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Orchard Aviation 41522 (UK) Limited

Directors' report and financial statements for the year
ended 31 December 2017

ORCHARD AVIATION 41522 (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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ORCHARD AVIATION 41522 (UK) LIMITED

COMPANY INFORMATION

DIRECTORS	Alexander Green (<i>American</i>) (<i>resigned 15 April 2018</i>) Sarah Clarkin Paul O'Callaghan
SECRETARY	Sarah Clarkin
REGISTERED OFFICE	3, More London Riverside, London SE1 2AQ, United Kingdom.
REGISTERED NUMBER	8754679
SOLICITORS	Norton Rose Fulbright LLP, Solicitors, 3 More London Riverside, London, SE1 2AQ, United Kingdom.
BANKERS	JPMorgan Chase Bank, N.A., London Branch, 25 Bank Street, London E14 5JP, UK.
AUDITORS	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2.

ORCHARD AVIATION 41522 (UK) LIMITED

STRATEGIC REPORT

for the year ended 31 December 2017

The directors present herewith Strategic Report and audited financial statements for Orchard Aviation 41522 (UK) Limited (the "Company") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES, RISKS AND UNCERTAINTIES

The principal activity of the Company is the arrangement of operating lease and sub-lease transactions to international airlines. The key risks and uncertainties facing the Company are the continuing ability of customers to meet their payments under the leases as they fall due. Management reviews the creditworthiness of all customers thoroughly prior to the inception of all leases and on a regular basis thereafter. In particular, all delays in the receipt of lease payments are investigated on a timely basis. The directors expect these activities to continue for the foreseeable future.

REVIEW OF RESULTS, DEVELOPMENT OF THE BUSINESS

The profit and loss account for the year ended 31 December 2017 and the balance sheet at 31 December 2017 are set out on pages 10 and 11. The profit on ordinary activities for the year before taxation amounted to US\$142,000 (2016: profit US\$119,000). After deducting taxation of US\$29,000 (2016: US\$19,000), an amount of US\$113,000 (2016: US\$100,000) is transferred to reserves. The directors are pleased with progress to date and expect the Company to continue its profitability in 2018.

DIVIDENDS

The directors of the Company do not propose the payment of a dividend for the year (2016: US\$Nil).

GOING CONCERN

The directors have considered the adequacy of the Company's funding, cash flows and profitability for at least the next 12 months and are satisfied that the financial statements are prepared on a going concern basis.

DIRECTORS AND SECRETARY OF THE COMPANY

The directors and secretary who served during the year are set out on page 2 of these financial statements.

IMPORTANT EVENTS SINCE THE YEAR END

There were no important events since the year end.

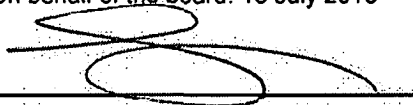
ORCHARD AVIATION 41522 (UK) LIMITED

STRATEGIC REPORT
for the year ended 31 December 2017 (Continued)

POLITICAL AND CHARITABLE DONATIONS

There were no political and charitable donations during the year (2016: US\$Nil).

On behalf of the board: 16 July 2018

A handwritten signature in black ink, appearing to be 'Sarah Clarkin', written over a horizontal line.

Sarah Clarkin

ORCHARD AVIATION 41522 (UK) LIMITED

DIRECTORS' REPORT for the year ended 31 December 2017

The directors present herewith their report and audited financial statements for the Company for the year ended 31 December 2017.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by the Company throughout the financial year.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). 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 financial year and otherwise comply with Companies Act 2006.

In preparing those 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; and
- state whether applicable Financial Reporting Standards, Reduced Disclosure Framework (FRS 101) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ORCHARD AVIATION 41522 (UK) LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2017 (Continued)

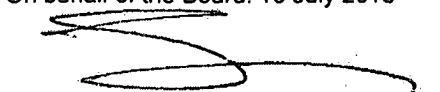
DISCLOSURE OF INFORMATION TO THE AUDITORS

Insofar as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's internal auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This information is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

AUDITORS

Ernst & Young, Chartered Accountants, will be proposed for reappointment in accordance with Section 485 Companies Act 2006.

On behalf of the Board: 16 July 2018

A handwritten signature in black ink, appearing to be 'Sarah Clarkin', written over a horizontal line.

