

Company No 8093037

EAF LEASING UK 1 LIMITED (formerly known as Avolon Aerospace UK 4 Limited)

Directors' Report and Financial Statements

**for the period from 1 June 2012 (date of incorporation)
to 31 December 2012**



AVOLON AEROSPACE UK 4 LIMITED

Directors' Report and Financial Statements

for the period from 1 June 2012 (date of incorporation) to 31 December 2012

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AVOLON AEROSPACE UK 4 LIMITED

Directors and other information

| | | |
|------------------|-----------------------------|--------------------------|
| Directors | Beejadhursingh Mahen Surnam | Appointed on 1 June 2012 |
| | Thadeshwar (Ashok) Fangoo | Appointed on 1 June 2012 |
| | Edward Riley | Appointed on 1 June 2012 |

| | | |
|------------------|---------------|--------------------------|
| Secretary | Jodie Osborne | Appointed on 1 June 2012 |
|------------------|---------------|--------------------------|

| | |
|--------------------------|---|
| Registered office | Winchester House Mailstop 428 1 Great Winchester Street London EC2N 2DB United Kingdom |
|--------------------------|---|

| | |
|----------------------------|--|
| Independent auditor | KPMG Chartered Accountants 1 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland |
|----------------------------|--|

| | |
|---------------|---|
| Banker | Wells Fargo Bank, N A One Plantation Place 30 Fenchurch Street London EC3M 3BD United Kingdom |
|---------------|---|

| | |
|--------------------------------|---|
| Corporate administrator | Deutsche Bank AG Winchester House MailStop 429 1 Great Winchester Street London EC2N 2DB United Kingdom |
|--------------------------------|---|

| | |
|-----------------|--|
| Arranger | Avolon Aerospace Leasing Limited The Oval Building 1 Shelbourne Road Ballsbridge Dublin 4, Ireland |
|-----------------|--|

AVOLON AEROSPACE UK 4 LIMITED

Directors' report

The Directors present their report and the first audited financial statements of Avolon Aerospace UK 4 Limited (the "Company") for the period from 1 June 2012 (date of incorporation) to 31 December 2012

Incorporation, principal activity and business review

The Company was incorporated in the United Kingdom on 1 June 2012 as a private limited company and GBP 1 ordinary share was issued at par and unpaid on that date

The principal activity of the Company is the leasing of two Embraer E190-AR aircraft bearing manufacturer's serial numbers 19000312 and 19000321 respectively (the "Aircraft"), under operating leases, to VB LeaseCo Pty Ltd (the "Lessee"). The Company commenced trading on 26 June 2012. The proceeds from the leases are used to pay Avolon Aerospace AOE 43 Limited (the "Owner") under the Head Lease Agreement

Results and dividends

The statement of comprehensive income for the period is set out on page 6

The Directors do not recommend the payment of a dividend for the period

Going concern

The Company has as its only obligation the monthly lease payments under the operating leases of the Aircraft to Avolon Aerospace AOE 43 Limited (the "Owner"). The ability of the Company to meet its obligations under the leases will depend upon the proceeds from the lease received from VB LeaseCo Pty Ltd (the "Lessee") under the "Lease Agreement"

The Company's financial statements have been prepared on a going concern basis. The Directors have considered and continue to monitor the status of the Company as a going concern

Subsequent events

There are no material post balance sheet events up to the date of approval of these financial statements

Financial risk management

The primary risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The principal natures of these risks are summarised below

The ultimate parent company, Avolon Investments S a r l, has formed a number of sub-committees comprising both directors and management to appropriately monitor and evaluate the key risks of the business of the Company. These risks are

Credit risk

There is a risk that the counterparties to the lease contracts will default on their liability exposing the Company to credit risk. The Company has limited credit risk since its contractual obligations in respect of lease payments are subject to lease receipts from the counterparty and the performance of the Lessee is guaranteed by Virgin Blue Airlines Pty Limited (the "Guarantor") in accordance with the 'Deed of Guarantee'. Also, the parent company, Avolon Aerospace Leasing Limited, has a dedicated risk management team in place which reviews the credit risk of its counterparts, as a group

Each new lessee is assessed prior to the Company entering into commitments and the assessment is considered by the Company's Board as part of the investment approval decision. In addition, the Company's leases contain credit risk protection in the form of letter of credit deposits. Credit risk is monitored and managed by the business on an on-going basis, with regular review of credit performance and receivable monitoring

