



SMBC Aviation Capital Limited Directors' Report and Consolidated Financial Statements

31 MARCH 2020

CONTENTS

Directors and Other Information	35
Directors' Report	36
Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements	39
Independent Auditor's Report to the Members of SMBC Aviation Capital Limited	40
Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Consolidated Statement of Financial Position	43
Company Statement of Financial Position	44
Consolidated Statement of Changes in Equity	45
Company Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Company Statement of Cash Flows	48
Note to the Financial Statements	49
Acronyms and Abbreviations	90

DIRECTORS AND OTHER INFORMATION

DIRECTORS

P Barrett (Irish)
C A Ennis (Irish)
B Flannery (Irish)
D Swan (Irish)
B Harvey (American)
T Tanaka (Japanese; appointed 3 April 2020)
M Tachibana (Japanese)
E Ishida (Japanese)
M Oshima (Japanese)
K Tanaka (Japanese)
S Watanabe (Japanese)
S Oka (Japanese)

SECRETARY

C A Ennis

REGISTERED OFFICE

IFSC House
IFSC
Dublin 1
Ireland

INDEPENDENT AUDITOR

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

SOLICITORS

Clifford Chance, London
10 Upper Bank Street
London
E14 5JJ
United Kingdom

McCann Fitzgerald
Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

BANKS

Sumitomo Mitsui Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH
United Kingdom

Sumitomo Mitsui Banking Corporation
New York Branch
277 Park Avenue
New York, NY10172
United States of America

Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of SMBC Aviation Capital Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

PRINCIPAL ACTIVITIES

The principal business activities of the Group and Company include acting in the capacity of principal, agent or broker, the financing of aircraft, plant, equipment, machinery, engines, vehicles or other modes of transport and their components and parts, by way of loan, hire purchase, lease rental, credit sale or other appropriate methods of finance, and the sale or purchase, ownership, leasing or management or in any other way dealing with aircraft, plant, equipment, machinery, engines, vehicles or other modes of transport and their components parts. The Group and Company also provides financial solutions and brokerage services to the airline and airline related industry in connection with financing and refinancing.

The Group and Company's activities and those of the aircraft industry are undertaken predominantly in US Dollars and this is the functional currency of the Company. The consolidated financial statements are presented in US Dollars.

The Group and Company is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium"). The annual reports of these entities can be obtained at:
Sumitomo Corporation – <http://www.sumitomocorp.com/en/jp/ir>
Sumitomo Mitsui Financial Group – http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

PERFORMANCE AND STRATEGY

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, fuel efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, has maintained a young fleet with a weighted average age of 4.1 years as at 31 March 2020 (31 March 2019: 4.2 years).

At the end of the financial year, the financial position showed total assets of \$14,101 million (31 March 2019: \$12,566 million). The net book value of property, plant and equipment, including aircraft classified as held for sale of \$174 million (31 March 2019: \$127 million), was \$12,661 million at the year-end (31 March 2019: \$11,874 million).

The performance of the Group and Company in the current financial year has also not been significantly impacted by the Covid-19 outbreak as events only escalated during the final months of the last quarter of the financial year. It is reasonable to expect that this crisis may impact on the future performance of the Group and Company.

The Directors do not recommend the payment of a dividend (31 March 2019: \$nil).

FINANCING

The Group and Company continues to benefit from its ownership structure noted above, which combines one of the world's largest financial institutions with one of the world's largest trading companies. This brings substantial financial strength and scale to the Group and Company's offering. The Group's financial strength is also reflected in the Group and Company's credit rating of A- from both Fitch Ratings and Standard & Poor's (31 March 2019: Fitch: A-; Standard & Poor's: A-), the highest rating in the aircraft leasing industry for a dedicated aircraft lessor, positioning the business well to execute on its growth plans in the coming years.,

During the current financial year, the Group raised an additional \$2.2 billion of third party funding, further diversifying its funding base, a key strategic objective. This included the successful sale of \$500 million of its 3.55% senior unsecured notes due 2024 in April 2019, an additional \$520m of third party revolving credit facilities during the year and a new \$1.0 billion, 10 year loan facility with the Japan Bank for International Cooperation ("JBIC") in November 2019.

Furthermore, the Group is focussed on ensuring that it has sufficient available liquidity to meet its obligations as they fall due. As at 31 March 2020, the Group had put in place \$6.3 billion of available capacity through a combination of undrawn shareholder funding (\$3.2 billion), third party availability (\$2.4 billion) and unrestricted cash balances.

OPERATIONAL

The Group has 85 airline customers in 37 countries. The Group's fleet consists of 713 owned, managed and committed aircraft.

During the financial year, the Group placed an additional 32 aircraft from its order book across a diversified mix of customers in Europe, Asia and the Americas, reflective of strong global demand for new aircraft technology.

We were also active in the sale and leaseback market but on a selective and measured basis.

The Group continued to take advantage of opportunities to trade older aircraft and disposed of 30 owned aircraft with an average age of 8.6 years, realising gains on disposal of \$33.6 million during the year. Our trading activities included the successful launch of GAEL, a closed-end fund that raised equity capital from 17 Japanese institutions that were assembled through close co-operation with our colleagues in the wider Consortium. The Group sold 7 aircraft into the fund and the Company remains as servicer to the portfolio.

While the ongoing Covid-19 outbreak did not materially impact on our trading or sale and leaseback activity during the year, there was a noticeable impact on sentiment in these markets shortly before the reporting date, which we expect to continue into the next financial year.

The disposal activity, together with deliveries of new aircraft, resulted in a reduction in the weighted average age of the portfolio from 4.2 years to 4.1 years over the 12 month period, while the average remaining lease term remains unchanged at 6.9 years.

The Group continues to transition the portfolio into new technology aircraft with the delivery of \$1.6 billion of new technology aircraft in the period. In conjunction with our trading activity, this resulted in 46% of our portfolio now consisting of the newest technology aircraft, compared to 37% as at March 2019.

PEOPLE

The Group continues to develop our team to service the increased activity within our expanding aircraft operating lease base, resulting in an average number of people in the organisation during the year of 192 (2019: average of 188), consisting of both direct employees and representatives. The quality and commitment of staff in the Group, at all levels of the organisation, has been a key driving factor behind its ongoing growth and success.