Sarah Clarkin

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARD AVIATION 41522 (UK) LIMITED

Opinion

We have audited the financial statements of Orchard Aviation 41522 (UK) Limited for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Law and Accounting Standards including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARD AVIATION 41522 (UK) LIMITED (Continued)

Other information

The other information comprises the information included in the strategic report and directors' report. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept by the parent company, 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

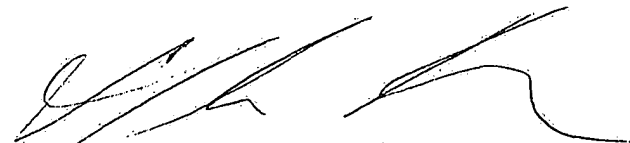
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARD AVIATION 41522 (UK)
LIMITED (Continued)**

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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Helen Kerr (Senior Statutory auditor)

For and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor

Dublin, Ireland

Date: 17/7/2018

ORCHARD AVIATION 41522 (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2017**

	<i>Note</i>	2017 US\$'000	2016 US\$'000
Revenue	2	14,792	14,274
Operating expenses	3	(14,659)	(14,156)
Operating profit from continuing operations		133	118
Interest income, net		9	1
Profit on ordinary activities before taxation		142	119
Taxation on profit on ordinary activities	4	(29)	(19)
Profit for the year after taxation		113	100

All profit and loss items relate to continuing operations of the Company.

The Company has no recognised gains and losses other than those included in the profit and loss account above and, therefore, no separate Statement of Other Comprehensive Income has been prepared.

The accompanying notes are an integral part of the financial statements.

ORCHARD AVIATION 41522 (UK) LIMITED

BALANCE SHEET
at 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
ASSETS EMPLOYED			
CURRENT ASSETS			
Cash at bank and in hand		3,639	3,635
Amounts due from fellow subsidiary and parent undertakings	5,6	64,850	60,069
Other assets		-	57
CURRENT ASSETS		68,489	63,761
CREDITORS (amount falling due within one year)			
Advanced lease rentals		233	232
Amounts due to fellow subsidiary and parent undertakings	5	27,352	27,558
Accrued liabilities		7	5
Tax payable		7	22
		27,599	27,817
NET CURRENT ASSETS		40,890	35,944
CREDITORS (amount falling due after one year)			
Security deposits	6	14,000	15,000
Maintenance reserves	6	26,476	20,643
		40,476	35,643
TOTAL ASSETS LESS TOTAL LIABILITIES		414	301
CAPITAL AND RESERVES			
Share capital	8	16	16
Profit and loss account		398	285
Total shareholders' funds (all equity interests)		414	301

Approved by the board on: 16 July 2018



Sarah Clarkin

ORCHARD AVIATION 41522 (UK) LIMITED**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017**

	Share Capital	Profit and	Total
	US\$000	loss account	US\$000
		US\$000	US\$000
At 31 December 2016	16	285	301
Profit for the year	-	113	113
At 31 December 2017	16	398	414

	Share Capital	Profit and	Total
	US\$000	loss account	US\$000
		US\$000	US\$000
At 31 December 2015	16	185	201
Profit for the year	-	100	100
At 31 December 2016	16	285	301

ORCHARD AVIATION 41522 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. ACCOUNTING POLICIES

Orchard Aviation 41522 (UK) Limited (the "Company") is a limited liability company incorporated on 30 October 2013 and domiciled in the United Kingdom.

The following accounting policies have been applied consistently to the year presented, unless otherwise stated.

(a) *Statement of compliance and basis of preparation*

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standards 101 Reduced Disclosures Framework ("FRS 101") and applicable accounting standards at 31 December 2017. The financial statements also comply with the requirements of UK Company Law applicable to FRS 101 reporters.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Company's ultimate parent, Aircastle Limited, prepares consolidated group financial statements which are publically available from Aircastle Advisor LLC, 201 Tresser Boulevard, Suite 400, Stamford, CT 06901, USA and therefore the Company has taken advantage of the following disclosure exemptions under FRS 101:

- i. the requirements in paragraph 10 and 111 of IAS 1 Presentation of Financial Statements to Present a Cash Flow & Cash Flow Statement Information, paragraphs 134-136 Capital management disclosures;
- ii. the requirement of IAS 7; Cash Flow Statement;
- iii. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- iv. the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- v. the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(b) *Going concern*

The directors have considered the adequacy of the Company's funding, cash flows and profitability for at least the next 12 months and are satisfied that the financial statements are prepared on a going concern basis.

(c) *Cash at bank and in hand*

All highly liquid investments with maturities of three months or less are considered cash.

(d) *Reporting currency*

The financial statements are expressed in thousands of US dollars (US\$'000).