The Company also has significant cash balances included in its financial assets and these deposits give rise to credit risk on amounts due from counterparties. Before placing cash with any bank, the Company has due consideration to both investment return and credit risk. Although all of its cash balance is held with only one bank, the concentration risk is deemed insignificant given the good reputation of Wells Fargo

AVOLON AEROSPACE UK 4 LIMITED

Directors' report (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the financing policy of the Company is such that the maturity profile of the Company's obligations are matched to the profile of its revenue thereby reducing the Company's liquidity risk

If the Company cannot meet its obligations, it may be required to restrict all cash inflows to meet its financial obligations and may even be unable to continue to operate on a going concern basis. Based on all information available, the Directors believe that the Company has sufficient liquidity to meet its obligations as they fall due and that it continues to be appropriate to prepare the financial statements on a going concern basis of preparation

Interest rate risk

Interest bearing assets and liabilities are held at a fixed rate to ensure certainty of cash flows

Statement of disclosure of information to auditors

The Directors confirm that

- so far as they are aware there is no relevant information of which the Company's auditors are unaware of, and
- each Director has taken all the steps that they ought to have taken as Directors 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 KPMG Chartered Accountants who were appointed during the period, have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the Company's forthcoming Annual General Meeting

By order of the board



Mahen Surnam

Director

20 September 2013

AVOLON AEROSPACE UK 4 LIMITED

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the EU have been followed subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the board



Mahen Surnam

Director

20 September 2013



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

EAFL LEASING UK 1 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ~~AVOLON AEROSPACE UK LIMITED~~

EAFL LEASING UK 1 LIMITED

We have audited the financial statements of ~~Avolon Aerospace UK Limited~~ for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Shareholder's Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Kieran Croke
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Harbourmaster Place,
IFSC Dublin 1
Ireland
20 September 2013

AVOLON AEROSPACE UK 4 LIMITED

Statement of Comprehensive Income

for the period from 1 June 2012 (date of incorporation) to 31 December 2012

| | Notes | Period ended 31 December 2012 USD |
|---|-------|--|
| Revenues | | |
| Lease income | 3 | 2,936,181 |
| Expenses | | |
| Lease expense | 4 | (2,877,457) |
| Profit from operating activities and before income tax | | 58,724 |
| Income tax expense | 5 | (14,094) |
| Profit for the period | | 44,630 |
| Other comprehensive income | | - |
| Total comprehensive income for the period | | 44,630 |

All profits and total comprehensive income for the period are attributable to the owners of the Company

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

On behalf of the board

Director

Mahen Surnam

Date 2nd September 2013

AVOLON AEROSPACE UK 4 LIMITED

Statement of Financial Position

At 31 December 2012

| | Notes | 31 December 2012 USD |
|-------------------------------------|-------|----------------------------|
| Assets | | |
| Cash and cash reserves | 7 | 540,687 |
| Intercompany receivables | | 433,592 |
| Total current assets | | 974,279 |
| Total assets | | 974,279 |
| Liabilities | | |
| Trade and other payables | 10 | 915,553 |
| Current tax liabilities | 5 | 14,094 |
| Total current liabilities | | 929,647 |
| Total liabilities | | 929,647 |
| Equity | | |
| Share capital | 8 | 2 |
| Retained earnings | 8 | 44,630 |
| Total equity | | 44,632 |
| Total equity and liabilities | | 974,279 |

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

On behalf of the board

Director

Mahen Surnam

Date 2 September 2013

AVOLON AEROSPACE UK 4 LIMITED

Statement of Cash Flows

for the period from 1 June 2012 (date of incorporation) to 31 December 2012

| | Notes | Period ended 31 December 2012 USD |
|---|----------|--|
| Cash flows from operating activities | | |
| Profit for the period before tax | | 58 724 |
| <i>Adjustments for</i> | | |
| Increase in intercompany receivables | | (433,592) |
| Increase in trade and other payables | 10 | 915,553 |
| Net cash from operating activities | | 540,685 |
| Cash flows from financing activities | | |
| Increase in restricted cash | 7 | (529,873) |
| Proceeds from issuance of ordinary shares | 8 | 2 |
| Net cash from financing activities | | (529,871) |
| Net increase in cash and cash reserves | | 10,814 |
| Cash and cash reserves at beginning of the period | | - |
| Cash and cash reserves at 31 December | 7 | 10,814 |