PRINCIPAL RISKS AND UNCERTAINTIES

The airline industry is cyclical and highly competitive. The Group and Company's aircraft are under operating leases where the cost of the aircraft is expected to be substantially recovered over the term of the leases. The oversupply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates. The supply and demand of aircraft is affected by various cyclical factors including:

- passenger air travel and air cargo demand
- fuel prices
- maintenance costs
- technological innovation and the introduction of a new generation of aircraft types
- government and environmental regulations

The Covid-19 pandemic has had a significant immediate impact on the aircraft leasing industry due to the widespread temporary grounding of our airline customers' fleets and the resulting pressures on airline liquidity. We continue to work with our airline customers to manage through this uncertain time and while there has been a widespread request for lease rent deferrals across the industry, which will most likely put pressure on immediate operating cash flows, it is too early to conclude on the likely long term impact on the industry.

Furthermore, management continues to monitor the potential impact of the grounding of the Boeing 737 MAX fleet on the Company's remaining order of Boeing 737 MAX 8 aircraft (see note 29). For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 22.

GOING CONCERN

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Group and Company. In addition, also as noted above, note 22 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2020 and the preceding year.

Risks are managed in line with guidance given by the Group's parent companies. Exposure to both interest rate risk and currency risk is minimised by the use of derivatives and fixed rate loans.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of current developments in the Covid-19 situation on the Group and its customers. As noted above, in the run-up to year-end and post year-end there have been a number of requests for deferrals from certain customers. The Directors have considered the cash position and resources available to the Group as highlighted on the previous page (refer to Financing section), which, along with related forecasts, provide comfort over the sustainability of the Group and Company given the strong financial position. If the effects of the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

Having made such enquiries as they considered appropriate, the Directors have prepared the financial statements on a going concern basis.

DIRECTORS' COMPLIANCE STATEMENT

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act")) and, as required by section 225 of the 2014 Act, the Directors confirm that:

- i. a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- ii. arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and
- iii. a review of the arrangements and structures has been conducted during the financial year to which this Directors' report relates.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND SECRETARY

The present Directors and Secretary are listed on page 35. The following changes took place during the year:

Directors	Appointed
T Tanaka	Appointed 3 April 2020
Directors	Resigned
S Hayashida	Resigned 3 April 2020

None of the Directors held an interest in the share capital or the loan capital of the Company, or in the shares or loan capital of any of the subsidiary undertakings of the Company.

None of the Directors held an interest of more than 1%, or had options to acquire an interest of more than 1%, in the shares of the parent undertakings of the Company.

ACCOUNTING RECORDS

The Directors believe that they have complied with the requirements of Section 281 of the Companies Act, 2014 with regard to keeping adequate accounting records by employing accounting personnel with the appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company's registered offices at IFSC House, IFSC, Dublin 1, Ireland.

POLITICAL DONATIONS

The Company did not make any political donations in the year ended 31 March 2020 (2019: \$nil).

AUDIT COMMITTEE

The Board of Directors has considered the establishment of an audit committee and decided that it is not warranted as the Board fulfils the function by performing the duties as required by Section 167 of the Companies Act 2014. The duties performed by the Board include the oversight of:

- i. the integrity of the financial statements of the Group,
- ii. compliance by the Group with legal and regulatory requirements,
- iii. the independent auditor's qualification and independence, and
- iv. the performance of the Group's independent auditor

INDEPENDENT AUDITOR

KPMG, Chartered Accountants, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

RELEVANT AUDIT INFORMATION

The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's auditor is 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 auditor is aware of that information.

POST BALANCE SHEET EVENTS

Due to the spread of Covid-19 around the world in 2020 and the subsequent measures taken by various countries, airline financial performance is expected to be adversely impacted. There is significant uncertainty around the breadth and duration of business disruptions related to Covid-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations. At the date of this report, there is no material impact on the financial statements, although the Group has received a number of requests from lessees which they are continuing to assess.

Also, on 3 April 2020, Mr. S. Hayashida resigned as Director. On the same day, Mr. T. Tanaka was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2020, which require adjustment to or disclosure in the Consolidated Financial Statements.

Approved by the Board of Directors and signed on behalf of the Board by:



P Barrett
Director
7 May 2020



B Flannery
Director
7 May 2020

Company Registration No: 270775

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and Company and which enable them to ensure that the financial statements of the Group and Parent Company are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

On behalf of the Board:



P Barrett
Director
7 May 2020



B Flannery
Director
7 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMBC AVIATION CAPITAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Group and Company financial statements ("financial statements") of SMBC Aviation Capital for the year ended 31 March 2020, which comprise the Group statement of profit or loss and other comprehensive income, Group and Company statements of financial position, Group and Company statements of changes in equity, Group and Company statements of cash flows, and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2020 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2020;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") 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. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), 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.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Directors are responsible for the other information presented in the financial statements. The other information comprises the Directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on our work on the other information, we report that:

- we have not identified material misstatements in the Directors' report;
- in our opinion, the information given in the Directors' report is consistent with the financial statements;
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

RESPECTIVE RESPONSIBILITIES AND RESTRICTIONS ON USE

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 39, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and 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 they either intend to liquidate the Group and 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 (Ireland) 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.

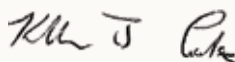
A fuller description of our responsibilities is provided on IAASA's website at:

<https://www.iaasa.ie/getmedia>

b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a
Description_of_auditors_responsibilities_for_audit.pdf

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.



Killian Croke
7 May 2020

for and on behalf of:
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
CONTINUING OPERATIONS			
Income			
Lease revenue	2	1,154,215	1,043,225
Other revenue	2	15,334	14,449
Total revenues	2	1,169,549	1,057,674
Other operating income	3	46,591	49,385
		1,216,140	1,107,059
Operating expenses			
Depreciation	9	(413,162)	(309,936)
Impairment	9	(19,311)	(34,426)
Other operating expenses	4	(117,603)	(116,885)
		666,064	645,812
PROFIT FROM OPERATING ACTIVITIES			
Finance income	7	127,572	89,176
Finance expense	7	(432,537)	(392,417)
Break gains	7	4,533	2,249
Net trading expense	7	(1,114)	(350)
		(301,546)	(301,342)
PROFIT BEFORE TAXATION			
		364,518	344,470
Tax expense	8	(45,384)	(47,770)
		319,134	296,700
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	14	(461,618)	(153,782)
Cash flow hedges - reclassified to profit or loss		(400)	1,224
Tax on other comprehensive income		57,752	19,070
		(404,266)	(133,488)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX			
		(85,132)	163,212
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR			

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).



