to Section 11 *Basic Financial Instruments*, Section 12 *Other Financial Instruments Issues*, and Section 20 *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.

The objectives of the phase two amendments are to support companies in applying FRS standards when changes are made to contractual cash flows or hedging relationships as a result of the reform, and to assist companies in providing useful information to users of financial statements.

The Company has not early adopted the above and continues to monitor developments in IBOR reform.

2.3 Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with FRS 102 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

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Notes to the financial statements (continued)
For the financial year ended 31 March 2021

judgement or complexity, or areas where assumptions are significant to the Company and the financial statements, such as:

- recoverability of assets under operating lease (Notes 2.7 and 7);
- measurement of ECL including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecast of economic conditions (Note 2.8);
- recoverability of deferred tax assets (Notes 2.6, 6 and 9); and
- recognition and measurement of supplemental income and expenses and maintenance reserves (Notes 2.5, 2.10, 3 and 14).

Estimates and judgments 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 at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

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 and engines. 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 interest rates 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 customers, 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. 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 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.

Under certain leases the Company requires lessees to make regular additional rent payments based on aircraft and engines 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).

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 and engines 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

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

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 (Note 2.10).

In certain circumstances, the Company agrees to an alternative mechanism to compensate the lessor for the usage of the aircraft and engines. Under an EoL compensation mechanism, the lessor agrees to defer the receipt of the lessee's compensation for the use of the aircraft and engines 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 and engines utilisation, area of operation, and costs and timing of MMEs. Where applicable management relies on specialists, aircraft and engines 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 and engines 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.

(a) Operating lease expense

Operating lease expense consists of rental payments under leases of aircraft and engines. 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.

All rentals paid in advance are included in amounts receivable from related parties within Debtors in the balance sheet until incurred (Note 10).

(b) Supplemental rent expense

Under Lease in Lease out ("LILO") arrangements, the Company pays supplemental rent to the head lessor and this is recognised as an expense when payable. Under the terms of the head lease agreement, the head lessor is obligated to make payments to the Company (as lessee) in respect of maintenance reserves to enable the Company as lessee to comply with its obligations to the third party lessee under the lease out arrangement. Such

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

expected payments by the head lessor to the Company are recorded as an adjustment to the supplemental rent expense with a corresponding balance to related party receivable.

The Company also accrues the expected EoL compensation payments it expects to pay to or receive from the head lessor at the end of the lease. Under the head lessor agreement, the Company will pay to, or receive from, the head lessor an amount based on the relative condition of each component at the end of the lease relative to the condition at the commencement of the lease. The accrued amount is based on an estimate made by the Company which is continually revised and updated as necessary.

Other operating expenses

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

Administrative expenses

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

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.

Gain on debt purchased is recognised in a systematic basis into interest income over the life of the financial instrument.

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

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Notes to the financial statements (continued)
For the financial year ended 31 March 2021

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 period.

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 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.

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

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.

2.8 Financial instruments

The Company has chosen to apply the recognition and measurement provisions of IFRS 9 and the disclosure requirements of FRS 102.

(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) 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.

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Notes to the financial statements (continued)
For the financial year ended 31 March 2021

(e) *Expected credit losses*

The Company recognises an allowance for ECLs for all financial assets not held at fair value through profit or loss. ECLs 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.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

i. Simplified approach

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

ii. General approach

The Company applies the general approach to provide for ECLs on all other financial assets not held at fair value through profit or loss and contract assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

If there is a significant increase in credit risk ("SICR") since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. 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. Where an exposure's credit risk deteriorates beyond pre-defined thresholds, the exposure is categorised as stage II. Because of the nature of our business and operation and our historical experience, exposures which are 30 days past due are not automatically considered to represent a SICR. In situations where there has been SICR since inception, credit ratings are only upgraded if a counterparty performs consistently for 6 months and meets its credit obligations. Such upgrades could result in the exposure moving from stage III to stage II/stage I or moving from stage II to stage I. There were no such movements in the current reporting year.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

Lifetime ECL credit-impaired

Financial assets are classified as credit impaired when they are determined to be credit impaired or in default. 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.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure.

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 ECLs, 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.

Under LIFO arrangements, there is a contra asset to the security deposit liability which is held by related parties.

2.10 Maintenance reserves and end of lease compensation

Lessees are responsible for aircraft and engines 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 and engines, the Company reimburses the lessee for the work, up to a maximum of the supplemental rent amounts received with respect to such work.