ORCHARD AVIATION 41522 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

(e) *Foreign currencies*

Transactions during the year denominated in foreign currencies have been translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt within the profit and loss account.

(f) *Maintenance reserves and security deposits*

Typically, under an operating lease, the lessee is responsible for performing all maintenance but might be required to make deposit payments to the Company for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are based on hours or cycles of utilisation or on calendar time, depending upon the component, and are required to be made monthly in arrears or at the end of the lease term. Whether to permit a lessee to make maintenance payments at the end of the lease term, rather than requiring such payments to be made monthly, depends on a variety of factors, including the creditworthiness of the lessee, the level of security deposit which may be provided by the lessee and market conditions at the time the Company enters into the lease.

If a lessee is making monthly maintenance payments, the Company would typically be obligated to reimburse the lessee for costs they incur for heavy maintenance, overhaul or replacement of certain high-value components to the extent of maintenance payments received in respect of the specific maintenance event, usually shortly following completion of the relevant work. Any excess maintenance reserve at the end of the lease term will be recognized as revenue.

The Company records maintenance payments paid by the lessee as accrued maintenance payments liabilities in recognition of the Company's contractual commitment to refund such receipts. In these contracts, the Company does not recognise such maintenance payments as maintenance revenue during the lease. Reimbursements to the lessee upon the receipt of evidence of qualifying maintenance work are charged against the existing accrued maintenance payments liability. The Company defers maintenance revenue recognition of all maintenance reserve payments collected until the end of the lease, when the Company is able to determine the amount, if any, by which reserve payments received exceed costs to be incurred by the current lessee in performing scheduled maintenance. Any excess maintenance reserve at the end of the lease term will be recognised as revenue by the head-lessor, a fellow group undertaking.

ORCHARD AVIATION 41522 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

(f) *Maintenance reserves and security deposits (continued)*

Certain of the Company's operating leases require the lessee to pay the Company a security deposit or provide a letter of credit. At December 2017 and 2016, security deposits represent cash received from the lessee that is held on deposit until lease expiration. The Company's operating leases also obligate the lessees to maintain flight equipment and comply with all governmental requirements applicable to the flight equipment, including, without limitation, operational, maintenance, registration requirements and airworthiness directives.

(g) *Taxation*

The Company is subject to taxation on profits at the standard rate of UK Corporation Tax, which is 19.25% (2016: 20.00%) for the year ended 31 December 2017.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future. Temporary differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax is measured at the tax rates that are expected to apply in the years in which the temporary differences are expected to reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

The Company's policy is that it will recognise interest and penalties accrued on any unrecognised tax benefits as a component of income tax expense. The Company did not accrue interest or penalties associated with any unrecognised tax benefits, nor was any interest expense or penalty recognised during the year.

(h) *Revenue*

Revenue comprising of rentals from operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease. Operating income arising from lease arrangements where payments are dependent on variable factors is recognised as payment falls due.

ORCHARD AVIATION 41522 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

(i) *Operating expenses*

The operating expenses of the Company are recognised in the financial statements on an accrual basis, and rental expense is recognized on a straight-line basis.

(j) *Lease classification*

Leases are accounted for and classified in accordance with *IAS 17 Leases*. Leases where the Company, as lessor, retains substantially all the risks and rewards of ownership are classified as operating leases.

(k) *Estimates and judgements*

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and 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.

Underlying assumptions are reviewed on an ongoing basis.

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

- **Commitments and contingent liabilities** - key assumptions about the likelihood and magnitude of an outflow of resources.

ORCHARD AVIATION 41522 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS**31 December 2017 (Continued)****2. REVENUE**

Revenue represents lease rental income received in respect of aircraft leased out by the Company during the year.

	2017	2016
	US\$'000	US\$'000
Lease rental revenue	14,792	14,274

Operating income arises from the leasing of aircraft from group companies and the subsequent leasing of the aircraft to third party airlines in Asia.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation, all of which arises from continuing operations, is stated after charging:

	2017	2016
	US\$'000	US\$'000
The audit of individual accounts	4	3
Tax advisory services	7	11
Operating lease expense	14,644	14,131
Other operating expenses	4	11
	14,659	14,156

The Company has no employees (2016: Nil). All tax advisory services were provided by the statutory auditor. There were no other assurance or non-audit services provided by the statutory auditor.