P Barrett
Director
7 May 2020



B Flannery
Director
7 May 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	12,486,910	11,747,382
Goodwill and intangible assets	10	1,293	1,982
Derivative financial instruments	13	2,813	9,658
Lease incentive assets	17	23,782	40,589
		<u>12,514,798</u>	<u>11,799,611</u>
CURRENT ASSETS			
Assets held for sale	18	173,677	134,270
Trade and other receivables	15	160,286	95,898
Cash and cash equivalents	16	1,242,356	525,510
Derivative financial instruments	13	11	390
Lease incentive assets	17	9,494	10,376
		<u>1,585,824</u>	<u>766,444</u>
TOTAL ASSETS		<u>14,100,622</u>	<u>12,566,055</u>
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	(47,863)	356,403
Profit or loss account		2,013,376	1,694,310
TOTAL EQUITY		<u>2,853,026</u>	<u>2,938,226</u>
NON-CURRENT LIABILITIES			
Trade and other payables	19	613,518	503,908
Obligations under finance leases	20	5,561	22,385
Borrowings	21	8,521,237	7,169,703
Deferred tax liabilities	23	319,969	332,670
Derivative financial instruments	13	588,100	149,906
Subordinated liabilities	24	300,000	300,000
		<u>10,348,385</u>	<u>8,478,572</u>
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	18	17,187	25,868
Trade and other payables	19	388,439	448,429
Obligations under finance leases	20	3,052	13,596
Borrowings	21	490,017	661,364
Derivative financial instruments	13	516	-
		<u>899,211</u>	<u>1,149,257</u>
TOTAL LIABILITIES		<u>11,247,596</u>	<u>9,627,829</u>
TOTAL EQUITY AND LIABILITIES		<u>14,100,622</u>	<u>12,566,055</u>

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

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).



P Barrett
Director
7 May 2020



B Flannery
Director
7 May 2020

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	12,485,302	11,674,415
Goodwill and intangible assets	10	1,293	1,982
Investment in subsidiaries	11	15,509	15,509
Derivative financial instruments	13	2,813	9,658
Lease incentive assets	17	23,782	40,589
		<u>12,528,699</u>	<u>11,742,153</u>
CURRENT ASSETS			
Assets held for sale	18	173,677	134,270
Trade and other receivables	15	162,951	169,551
Cash and cash equivalents	16	1,242,001	525,288
Derivative financial instruments	13	11	390
Lease incentive assets	17	9,494	10,376
		<u>1,588,134</u>	<u>839,875</u>
TOTAL ASSETS		<u>14,116,833</u>	<u>12,582,028</u>
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	(49,830)	354,436
Profit or loss account		1,973,306	1,654,603
TOTAL EQUITY		<u>2,810,989</u>	<u>2,896,552</u>
NON-CURRENT LIABILITIES			
Trade and other payables	19	612,892	511,284
Obligations under finance leases	20	5,561	22,385
Borrowings	21	8,521,237	7,169,691
Deferred tax liabilities	23	319,977	332,670
Derivative financial instruments	13	588,100	149,906
Subordinated liabilities	24	300,000	300,000
		<u>10,347,767</u>	<u>8,485,936</u>
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	18	17,187	25,868
Trade and other payables	19	447,304	448,713
Obligations under finance leases	20	3,052	13,596
Borrowings	21	490,018	711,363
Derivative financial instruments	13	516	-
		<u>958,077</u>	<u>1,199,540</u>
TOTAL LIABILITIES		<u>11,305,844</u>	<u>9,685,476</u>
TOTAL EQUITY AND LIABILITIES		<u>14,116,833</u>	<u>12,582,028</u>

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

The Company has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).



P Barrett
Director
7 May 2020



B Flannery
Director
7 May 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2020

	Note	Share Capital US \$'000	Other Reserves (incl. Share Premium) US \$'000	Cash Flow Hedge Reserve US \$'000	Profit and loss account US \$'000	Total Equity US \$'000
BALANCE AT 1 APRIL 2018		187,513	209,453	19,336	1,658,712	2,075,014
Total comprehensive income						
Profit for the year		-	-	-	296,700	296,700
Other comprehensive expenses for the year	26	-	-	(133,488)	-	(133,488)
Transactions with owners of the Company						
Impact of shareholder reorganisation and capital increase						
Redemption of ordinary shares		(18,751)	-	-	-	(18,751)
Distribution on redemption of ordinary shares		-	-	-	(261,102)	(261,102)
Issue of ordinary shares		18,751	261,102	-	-	279,853
Issue of preference shares		700,000	-	-	-	700,000
		<u>700,000</u>	<u>261,102</u>	<u>(133,488)</u>	<u>35,598</u>	<u>863,212</u>
BALANCE AT 31 MARCH 2019		887,513	470,555	(114,152)	1,694,310	2,938,226
Adjustment on initial application of IFRS16 (net of tax)	1(cc)	-	-	-	(68)	(68)
Adjusted balance at 1 April 2019		887,513	470,555	(114,152)	1,694,242	2,938,158
Total comprehensive income						
Profit for the year		-	-	-	319,134	319,134
Other comprehensive expenses for the year	26	-	-	(404,266)	-	(404,266)
		<u>-</u>	<u>-</u>	<u>(404,266)</u>	<u>319,134</u>	<u>(85,132)</u>
BALANCE AT 31 MARCH 2020		<u>887,513</u>	<u>470,555</u>	<u>(518,418)</u>	<u>2,013,376</u>	<u>2,853,026</u>

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

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2020

	Note	Share Capital US \$'000	Other Reserves (incl. Share Premium) US \$'000	Cash Flow Hedge Reserve US \$'000	Profit and loss account US \$'000	Total Equity US \$'000
BALANCE AT 1 APRIL 2018		187,513	207,486	19,335	1,593,796	2,008,130
Total comprehensive income						
Profit for the year		-	-	-	321,909	321,909
Other comprehensive expenses for the year	26	-	-	(133,487)	-	(133,487)
Transactions with owners of the Company						
Impact of shareholder reorganisation and capital increase						
Redemption of ordinary shares		(18,751)	-	-	-	(18,751)
Distribution on redemption of ordinary shares		-	-	-	(261,102)	(261,102)
Issue of ordinary shares		18,751	261,102	-	-	279,853
Issue of preference shares		700,000	-	-	-	700,000
		<u>700,000</u>	<u>261,102</u>	<u>(133,487)</u>	<u>60,807</u>	<u>888,422</u>
BALANCE AT 31 MARCH 2019		887,513	468,588	(114,152)	1,654,603	2,896,552
Adjustment on initial application of IFRS16 (net of tax)	1(cc)	-	-	-	(56)	(56)
Adjusted balance at 1 April 2019		887,513	468,588	(114,152)	1,654,547	2,896,496
Total comprehensive income						
Profit for the year		-	-	-	318,759	318,759
Other comprehensive expenses for the year	26	-	-	(404,266)	-	(404,266)
		<u>-</u>	<u>-</u>	<u>(404,266)</u>	<u>318,759</u>	<u>(85,507)</u>
BALANCE AT 31 MARCH 2020		<u>887,513</u>	<u>468,588</u>	<u>(518,418)</u>	<u>1,973,306</u>	<u>2,810,989</u>