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

On behalf of the board

Director

Mahen Surnam

Date 20 September 2013

AVOLON AEROSPACE UK 4 LIMITED

Statement of Changes in Shareholder's Equity

for the period from 1 June 2012 (date of incorporation) to 31 December 2012

| | Issued share capital USD | Retained earnings USD | Total equity USD |
|---|---|--------------------------------------|---------------------------------|
| At date of incorporation | - | - | - |
| <i>Transaction with shareholder recorded directly in equity</i> | | | |
| Issuance of ordinary shares | 2 | - | 2 |
| <i>Total comprehensive income for the period</i> | | | |
| Profit for the period | - | 44,630 | 44,630 |
| At 31 December 2012 | 2 | 44,630 | 44,632 |

All equity is attributable to the holder of the ordinary shares in the Company

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

On behalf of the board

Director

Mahen Surnam

Date 29 September 2013

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements

1 Reporting entity

The financial statements of Avolon Aerospace UK 4 Limited (the "Company") for the period from 1 June 2012 (date of incorporation) to 31 December 2012 were authorised for issue by the Directors on 20 September 2013

The Company was incorporated on 1 June 2012 in the United Kingdom (UK) with registered number 8093037. The registered office of the Company is Winchester House, MailStop 428, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom. The Company commenced trading on 26 June 2012.

The principal activity of the Company is the leasing of two Embraer E190-AR aircraft bearing manufacturer's serial numbers 19000312 and 19000321 respectively (the "Aircraft") under operating leases to VB LeaseCo Pty Ltd (the "Lessee"). The proceeds from the leases, effective as from 26 June 2012 and 29 June 2012 for aircraft 19000312 and 19000312 respectively, are used to pay Avolon Aerospace AOE 43 Limited (the "Owner") under the Head Lease Agreements.

The Company has no direct employees.

The Company has no subsidiaries.

2 Significant accounting policies

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union ("EU") and as applied in accordance with the Companies Act 2006. IFRSs applied by the Company in the preparation of these financial statements and those that were effective at 31 December 2012. The accounting policies have been consistently applied by the Company unless otherwise described. The principal accounting policies adopted by the Company are set out in this note.

(b) Accounting developments

(i) New and amended standards effective and adopted during the period

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on 1 January 2012.

The Directors have considered the newly effective standards. However, they do not consider these to have any material impact on the Company.

(ii) New and amended standards issued, not yet effective and not early adopted

When new standards, amendments to standards and interpretations will have no or no material effect on the financial statements of the Company, it is not necessary to list them as such a disclosure would not be material.

- IFRS 9 Financial Instruments (effective date of 1 January 2015), **
- IFRS 10 Consolidated Financial Statements (effective date of 1 January 2013), *
- IFRS 11 Joint Arrangements (effective date of 1 January 2013), *
- IFRS 12 Disclosures of Interest in Other Entities (effective date of 1 January 2013), *
- IFRS 13 Fair Value Measurement (effective date of 1 January 2013),
- IAS 27 Separate Financial Statements (effective date of 1 January 2013), *
- Amendment to IAS 19 Employment benefits (effective date 1 January 2013), and
- Amendment to IAS 32 Financial instruments presentation (effective date 1 January 2014)
- above dates represent IASB effective dates. The EU required implementation date is 1 January 2014
- ** awaiting EU endorsement

None of these are expected to have a significant impact on the financial statements of the Company.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(c) Basis of preparation

Except as otherwise indicated all financial information presented in USD has been rounded to the nearest USD

The financial statements are prepared on the historical cost basis

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 10 – Trade and other payables

Note 14 – Commitments and contingent liabilities

(e) Functional and presentation currency

The financial statements are presented in United States Dollar (USD), which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The Company's main transactions are denominated in USD. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying transactions, events and conditions.

The judgments and estimates involved in the Company's accounting policies that are considered by the Directors to be the most important to the portrayal of the Company's financial condition and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(f) Financial instruments

The Company's financial asset categories are loans and receivables. Loans and receivables comprise 'intercompany receivables' and 'cash and cash reserves' in the statement of financial position. The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost, which comprise 'lessee deposits' and 'trade and other payables' in the statement of financial position.