ORCHARD AVIATION 41522 (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2017 (Continued)****4. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of profit and loss account charge:**

	2017	2016
	US\$'000	US\$'000
Current U.K. tax on profit for year	29	19
Total current tax on profit for year	29	19

(b) Reconciliation of the expected tax charge at the standard tax rate to the actual tax charge at the effective rate.

The tax assessed for the year is more than (2016: less than) the effective rate of corporation tax in the United Kingdom 19.25% (2016: 20.00%). The differences are explained below:

	2017	2016
	US\$'000	US\$'000
Profit on ordinary activities before tax	142	119
Profit ordinary activities multiplied by standard rate of corporation tax in the United Kingdom 19.25% (2016: 20.00%)	27	24
<i>Effects of:</i>		
Other/foreign exchange	2	(5)
Current tax charge for the year	29	19

(c) Factors affecting future tax charges

A reduction to the UK corporation tax rate was substantively enacted on 26 October 2015 which will reduce the corporation tax rate to 19% from 1 April 2017. A further reduction in the tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

ORCHARD AVIATION 41522 (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2017 (Continued)****5. AMOUNTS DUE FROM / (TO) FELLOW SUBSIDIARY AND PARENT UNDERTAKINGS**

	2017	2016
	US\$'000	US\$'000
Amounts due from parent undertaking	64,765	59,984
Amounts due from fellow subsidiary undertakings	85	85
Amounts due to parent undertaking	(27,262)	(27,473)
Amounts due to fellow subsidiary undertakings	(90)	(85)
	37,498	32,511

Of the amount due from parent undertaking as at 31 December 2017, US\$231,000 (2016: US\$229,000) represents prepaid lease rentals received from lessees by the parent undertaking and payable by the parent undertaking to the Company. Included in amount due from parent undertaking relates to maintenance reserves and security deposit. Refer to Note 6.

The amounts due to/from fellow subsidiary and parent undertakings are payable on demand, interest free and unsecured.

6. MAINTENANCE RESERVES AND SECURITY DEPOSITS

	2017	2016
	US\$'000	US\$'000
Security deposits	14,000	15,000
Maintenance reserves	26,476	20,643
	40,476	35,643

Cash contributed by the lessees with regards to the maintenance reserves and security deposit balances were received by the parent undertaking on behalf of the Company.

ORCHARD AVIATION 41522 (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2017 (Continued)****7. COMMITMENTS**

Committed operating lease revenue and expense amounts are as follows:

	2017 US\$'000	2016 US\$'000
<u>Operating lease revenue</u>		
Not later than one year	14,850	14,619
Later than one year and not later than five years	59,398	58,474
Later than five years	32,174	46,292
	<u>106,422</u>	<u>119,385</u>

	2017 US\$'000	2016 US\$'000
<u>Operating lease expense</u>		
Not later than one year	14,702	14,473
Later than one year and not later than five years	58,804	57,889
Later than five years	31,852	45,829
	<u>105,358</u>	<u>118,191</u>

8. CALLED UP SHARE CAPITAL

	2017 GBP'000	2016 GBP'000
Authorised		
10,000 ordinary shares of GBP1 each	<u>10</u>	<u>10</u>

	2017 US\$'000	2016 US\$'000
Allotted, called up and fully paid		
10,000 ordinary shares of GBP1 each	<u>16</u>	<u>16</u>

ORCHARD AVIATION 41522 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

9. PARENT UNDERTAKINGS, CONTROLLING PARTIES AND RELATED PARTY TRANSACTIONS

The immediate parent undertaking and controlling party of the Company is Aircastle Investment Holdings 3 Limited, a company incorporated in Bermuda having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The ultimate parent undertaking and controlling party is Aircastle Limited, a company incorporated in Bermuda having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The smallest and largest group in which the results of the Company are consolidated is that headed by Aircastle Limited. The consolidated financial statements of the group headed by Aircastle Limited were made available to the public in respect of the year ended 31 December 2017 and may be obtained from Aircastle Advisor LLC, 201 Tresser Boulevard, Suite 400, Stamford, CT 06901, USA.

In common with other companies which are members of a group of companies, the financial statements reflect the effect of such membership. The Company has availed itself of the exemption provided in FRS 101, "Related Party Disclosures", for subsidiary undertakings 100% of whose voting rights are controlled within the group, from the requirement to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties.

10. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2017 and 2016 the Company had no capital commitments and there were no contingent liabilities that require disclosure in the financial statements.

11. SUBSEQUENT EVENTS

There were no important events since the year end.

12. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved these financial statements on: 16 July 2018