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

The Company has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
PROFIT BEFORE TAX	364,518	344,470
Adjustments for:		
Depreciation of property, plant and equipment	413,162	309,936
Impairment of property, plant and equipment	19,311	34,426
Amortisation of computer software intangible assets	1,667	2,493
Lease incentive asset amortisation	16,326	17,148
Credit impairment charge on trade debtors	8,230	3,957
Net interest expense	300,183	301,135
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges	1,114	350
Profit on disposal of assets held under operating leases	3 (33,604)	(29,227)
	1,090,907	984,688
Increase in receivables	(74,198)	(37,223)
Increase in payables	13,839	108,264
CASH GENERATED BY OPERATIONS	1,030,548	1,055,729
Income taxes paid	(852)	(31,707)
Interest paid	(352,966)	(304,737)
NET CASH FROM OPERATING ACTIVITIES	676,730	719,285
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	956,313	926,754
Purchases of property, plant and equipment	(2,051,184)	(2,796,573)
Purchases of intangible assets	(978)	(166)
NET CASH USED IN INVESTING ACTIVITIES	(1,095,849)	(1,869,985)
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	700,000
Payments to restricted cash accounts	(444,800)	(142,791)
Repayment of obligations under finance leases	(23,274)	(163,451)
Proceeds from indebtedness	2,225,587	2,187,071
Repayments of indebtedness	(1,065,816)	(1,301,479)
NET CASH FROM FINANCING ACTIVITIES	691,697	1,279,350
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS	(532)	(143)
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	272,046	128,507
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	368,510	240,003
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16 640,556	368,510
Unrestricted cash and cash equivalents as above	16 640,556	368,510
Restricted cash as reported	16 601,800	157,000
Total cash and cash equivalents	16 1,242,356	525,510

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

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
PROFIT BEFORE TAX		363,840	367,500
Adjustments for:			
Depreciation of property, plant and equipment		412,068	299,939
Impairment of property, plant and equipment		19,311	34,426
Amortisation of computer software intangible assets		1,667	2,435
Impairment of investment in subsidiary		-	2,227
Lease incentive asset amortisation		16,326	17,148
Credit impairment charge on trade debtors		8,230	3,957
Dividend income		-	(34,469)
Net interest expense		301,584	308,227
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		1,114	350
Profit on disposal of assets held under operating leases		(34,852)	(28,515)
		<u>1,089,288</u>	<u>973,225</u>
Increase in receivables		(3,665)	(12,163)
Increase in payables		34,053	48,179
		<u>1,119,676</u>	<u>1,009,241</u>
CASH GENERATED BY OPERATIONS		1,119,676	1,009,241
Income taxes paid		(19)	(11)
Interest paid		(357,633)	(325,157)
		<u>762,024</u>	<u>684,073</u>
NET CASH FROM OPERATING ACTIVITIES		762,024	684,073
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		956,313	912,202
Purchases of property, plant and equipment		(2,124,142)	(2,888,363)
Purchases of intangible assets		(978)	(166)
Dividends received		-	34,469
		<u>(1,168,807)</u>	<u>(1,941,858)</u>
NET CASH USED IN INVESTING ACTIVITIES		(1,168,807)	(1,941,858)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	700,000
Payments to restricted cash accounts		(444,800)	(142,791)
Repayment of obligations under finance leases		(23,274)	(163,451)
Proceeds from indebtedness		1,728,240	1,706,834
Repayments of indebtedness		(581,102)	(675,064)
		<u>679,064</u>	<u>1,425,528</u>
NET CASH FROM FINANCING ACTIVITIES		679,064	1,425,528
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(368)	(248)
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		271,913	167,495
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		368,288	200,793
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16	<u>640,201</u>	<u>368,288</u>
Unrestricted cash and cash equivalents as above	16	640,201	368,288
Restricted cash as reported	16	601,800	157,000
Total cash and cash equivalents	16	<u>1,242,001</u>	<u>525,288</u>

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

The Company has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

SMBC Aviation Capital is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, IFSC, Dublin 1, Ireland.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

a Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. The principal accounting policies are set out below.

The Consolidated Financial Statements of the Company have been prepared in accordance with IFRSs as adopted by the EU. The entity financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014 which permits a company that publishes its Company and Group financial statements together to take advantage of the exemption in Section 304(2) of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company Financial Statements.

The Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Company operates. The presentation currency for the Group and Company is US Dollar. All financial information presented in US Dollar has been rounded to the nearest thousand US Dollars unless otherwise stated.

The accounts, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with IFRS as adopted by the European Union.

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 21 'Borrowings' and (ii) its future aircraft purchases as set out in note 29 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 22 'Financial Risk Management') together with long term lease contracts with airline operators across different geographic areas (see note 27 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of current developments in the Covid-19 situation on the Group and its customers. In the run-up to year-end and post year-end there have been a number of requests for deferrals from certain customers. The Directors have considered the cash position and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company given its strong financial position. If the effects of the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

b Estimates and judgements

The preparation of Financial Statements in conformity with IFRS as adopted by the EU requires management to make use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the reported amount of income and expenses during the reported period.

In particular, the judgements and assumptions involved in the Group and Company's accounting policies which have the most significant effect on the amounts recognised in the Financial Statements are as follows:

Note 9 - Property, Plant and Equipment:

The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discounts rates. The discount rate used in the measurement of impairment was adjusted from 6% to 5% in the current period. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

c Basis of consolidation

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2020. The Group does not have investments in associates or joint ventures as defined in IFRS.

In applying IFRS 10, the standard introduced a single consolidation model for all entities based on control which requires consolidation where the Company has power over the entity, exposure or rights to returns from involvement with the entity and the ability to use power to affect returns. The financial statements of an entity are included in the Consolidated Financial Statements from the date that this control commences until the date that this control ceases.