Non-derivative financial instruments

Non-derivative financial instruments comprise intercompany receivables, cash and cash reserves, lessee deposits and trade and other payables. These instruments are initially recognised at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured at cost using the effective interest rate method, less any impairment losses.

(g) Maintenance reserves

Maintenance reserves received in cash from lessees are recognised as maintenance liabilities on the statement of financial position (liabilities) in recognition of the contractual commitment to either refund such receipts or to hold them for future scheduled maintenance work to be performed thereafter. Maintenance work performed by lessees will not be capitalized, but instead will be recorded as a refund of maintenance reserve and shown as a deduction from the payments by the Company for maintenance liabilities account on the statement of financial position. Lessor contributions and top-ups to maintenance reserves will be recorded as a leasing expense (over the term of the lease), except where a liability exists by virtue of having purchased an aircraft with leases attached including an obligation to refund maintenance reserve payments made to date by the lessee, or where they are deemed to be modifications / improvements that materially improve the value of the asset/lease or extends its useful life whereby it would be capitalised and depreciated over the respective life of the asset or remaining term of the lease. When flight equipment is sold the portion of accrued liability which is not assigned to the buyer is recognized as sales revenue. The Company relies on its ongoing use of its maintenance forecasting model to assess contractual commitments to refund maintenance receipts.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(h) Employee benefits

The Directors did not receive any emoluments in respect of qualifying services rendered during the period. The Company does not have any employees and thus, there are no associated costs included within these financial statements.

(i) Revenue and expenditure recognition

Rental income and expense, which are under operating leases, are recognised on a straight-line basis in accordance with the terms of the lease agreements. Lease premiums received and paid are amortised on a straight-line basis over the lease term commencing from the date of the lease agreements.

The lease contracts require payment in advance. Rentals received, but unearned under the lease agreements, are recorded as deferred revenue on the statement of financial position in trade and other payables. On the other hand, rents paid in advance, are recorded as prepaid rentals on the statement of financial position in trade and other receivables.

The operating expenses of the Company were paid directly by the arranger and are therefore, not reported in the statement of comprehensive income.

(j) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(k) Other receivables and payables

Other receivables and payables are recognised on an accruals basis.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(m) Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the amount at which an instrument could be exchanged in an arm's length transaction between informed and willing parties other than as part of a forced liquidation sale. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(n) Cash and cash reserves

Carrying amount approximates to fair value due to the short-term nature of these instruments. Cash and cash resources comprise cash at bank and restricted cash. The restricted cash relates to monies within the Company's bank account which are restricted in line with the executed transaction agreements signed with Wells Fargo Bank N A.

3 Lease income

| | Period ended 31 December 2012 USD |
|----------------------------|--|
| Lease income | 2,936,181 |
| Total lease rentals | 2,936,181 |

Geographical information

Lease rental income is received from leasing two aircrafts to VB LeaseCo Pty Ltd, under the Operating Lease Agreements. All of the Company's revenues are generated from Australia.

At 31 December 2012, there are no aircraft which have lease contracts with customers which are scheduled to expire during the year ending 31 December 2013. In addition, there are no lease contracts where a lessee has early termination rights. During the period ended 31 December 2012, no leases were terminated for which the Company held maintenance advances at lease expiry or in respect of which there were any lessee maintenance contributions.

The following are the minimum lease rentals receipts schedule

| | Within 1 year USD | In more than 1 year but not more than 5 years USD | In more than 5 years USD | Total USD |
|-------------------------------|-------------------------|---|--------------------------------|--------------|
| Minimum lease rental receipts | 5,791,920 | 23,167,680 | 21,792,099 | 50,751,699 |

4 Lease expense

| | Period ended 31 December 2012 USD |
|-----------------------------|--|
| Lease expense | 2,877,457 |
| Total lease expenses | 2,877,457 |

Lease rental expense is paid due to the leasing of two aircrafts from Avolon Aerospace AOE 43 Limited, under the Head Lease Agreements.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

5 Income tax expense

| | Period ended 31 December 2012 USD |
|---------------------------------|--|
| Current tax expense | |
| Current period | (14,094) |
| Total income tax expense | (14,094) |
| Current tax expense adjustment | |
| Total income tax | (14,094) |

| | Period ended 31 December 2012 USD |
|--------------------------------------|--|
| Reconciliation of effective tax rate | |
| Profit for the period before tax | 58,724 |
| Corporation tax (24%) | (14,094) |
| Tax charge | (14,094) |