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Notes to the financial statements (continued)
For the financial year ended 31 March 2021

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 and engines 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 counterparty as part of the estimate. The Company applies the general process of impairment which is further 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 LIFO arrangements, where the lessee pays monthly supplemental reserves, a maintenance reserve liability is recognised and accrued over the life of the lease. In respect of the lease in arrangement with the head lessor there is a corresponding related party receivable balance from the head lessor.

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). In respect of the lease in arrangement with the head lessor there is a corresponding maintenance reserve liability or asset which is presented as a related party payable or receivable.

The related party balance related to EoL compensation or maintenance reserves is classified as short term or long term based on the contractual lease term.

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 is reclassified to conform with changes in presentation in the current year.

In accordance with the requirements of FRS 102 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.

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

3. Profit on ordinary activities before taxation

	2021 \$'000	2020 \$'000
Turnover		
Operating lease income ¹	5,411	7,693
Supplemental rent income ²	1,630	2,722
Total turnover	7,041	10,415
Gain on disposal of tangible assets	-	8,470
Other operating expenses		
Operating lease expense ¹	(2,445)	(2,764)
Depreciation: flight equipment (Note 7)	(1,359)	(3,468)
Supplemental rent expense ³	132	(1,766)
Aircraft ownership expenses	(743)	(216)
Service fee to related party	(206)	(2,028)
Management fees	(132)	(749)
Credit impairment charges ⁴	(836)	(204)
Foreign exchange (loss)/gain	(109)	39
Total other operating expenses	(5,698)	(11,156)
Administrative expenses		
Auditors' remuneration ⁵	(44)	(23)
Compliance fees	(7)	(7)
Legal and professional fees	(10)	(37)
Other expenses	-	(2)
Total administrative expenses	(61)	(69)

¹The Company currently has fixed and variable rent lease income and fixed rent lease expense on its aircraft and engines.

²Supplemental rent income

Supplemental rent income on Maintenance Reserves ("MR") leases	2,221	1,718
EoL income accrual	-	956
Accruals for expected maintenance events	(499)	48
Maintenance cost per hour	(92)	-
Total supplemental rent income	1,630	2,722

³Supplemental rent expense

Supplemental rent expense on MR leases	(459)	(1,718)
Accruals for expected maintenance events	591	(48)
Total supplemental rent expense	132	(1,766)

⁴The ECL provision on lease in and lease out arrangements results in an equal and opposite reduction in the intercompany payable as the Company needs to only repay the amounts received from debtors.

⁵Auditors' remuneration (excluding value added tax ("VAT") and including expenses) to the Statutory Audit Firm, PricewaterhouseCoopers Ireland of \$7,000 (2020: \$6,000) 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 (2020: \$nil).

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Notes to the financial statements (continued)
For the financial year ended 31 March 2021

4. Interest receivable and similar income

	2021 \$'000	2020 \$'000
Interest receivable from related parties	1,040	709
Interest receivable from external parties	16	-
Amortisation of gain on debt purchase (Note 10)	867	-
Total interest receivable and similar income	1,923	709

5. Interest payable and similar charges

	2021 \$'000	2020 \$'000
Interest payable to related parties	(610)	(1,270)
Interest payable to external parties	(2)	(48)
Total interest payable and similar charges	(612)	(1,318)

6. Tax on profit on ordinary activities*(a) Analysis of tax expense for the year*

	2021 \$'000	2020 \$'000
Current tax:		
Current tax payable	(541)	(1,605)
Total current tax	(541)	(1,605)
Deferred tax:		
Origination and reversal of timing differences	(33)	(1,116)
Adjustments to tax in respect of prior years	1	-
Total deferred tax	(32)	(1,116)
Tax on profit on ordinary activities	(573)	(2,721)

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Notes to the financial statements (continued)

For the financial year ended 31 March 2021

(b) Reconciliation of tax expense to tax charged at standard rates

Factors affecting tax charge for the year:

The tax expense for the year ended 31 March 2021 is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 \$'000	2020 \$'000
Profit on ordinary activities before taxation	2,593	7,051
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(493)	(1,340)
Tax effects of:		
- Non-taxable items	(48)	(39)
- Change in future enacted tax rates	-	(20)
- Deferred taxes arising on transfer of trading assets	-	(1,323)
- Other items	(32)	1
Tax on profit on ordinary activities	(573)	(2,721)