The Consolidated Financial Statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are substantive are taken into account. All subsidiaries have coterminous financial year ends. The accounting policies of all subsidiaries are consistent with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. All of the Company's subsidiaries are wholly owned by the Company and, as such, there are no non-controlling interests to present separately in the Consolidated Financial Statements.

d Investment in subsidiaries

Investments in subsidiary undertakings are stated in the Company Statement of Financial Position at cost, less any provision for impairment.

e Income under finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

At each reporting date, the Group assesses whether lease receivables are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for lease receivables are deducted from the gross carrying amount of the lease receivable.

Rentals received, but unearned under lease agreements are recorded as 'Prepaid lease rentals' in trade and other payables.

f Fee income

Arranger fee income earned on the sale and purchase of managed aircraft is recognised on completion of the sale when the aircraft has been accepted by the customer and no further services remain to be completed. Ongoing aircraft management fees are recognised in the accounting period in which the services are rendered.

g Borrowing costs

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost. All other borrowing costs are recognised as an expense in the period in which they are incurred.

h Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the income statement which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

i Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the profit or loss for the period.

j Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets are depreciated to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over their estimated useful economic lives, as follows:

Aircraft for hire under operating leases

- to the next useful economic life (“UEL”) point, maximum of 5 years

Office equipment and fixtures & fittings

- 3 to 10 years from date when brought into use

It is the Group and Company’s practice to hold aircraft for an average period of 5 years. Because of this, the Group and Company estimates the future market value (residual value) at 5 year intervals which correspond to UEL points.

Aircraft are depreciated to their residual values. Residual values are determined based on estimated values at the end of the useful lives of the aircraft assets.

Estimated residual values based on contractual return conditions of the aircraft are reviewed at each reporting date. This review includes the expected maintenance condition of the asset and any excess maintenance reserves expected to be available on maturity of the lease. Where estimated residual values are found to have changed significantly, this is recorded prospectively and depreciation charges over the remaining useful life are adjusted to take account of the revised estimate.

The carrying amounts of the Group and Company’s aircraft are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the profit or loss.

Under IAS 39, the Group and Company avail of the own-use exemption in relation to certain capital commitments

k Maintenance intangible assets

Maintenance intangible asset represents the value in the difference between the contractual right under the acquired leases (excluding short term) to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition. The maintenance intangible asset is not amortised, but capitalised to the operating lease asset at the end of the lease.

l Intangible assets

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition. Subsequently intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two years to ten years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

m Impairment of non-financial assets

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value-in-use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

n Pre-delivery payments

Pre-delivery payments (“PDPs”) are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred. As aircraft which are subject to PDPs, are delivered all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment.

o Non-current assets and liabilities held for sale

Non-current assets (or disposals groups comprising assets and liabilities) that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale. Assets classified as held for sale must be available for immediate sale in its present condition and the sale must be highly probable. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p Financial instruments

The Group and Company's financial assets are categorised as either 'financial assets measured at amortised cost' or 'financial assets at fair value through the profit or loss'. The appropriate classification is determined based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held. Financial assets measured at amortised cost include 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

The Group and Company's financial liabilities are categorised as either 'financial liabilities measured at amortised cost' or 'financial liabilities at fair value through the profit or loss'. Financial liabilities measured at amortised cost includes 'borrowings', 'obligations under finance leases' and 'trade and other payables' in the Consolidated Statement of Financial Position.

A financial asset is recognised in the Consolidated Statement of Financial Position only when the Group becomes party to its contractual provisions. The purchase of financial assets is recognised using trade date accounting. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

q Derivatives and hedge accounting

The Group and Company has entered into various financial instruments (derivatives) to manage foreign exchange and interest rate risk. Derivatives include swaps, forwards and options.

All derivatives are recognised on the Consolidated Statement of Financial Position at their fair value (market value). Market value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The method of recognising the resulting gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument.

Non-hedging derivatives are classified at fair value through the profit or loss. Gains and losses arising from changes in fair value of a non-hedging derivative are recognised as they arise in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under trading income/expense.

The Group and Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group and Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group and Company makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows or fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group and Company makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

q Derivatives and hedge accounting (continued)

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to the profit or loss in the same period as the hedged cash flows affect the profit or loss, and in the same line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

When a derivative is designated as the hedging instrument in a fair value hedge, changes in fair value are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discounted hedge of a forecast transaction the cumulative amount recognised in Other Comprehensive Income from the period when the hedge was effective is reclassified from other comprehensive income to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the profit or loss as a reclassification adjustment. If the criteria for hedge accounting cease to be met in relation to a fair value hedge, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

Determination of fair values of derivative financial instruments and financial liabilities in fair value hedge relationships

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Group and Company's pricing and valuation methods are managed in conjunction with Sumitomo Mitsui Banking Corporation Capital Markets Inc. The current pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk and liquidity risk.

r Provisions

A provision is recognised if, as a result of a past event, the Group and Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

s Amounts receivable under finance leases

A finance lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

t Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

u Restricted cash

Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

v Lease incentive accounting

A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount, and it is amortised over the life of the associated lease as a charge against maintenance income.

Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

w Obligations under finance leases

Assets held under finance leases are recognised as assets of the Group and Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease payable obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

x Maintenance reserves

All cash maintenance reserves collected under the lease agreements are recognised on the Consolidated Statement of Financial Position. At the end of the lease any excess is taken to revenue. Excess supplemental income from maintenance reserve is only recognised as revenue in the income statement when the Group and Company settles the full obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

y Pensions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as the related service is received from the employee.

z Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

aa Profit from operating activities

Operating profit is stated before charging or crediting investment income and finance costs.

bb 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, net of any tax effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc New standards adoption and amendments to IFRS

The following new standards approved by the IASB have been applied in preparing these financial statements:

IFRS 16 Leases

The Group and Company have adopted IFRS 16 Leases from 1 April 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group and Company, as lessees, have recognised right-of-use assets representing their rights to use the underlying assets and lease liabilities representing their obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group and Company have applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented have not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of this change in accounting policy are disclosed below.

i. Definition of a lease

Previously, the Group and Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group and Company now assess whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group and Company only reassessed contracts that were previously identified as leases, which relates mainly to leases of properties. For these leases, the Group and Company have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. As a lessee

As lessees, the Group and Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group and Company recognise right-of-use assets and liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group and Company have elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment). The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as they present underlying assets of the same nature that they owns. The carrying value of right-of-use assets for the Group are as below (see note 9):

— Balance at 1 April 2019:	\$9,677,000
— Balance at 31 March 2020:	\$7,188,000

The Group and Company present lease liabilities in 'trade and other payables' in the statement of financial position.

ii(i) Significant accounting policies

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measure at the present value of the lease payments that are not paid at the commencement date, discounted using the Group and Company's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

ii(ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group and Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group and Company's incremental borrowing rate at the date of initial application.