6 Auditor's and directors' remuneration

| | Period ended 31 December 2012 USD |
|--|--|
| The profit for the period has been arrived at after charging | |
| Directors' remuneration | |
| Fees | - |
| Other emoluments | - |
| Auditor's remuneration | |
| Audit of the Financial Statements | - |
| Other non-audit services | - |

The audit fees incurred in respect of this Company were paid for by the Avolon Group for the period ended 31 December 2012

7 Cash and cash reserves

| | 2012 USD |
|--|----------------|
| Unrestricted bank balances | 10,814 |
| Bank balances subject to withdrawal restrictions | 529,873 |
| Cash and cash reserves | 540,687 |

Cash and cash reserves subject to withdrawal restrictions represent cash securing the Company's obligations under the head lease agreements. Amounts received from lessees in respect of aircraft subject to certain funding arrangements may be required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhaul, as well as interest and principal payments on the related debt facility.

Unrestricted cash represents cash held in the bank accounts related to the Company's share of proceeds from lease rental income.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

8 Reconciliation of movement in capital and reserves

| | Share capital USD | Retained earnings USD | Total equity USD |
|---|----------------------|--------------------------|---------------------|
| At date of incorporation | - | - | - |
| Total comprehensive income for the period | | | |
| Profit for the period | - | 44,630 | 44,630 |
| Transaction with shareholder recorded directly in equity | | | |
| Issue of share capital during the period | 2 | - | 2 |
| At 31 December 2012 | 2 | 44,630 | 44,632 |

The Company's issued unpaid share capital at period end is set at GBP 1 represented by 1 ordinary share wholly owned by Avolon Aerospace Leasing Limited

All classes of shares in the Company have equal voting rights and are entitled to receive dividends in proportion of the amounts deemed invested

9 Financial risk management

Introduction and overview

The principal activity of the Company is the leasing of two Embraer E190-AR aircrafts bearing manufacturer's serial numbers 19000312 and 19000321 respectively (the "Aircraft") under operating leases from Avolon Aerospace Leasing AOE 43 Limited (the "Owner") from the proceeds of an operating lease made to VB LeaseCo Pty Ltd (the "Lessee")

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework

The Company does not have any externally imposed capital requirements

The risk profile of the Company is such that market, credit, liquidity and other risks relating to the leases held for risk management are borne fully by the arranger

The Company has exposure to the following risks from its use of financial instruments

- (i) Credit risk,
- (ii) Liquidity risk,
- (iii) Market risks
- (iv) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are provided below.

(i) Credit risk

Credit risk is the risk of the financial loss to the Company if the counterparty to the lease fails to meet its contractual obligations.

The Company has limited exposure to credit risk as its contractual obligations are limited only to lease receipts and payments under the operating leases in place.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

9 Financial risk management (continued)

Risk management framework (continued)

(i) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | Carrying value 2012 USD | Maximum exposure 2012 USD |
|--------------------------|----------------------------------|------------------------------------|
| Cash and cash reserves | 540,687 | 540,687 |
| Intercompany receivables | 433,592 | 433,592 |
| | <u>974,279</u> | <u>974,279</u> |

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due.

The ability of the Company to meet its obligations under the Leases will be dependent on the receipt of rental income from the Lessee under the Lease Agreement. Pursuant to the enforcement of the Issuer Security, the Company is not expected to have any other funds available for it to meet its obligations under the Leases, that is, in respect of making any payment to the Owner.

The Company's obligation to the Owner is limited to the net proceeds receivable under the leases.

The following are the undiscounted contractual maturities of the financial liabilities:

| | Carrying Amount USD | Gross contractual cash flows USD | 2012 Less than 1 year USD | Between 2 to 5 years USD | More than 5 years USD |
|--------------------------|---------------------------|---|------------------------------------|--------------------------------|-----------------------------|
| Trade and other payables | 915,553 | 915,553 | 915,553 | - | - |
| | <u>915,553</u> | <u>915,553</u> | <u>915,553</u> | <u>-</u> | <u>-</u> |

(iii) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rate and interest rates will affect the Company's

The Company is not exposed to foreign exchange risks.

Market risk is the risk that changes in market prices, such as foreign exchange rate and interest rates will affect the Company's income or the value of its holdings of financial instruments.