7. Tangible assets

	2021 \$'000	2020 \$'000
Assets for operating lease		
Flight equipment		
Cost	23,747	24,915
Less: accumulated depreciation	(3,787)	(2,428)
Total flight equipment	19,960	22,487
Total assets for operating lease	19,960	22,487
Total tangible assets	19,960	22,487

Reconciliation of the movement in the Company's tangible assets at their carrying value:

Balance at the beginning of the financial year	22,487	22,883
Additions during the year	92	72,257
Disposals during the year	(1,260)	(69,185)
Depreciation expense (Note 3)	(1,359)	(3,468)
Balance at the end of the financial year	19,960	22,487

MASL UK (1) Limited

Notes to the financial statements (continued)
For the financial year ended 31 March 2021

8. Operating lease receivables and commitments

Operating lease rental receivables – Company as lessor

The Company leases out aircraft and engines under non-cancellable operating leases. The lease arrangement provides the lessee the option during a specified period to purchase the asset prior to the lease expiry date.

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021 \$'000	2020 \$'000
Within 1 year	4,871	5,332
Between 1 and 2 years	1,371	4,176
Between 2 and 3 years	-	1,199
Total	6,242	10,707

Operating lease commitments – Company as lessee

The Company leases in 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 leases are as follows:

	2021 \$'000	2020 \$'000
Within 1 year	3,083	2,494
Between 1 and 2 years	777	2,394
Between 2 and 3 years	-	605
Total	3,860	5,493

MASL UK (1) Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2021

9. Deferred tax

	2021 \$'000	2020 \$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Sale of lessor adjustment	-	1,280
Other	1,070	-
Total deferred tax assets	1,070	1,280
Deferred tax liabilities		
Fixed assets: capital allowances in excess of depreciation	(2,387)	(2,565)
Total deferred tax liabilities	(2,387)	(2,565)
Net deferred tax liabilities	(1,317)	(1,285)

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

	2021 \$'000	2020 \$'000
Reconciliation of the Company's movement in deferred tax balances:		
Balance at the beginning of the financial year	(1,285)	(168)
Timing differences:		
Amounts charged to profit or loss (Note 6)	(33)	(1,116)
Other items	1	(1)
Balance at the end of the financial year	(1,317)	(1,285)

The UK intends to increase the corporate tax rate from the current 19% to 25% in fiscal year 2024; however, as this change is not substantially enacted at the time of these financial statements, we have not revalued our deferred tax assets and liabilities.

MASL UK (1) Limited

Notes to the financial statements (continued)
For the financial year ended 31 March 2021

10. Debtors

	2021 \$'000	2020 \$'000
Amounts falling due within one year:		
Amounts owed to related parties for:		
Taxation	-	651
Other receivables ¹	19,266	89,909
Less: expected credit loss provisions	(233)	(215)
Total amounts owed by related parties, net	19,033	90,345
Trade debtors	51	182
Total amount receivable from lessee, net	51	182
Prepayments and accrued revenue	733	-
VAT recoverable	6	2
Total other assets	739	2
Total amounts falling due within one year	19,823	90,529
Amounts falling due after more than one year:		
Amounts owed by related parties for:		
Security deposits (Note 13)	720	720
Maintenance reserves receivable (Note 14)	924	516
Term loan receivable ²	44,382	-
Less: expected credit loss provisions	(125)	-
Total amounts owed by related parties, net	45,901	1,236
Total amounts falling due after more than one year	45,901	1,236
Total debtors	65,724	91,765

¹Other 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 2021 the rate applied was LIBOR plus 0.36% (2020: LIBOR plus 0.35%).

²During the year, the Company purchased \$50,000,000 in aggregate principal amount of an unsecured term loan from an external lender to the Group for a purchase price of \$43,500,000. The loan is payable from a related party, Macquarie AirFinance Holdings Limited and matures in May 2023. The Company earns interest income on this loan at LIBOR plus 1.75%.

The Company will recognise the difference between the fair market value of the loan and the purchase price of \$6,500,000 as a gain over the remaining term of the loan. In the current financial year, the Company recognised \$867,000 of the gain on the purchase of debt in Total interest receivable and similar income (Note 4).