The Group and Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii. As a lessor

The Group and Company lease out their aircraft assets and have classified these leases as operating leases. The accounting policies applicable to the Group and Company as lessors are not different from those under IAS 17 and are therefore not required to make any adjustments on transition to IFRS 16 for leases in which they act as lessors.

iv. Impact on financial statements on transition

On transition to IFRS 16, the Group and Company recognised additional right-of-use assets and lease liabilities, with the difference in retained earnings. The impact on the Group on transition on 1 April 2019 is summarised below:

— Right-of-use assets presented in property, plant and equipment:	\$9,677,000
— Deferred tax asset:	\$10,000
— Lease liabilities:	\$9,755,000
— Retained earnings:	(\$68,000)

Reconciliation of operating lease commitment previously disclosed by the Group:

— Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements:	\$11,918,000
— Discounted using the incremental borrowing rate at 1 April 2019:	(\$2,163,000)
— Lease liabilities recognised at 1 April 2019:	\$9,755,000

When measuring lease liabilities for leases that were classified as operating leases, the Group and Company discounted lease payments using their incremental borrowing rate at 1 April 2019. The weighted average rate applied is 4%.

Other standards, amendments to standards and interpretations not yet effective

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2020, and have not been applied in preparing these financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts (effective 1 January 2021)

These are all effective for annual periods beginning on or after 1 January 2020 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 REVENUE	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
Operating lease revenue		
Rentals receivable	1,092,548	1,037,604
Lease incentive amortisation (note 17)	(16,326)	(17,148)
Maintenance income	77,993	22,769
	<hr/>	<hr/>
Lease revenue	1,154,215	1,043,225
Fee income		
Aircraft management fees	15,334	14,449
	<hr/>	<hr/>
Other revenue	15,334	14,449
	<hr/>	<hr/>
	1,169,549	1,057,674
	<hr/>	<hr/>

Rentals receivable for the period are reported net of a release of deferred rentals of \$4,007,000 (year ended 31 March 2019: net provision of \$2,011,000). Total rentals receivable recognised as deferred rentals as at 31 March 2020 are \$5,043,000 (31 March 2019: \$9,050,000).

Included in operating lease revenue above are the following amounts:

Contingent rentals	41,276	56,316
	<hr/>	<hr/>

The contingent element relates to lease rentals that are variable based on market interest rates. The rates can be in the favour of the lessee or the Group depending on the contract and prevailing market rates.

Total revenue distribution by geographical region:	Year ended 31 March 2020 US \$'000	Year ended 31 March 2020 %	Year ended 31 March 2019 US \$'000	Year ended 31 March 2019 %
	Developed Europe	168,252	15.4	194,033
Emerging Europe	89,589	8.2	93,384	9.0
South America	249,101	22.8	204,408	19.7
Emerging Asia	369,281	33.8	330,996	31.9
Asia	91,774	8.4	101,685	9.8
North America	65,553	6.0	69,519	6.7
Middle East & Africa	58,998	5.4	43,579	4.2
	<hr/>		<hr/>	
	1,092,548	100.0	1,037,604	100.0
	<hr/>		<hr/>	

The basis for disclosing revenue distribution by geographical region is that the portfolio is managed by region rather than by country.

3 OTHER OPERATING INCOME	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
Profit on disposal of property, plant and equipment	33,604	29,227
Other operating income	12,987	20,158
	<u>46,591</u>	<u>49,385</u>
4 OTHER OPERATING EXPENSES	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
Administration expenses	(115,936)	(114,392)
Amortisation of computer software intangible assets	(1,667)	(2,493)
	<u>(117,603)</u>	<u>(116,885)</u>
5 PROFIT FROM OPERATING ACTIVITIES	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
Operating profit has been arrived at after charging:		
Depreciation	413,162	309,936
Impairment of assets	19,311	34,426
Credit impairment charge on trade debtors	8,230	3,957
Fees and commissions	6	16
Group service fee	19,138	20,288
Auditors remuneration	942	1,109
Rent on property	3,161	2,692
Staff costs (note 6)	80,373	80,226
Other operating expenses	33,121	32,842
Foreign exchange loss / (gain)	248	(614)
	<u>942</u>	<u>1,109</u>
Auditors remuneration:		
Audit of the Group financial statements	420	378
Audit of the Subsidiary financial statements	58	68
Other assurance services	137	161
Other non-audit services	-	-
Tax advisory services	327	502
	<u>942</u>	<u>1,109</u>
Of which related to the Company	<u>884</u>	<u>1,040</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 STAFF COSTS	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
Staff costs	71,052	71,421
Social security costs	5,573	5,544
Other pension costs	3,748	3,261
	<u>80,373</u>	<u>80,226</u>

No staff costs were capitalised during the year (year ended 31 March 2019: \$nil). The average number of people in the organisation during the financial year was 192 (2019: 188), consisting of both direct employees and representatives, of which 42 staff members were dedicated to commercial & strategy functions (2019: 44), 77 to operational (2019: 72) and the remainder to finance, compliance and other support functions.

7 NET FINANCE COSTS	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
Finance income:		
Interest income on swaps	117,798	85,925
Interest income on deposits	9,774	3,251
Total interest income	<u>127,572</u>	<u>89,176</u>
Finance expense:		
Interest payable on swaps	(136,215)	(91,784)
Interest payable on borrowings	(339,120)	(321,911)
Interest payable on security deposits	-	(14)
Less: Interest capitalised to the cost of aircraft (see note 21)	67,464	48,585
Bank charges, guarantee & other fees on borrowings	(24,666)	(27,293)
Total interest payable and related charges	<u>(432,537)</u>	<u>(392,417)</u>
Net interest payable	<u>(304,965)</u>	<u>(303,241)</u>
Break gains related to derivatives and liability management	<u>4,533</u>	<u>2,249</u>
Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	16,483	10,256
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	(17,597)	(10,606)
Net expense from financial instruments at fair value (note 21)	<u>(1,114)</u>	<u>(350)</u>

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2020 is a loss of \$1,114,000 (year ended 31 March 2019: \$350,000).