The Company is not exposed to foreign exchange risks.

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

Currency risk

The Company is not exposed to movements in exchange rates.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

9 Financial risk management (continued)

(iii) Market risks (continued)

Interest rate risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times. The Company minimises its exposure to interest rate risk as the base of calculating the lease is the same under both the lease receivable and payable.

Sensitivity analysis

The Company does not bear any interest rate risk as the interest rate is calculated using the same base for both the lease receivable and payable. Therefore any changes in the interest rates would not affect the equity or the profit or loss of the Company.

Fair values

The term "financial instruments" includes financial assets and financial liabilities. The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Fair value of financial assets and liabilities is estimated using quoted market prices for similar instruments and adjusted for differences between the quoted instrument and the instrument being valued. In certain cases, including the loans advanced to borrowers, where there are no ready markets, various techniques have been used to estimate the fair value of the instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Readers of these financial statements are advised to use caution when using the data to evaluate the Company's financial position or to make comparisons with other companies.

The fair value of cash and cash reserves, trade and other receivables and trade and other payables is equal to their book value.

The following table gives details of the carrying amounts and fair values of financial instruments.

| | Carrying amount | Fair values |
|------------------------------|-----------------|----------------|
| | 2012 | 2012 |
| | USD | USD |
| <i>Loans and receivables</i> | | |
| Cash and cash reserves | 540,687 | 540,687 |
| Intercompany receivables | 433,592 | 433,592 |
| Financial assets | 974,279 | 974,279 |
| <i>Financial liabilities</i> | | |
| Trade and other payables | 915,553 | 915,553 |
| Current tax liabilities | 14,094 | 14,094 |
| Financial liabilities | 915,553 | 915,553 |

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks are inherent in all business activity.

The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All administration functions have been outsourced by the Company to Deutsche Bank AG London who has an operational risk management function that assist and advise line management on specific operational risks.

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

9 Financial risk management (continued)

(iv) Operational risk (continued)

Capital management

The Company's transactions are designed to enable the Company to pay its liabilities as they fall due only without realising a significant return on capital. This is the objective of the Company's capital management policy. As the level of lease income receivable and lease expense payable were established on incorporation of the Company, there is little need for the monitoring of the return on capital. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

10 Trade and other payables

| | 2012 USD |
|-----------------------|----------------|
| Deferred lease income | 442,439 |
| Intercompany payable | 473,114 |
| | 915,553 |

11 Holding and ultimate parent company

One GBP 1 ordinary share issued is held by Avolon Aerospace Leasing Limited.

Avolon Investments S a r l, a company incorporated and domiciled in Luxembourg, holds all shares of Avolon Aerospace Limited and is hence considered as the ultimate parent and controlling party of the Company.

12 Related party transactions

During the period, fees of USD 7,887 were charged by Deutsche International Finance (Ireland) Limited in respect of administration services provided to the Company and USD 3,788 as a one-off acceptance fee. These fees were fully paid by the arranger, Avolon Aerospace Leasing Limited at period end.

Deutsche International Finance (Ireland) Limited is a sister company of Deutsche Bank AG London Branch. There have been no transactions with key management personnel during the period as the Company has no employees.

The Company leased two aircrafts from Avolon Aerospace AOE 43 Limited and paid USD 2,838,041 during the period under the terms of the Head Lease agreements. The Company issued one share to Avolon Aerospace Leasing Limited during the period which remains unpaid.

13 Subsequent events

There are no material post balance sheet events up to the date of approval of these financial statements.

14 Commitments and contingent liabilities

(a) Operating lease commitments

At the date of signing of the financial statements, the Company had the following lease commitments:

| | Within 1 year USD | In more than 1 year but not more than 5 years USD | In more than 5 years USD | Total USD |
|-------------------------------|-------------------------|---|--------------------------------|--------------|
| Minimum lease rental payments | 5,676,082 | 22,704,326 | 21,356,257 | 49,736,665 |

AVOLON AEROSPACE UK 4 LIMITED

Notes to the financial statements (continued)

14 Commitments and contingent liabilities (continued)

(b) Guarantees

Avolon Aerospace Leasing Limited guarantees the obligations of the Company to VB LeaseCo Pty Ltd under the terms of the operating lease agreement.

15 Approval of financial statements

The financial statements were authorised and issued for approval by the Board on 20 September 2013