MASL UK (1) Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2021

11. Creditors: amounts falling due within one year

	2021 \$'000	2020 \$'000
Amounts falling due within one year:		
Amounts owed to related parties for:		
Taxation	(2,239)	-
Management fees payable ¹	(959)	(824)
Other payables ¹	(715)	(75,783)
Total amounts owed to related parties	(3,913)	(76,607)
Deferred income	-	(177)
Security deposits (Note 13)	-	(175)
Taxation	-	(1,606)
VAT payable	(6)	(2)
Total creditors: amounts falling due within one year	(3,919)	(78,567)

¹Other 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 2021 the rate applied was LIBOR plus 0.36% (2020: LIBOR plus 0.35%).

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

	2021 \$'000	2020 \$'000
Amounts falling due after more than one year:		
Amounts owed to related parties for:		
Security deposits (Note 13)	(600)	(600)
Total amounts owed to related parties	(600)	(600)
Security deposits (Note 13)	(840)	(720)
Total creditors: amounts falling due after more than one year	(1,440)	(1,320)

MASL UK (1) Limited

Notes to the financial statements (continued)
For the financial year ended 31 March 2021

13. Security deposits

	2021 \$'000	2020 \$'000
Amounts falling due within one year	-	(175)
Amounts falling due after more than one year	(1,440)	(1,320)
Total security deposits	(1,440)	(1,495)

Security deposits are interest free and refundable to the lessee at the successful completion of the lease term, which are included in Creditors (Notes 11 and 12).

The Company leases in aircraft from related parties under a LIFO arrangement and has a corresponding security deposit receivable of \$720,000 (2020: \$720,000) from the head lessor, which is included within Debtors (Note 10).

The Company leases out an engine to related parties and under the terms of the lease has a payable of \$600,000 (2020: \$600,000) for the security deposit liability recognised by the related party, which is included in Creditors (Note 12).

14. Maintenance reserves

	2021 \$'000	2020 \$'000
Balance at the beginning of the financial year	(516)	(1,547)
Accruals for expected maintenance events	(499)	48
Accrued interest	(1)	(49)
Reductions for claims and other	92	1,032
Balance at the end of the financial year	(924)	(516)

Maintenance reserves associated with lease out arrangements are as follows:

Payable to external lessees	(924)	(516)
Total maintenance reserves	(924)	(516)

Maintenance reserves associated with lease in arrangements are as follows:

Receivable from related parties (Note 10)	924	516
Total maintenance reserves	924	516

MASL UK (1) Limited

Notes to the financial statements (continued)

For the financial year ended 31 March 2021

15. Called up share capital presented as equity

During the current financial year, the Company issued 43,500,000 shares at \$1 each. Proceeds from the share issuance were used purchase a portion of debt held by an external lender to the Group. Refer to Note 10 for additional details.

	2021 Number of shares	2020 Number of shares	2021 \$'000	2020 \$'000
Ordinary share capital:				
Opening balance of fully paid ordinary shares of GBP 1 each ¹	1	1	-	-
Opening balance of fully paid ordinary shares of \$1 each	30,000	30,000	30,000	30,000
Issue of ordinary shares on 11 December 2020 at \$1 per share	43,500,000	-	43,500	-
Closing balance of called up share capital presented as equity			73,500	30,000

¹Represents share capital equivalent of \$2.05 (2020: \$2.05).

16. Retained earnings

	2021 \$'000	2020 \$'000
Balance at the beginning of the financial year	2,564	(1,766)
Profit attributable to the ordinary equity holders of the Company	2,020	4,330
Balance at the end of the financial year	4,584	2,564

17. Related party information

As of the reporting date, the immediate parent company of the Company is Macquarie Airfinance Holdings Limited. The ultimate parent undertaking and controlling party of the Company is MAF, a company incorporated in the United Kingdom. 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 102 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.

MASL UK (1) Limited

Notes to the financial statements (continued)
For the financial year ended 31 March 2021

18. Directors' remuneration

During the financial years ended 31 March 2021 and 31 March 2020, 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.

19. Contingent liabilities and commitments

Other than the operating lease commitments disclosed in Note 8, the Company had no purchase commitments or contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

20. Events after the reporting date

The Company has considered all post 31 March 2021 matters including those related to COVID. These include leasing activities and whether there have been any rent deferrals or bankruptcies specific to the Company's customers. We have also considered similar activities in relation to the Group in so far as the Group operations might affect the financial results and operations of the Company. None of the above factors have affected the Company's position or financial results.

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 2021.

21. Approval of accounts

The Directors approved the financial statements on 13 December 2021.