8 TAXATION

	Year ended 31 March 2020 US \$'000	Year ended 31 March 2019 US \$'000
a Analysis of tax charge for the year		
Current tax charge:		
Current year	323	12,310
	<hr/>	<hr/>
Deferred tax - origination and reversal of temporary differences:		
Current year	45,061	35,460
	<hr/>	<hr/>
Tax charge	<u>45,384</u>	<u>47,770</u>
b factors affecting the tax charge for the year		
Profit before tax subject to tax at 12.5% (2019: 12.5%)	362,490	335,260
Profit before tax subject to tax at 28% (2019: 33.33%)	50	52
Profit before tax subject to tax at 25% (2019: 25%)	1,884	8,930
Profit before tax subject to tax at 16.5% (2019: 16.5%)	94	228
	<hr/>	<hr/>
	364,518	344,470
	<hr/>	<hr/>
Tax on profit at the rate of 12.5% (2019: 12.5%)	45,311	41,908
Tax on profit at the rate of 28% (2019: 33.33%)	14	15
Tax on profit at the rate of 25% (2019: 25%)	471	2,233
Tax on profit at the rate of 16.5% (2019: 16.5%)	16	38
Other differences	173	503
Adjustment to assessed loss brought forward	(590)	2,805
Permanent difference - non-taxable income	(184)	(186)
Permanent difference - disallowed expenses	173	454
	<hr/>	<hr/>
Tax charge	<u>45,384</u>	<u>47,770</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT

	Group Aircraft for hire under operating leases US \$'000	Group Pre- Delivery Payments US \$'000	Group Office equipment and fixtures & fittings US \$'000	Group Right-of-use assets US \$'000	Group Total US \$'000
COST					
At 1 April 2018	10,004,219	1,128,195	10,860	-	11,143,274
Additions	2,035,808	827,000	673	-	2,863,481
Transfers	281,106	(281,106)	-	-	-
Disposals	(883,366)	-	-	-	(883,366)
Transfer to assets held for sale (see note 18)	(155,393)	-	-	-	(155,393)
At 31 March 2019	11,282,374	1,674,089	11,533	-	12,967,996
Adjustment on initial application of IFRS16	-	-	-	9,677	9,677
At 1 April 2019	11,282,374	1,674,089	11,533	9,677	12,977,673
Additions	1,566,794	572,090	613	-	2,139,497
Transfers	172,849	(172,849)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 18)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	1,062,384	-	6,470	-	1,068,854
Charge for the year	307,783	-	2,153	-	309,936
Impairment charge for the year	34,426	-	-	-	34,426
Disposals	(140,435)	-	-	-	(140,435)
Transfer to assets held for sale (see note 18)	(52,167)	-	-	-	(52,167)
At 31 March 2019	1,211,991	-	8,623	-	1,220,614
Charge for the year	408,780	-	1,893	2,489	413,162
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,582)	-	-	-	(109,582)
Transfer to assets held for sale (see note 18)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,516	2,489	1,346,601
CARRYING AMOUNT					
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,630	7,188	12,486,910
Net Book Value at 31 March 2019	10,070,383	1,674,089	2,910	-	11,747,382

During the year, assets in the Group with a carrying value of \$152,351,000 (year ended 31 March 2019: \$608,421,000) and average age of 7.4 years (year ended 31 March 2019: 8.9 years) were subject to impairment partly due to a deterioration in the inherent value of these aircraft and an assessment of the value of the leases attached to them, when assessed at a discount rate of 5% (year ended 31 March 2019: 6%) depending on the nature of the cash flows assessed, as well as anticipated losses on disposal of specific aircraft at year-end.

The carrying amount before impairment of \$171,662,000 (year ended 31 March 2019: \$642,847,000) of aircraft was determined to be higher than the value in use of \$152,351,000 (year ended 31 March 2019: \$608,421,000) and an impairment loss of \$19,311,000 (year ended 31 March 2019: \$34,426,000) was recognised during the year.

Value in use includes cash flow projections of contracted lease rentals, estimated lease rentals and anticipated residual values. These estimates require significant management judgment, particularly in the current year with the added uncertainty of Covid-19. Management base their estimates on internal models which use historical and forecast data and also with reference to independent appraiser valuations obtained. Estimates of future cashflows are by their nature uncertain and there is no guarantee that the estimates made by management will be achieved when they occur. These estimates reflect the best estimate of management at the reporting date, using all available information.

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company Aircraft for hire under operating leases US \$'000	Company Pre- Delivery Payments US \$'000	Company Office equipment and fixtures & fittings US \$'000	Company Right-of-use assets US \$'000	Company Total US \$'000
COST					
At 1 April 2018	9,986,857	1,045,150	10,850	-	11,042,857
Additions	2,199,207	753,740	666	-	2,953,613
Transfers	197,758	(197,758)	-	-	-
Disposals	(946,055)	-	-	-	(946,055)
Transfer to assets held for sale (see note 18)	(155,393)	-	-	-	(155,393)
At 31 March 2019	11,282,374	1,601,132	11,516	-	12,895,022
Adjustment on initial application of IFRS16	-	-	-	6,983	6,983
At 1 April 2019	11,282,374	1,601,132	11,516	6,983	12,902,005
Additions	1,632,156	579,685	613	-	2,212,454
Transfers	107,487	(107,487)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 18)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	1,151,879	-	6,463	-	1,158,342
Charge for the year	297,788	-	2,151	-	299,939
Impairment charge for the year	34,426	-	-	-	34,426
Disposals	(219,933)	-	-	-	(219,933)
Transfer to assets held for sale (see note 18)	(52,167)	-	-	-	(52,167)
At 31 March 2019	1,211,993	-	8,614	-	1,220,607
Charge for the year	408,780	-	1,891	1,397	412,068
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,584)	-	-	-	(109,584)
Transfer to assets held for sale (see note 18)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,505	1,397	1,345,498
CARRYING AMOUNT					
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,624	5,586	12,485,302
Net Book Value at 31 March 2019	10,070,381	1,601,132	2,902	-	11,674,415

The value of maintenance intangible assets included in above is \$3,861,000 (31 March 2019: \$3,861,000). The maintenance intangible assets arose from the purchase of second hand aircraft during a prior period and are accounted for in accordance with our policy as set out in note 1(k). The carrying amount of assets included in Group and Company above subject to obligations under finance leases is \$54,394,000 (31 March 2019: \$112,050,000; note 20).

On 31 March 2020, the Group classified qualifying assets with a carrying value of \$173,677,000 as assets held for sale as they met the relevant criteria (see note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 GOODWILL AND INTANGIBLE ASSETS	Group intangible assets US \$'000	Company intangible assets US \$'000
COST		
At 1 April 2018	16,783	13,444
Additions	166	166
Disposals	(506)	-
	<hr/>	<hr/>
At 31 March 2019	16,443	13,610
Additions	978	978
Disposals	(3,528)	(695)
	<hr/>	<hr/>
At 31 March 2020	13,893	13,893
	<hr/>	<hr/>
AMORTISATION AND OTHER ADJUSTMENTS		
At 1 April 2018	12,474	9,193
Amortisation for the year	2,493	2,435
Disposals	(506)	-
	<hr/>	<hr/>
At 31 March 2019	14,461	11,628
Amortisation for the year	1,667	1,667
Disposals	(3,528)	(695)
	<hr/>	<hr/>
At 31 March 2020	12,600	12,600
	<hr/>	<hr/>
TOTAL GOODWILL AND INTANGIBLE ASSETS		
At 31 March 2020	1,293	1,293
	<hr/>	<hr/>
At 31 March 2019	1,982	1,982
	<hr/>	<hr/>

Amortisation of intangible assets is included in Other operating expenses in the statement of comprehensive income.

Amortisation of intangible assets is accelerated upon disposal of the aircraft to which the lease intangible relates. This accelerated amortisation is recognised as part of the profit or loss on disposal as part of other operating income (note 3).

As at 31 March 2020, intangible assets consist of computer software intangible assets with a remaining amortisable life of less than three years.

11 INVESTMENT IN SUBSIDIARIES - COMPANY	31 March 2020 US \$'000	31 March 2019 US \$'000
At cost	15,509	15,509

The principal trading subsidiary undertakings, the capital of which consists of ordinary shares, are shown below. All share capital is wholly owned.

Owned by the Company	Nature of business	Country of Incorporation
SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Finance Designated Activity Company (1)	Debt issuance	Ireland
SMBC Aviation Capital Netherlands B.V. (2)	Leasing	Netherlands
SMBC Aviation Capital Paris Leasing 2 SARL (3)	Leasing	France
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 2 Limited (4)	Debt issuance	China
SMBC Aviation Capital GAL Holdings Limited (in liquidation) (5)	Intermediate leasing company	Bermuda

A new subsidiary, SMBC Aviation Capital Hong Kong 2 Limited, was incorporated on 2 December 2019, while an existing subsidiary, SMBC Aviation Capital GAL Holdings Limited, was placed into liquidation on 24 March 2020.

The aircraft deliveries for which Valderrama Aviation Limited, a PDP financing company ("structured entity") in which the Group had an interest as at 31 March 2019, was set up for, occurred during the year. This extinguished the PDP financing previously in place, following which the Group was no longer exposed to variation of returns in respect of the structured entity and accordingly the entity is not consolidated by the Group as at 31 March 2020.

Registered addresses of entities above, denoted by reference attached to each entity name:

01. IFSC House, IFSC, Dublin 1, Ireland
02. Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands
03. 3-5, rue Saint-Georges, 75009 Paris, France
04. Unit 4307-09, Level 43, Champion Tower, 3 Garden Road, Central, Hong Kong
05. Canon's Court, 22 Victoria St, Hamilton HM 12, Bermuda

Movements during the year	US \$'000
At 1 April 2018	210,622
Addition during the year	0
Impairment in value during the year	(2,227)
Subsidiaries liquidated during the year	(192,886)
	<hr/>
At 31 March 2019	15,509
Addition during the year	0
	<hr/>
At 31 March 2020	15,509

During the prior year, the Company received a distribution of \$2.4m (2020: \$nil) from a subsidiary company, recognised in other income, and consequently recognised a part-reduction in value of the investment in this subsidiary of \$2.2m (2020: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 FINANCIAL INSTRUMENTS

The carrying value and fair value of the Group's financial assets and liabilities by class and category are summarised below:

31 March 2020	Group Carrying Value US \$'000	Group Fair Value US \$'000	Company Carrying Value US \$'000	Company Fair Value US \$'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	2,824	2,824	2,824	2,824
Financial assets measured at amortised cost				
Trade and other receivables	160,286	160,286	162,951	162,951
Cash and cash equivalents	1,242,356	1,242,356	1,242,001	1,242,001
Financial assets	<u>1,405,466</u>	<u>1,405,466</u>	<u>1,407,776</u>	<u>1,407,776</u>
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	588,616	588,616	588,616	588,616
Borrowings (held for qualifying hedging relationships)	502,777	502,777	502,777	502,777
Financial liabilities measured at amortised cost:				
Obligations under finance leases	13,054	13,868	13,054	13,868
Trade and other payables	1,014,703	1,014,703	1,072,942	1,072,942
Borrowings	8,508,477	9,603,549	8,508,478	9,605,344
Subordinated liabilities	300,000	300,868	300,000	300,868
Financial liabilities	<u>10,927,627</u>	<u>12,024,381</u>	<u>10,985,867</u>	<u>12,084,415</u>
31 March 2019	Group Carrying Value US \$'000	Group Fair Value US \$'000	Company Carrying Value US \$'000	Company Fair Value US \$'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	10,048	10,048	10,048	10,048
Financial assets measured at amortised cost				
Trade and other receivables	95,898	95,898	169,551	169,551
Cash and cash equivalents	525,510	525,510	525,288	525,288
Financial assets	<u>631,456</u>	<u>631,456</u>	<u>704,887</u>	<u>704,887</u>
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	149,906	149,906	149,906	149,906
Borrowings (held for qualifying hedging relationships)	484,336	484,336	484,336	484,336
Financial liabilities measured at amortised cost:				
Obligations under finance leases	35,981	37,620	35,981	37,620
Trade and other payables	978,205	978,205	985,865	985,865
Borrowings	7,346,731	7,984,177	7,396,718	8,035,797
Subordinated liabilities	300,000	304,878	300,000	304,878
Financial liabilities	<u>9,295,159</u>	<u>9,939,122</u>	<u>9,352,806</u>	<u>9,998,402</u>

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date..
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

12 FINANCIAL INSTRUMENTS (CONTINUED)

The valuation techniques and significant inputs used in determining the fair values for financial assets and liabilities classified as Level 2 are as follows:

The financial instruments at fair value through profit or loss, being the assets and liabilities shown as above, all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Cash and cash equivalents - The fair value of cash and cash equivalents is considered to be approximately equal to their carrying amount as the components are highly liquid.

Obligations under finance leases, Borrowings and Subordinated liabilities fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

The remaining financial assets and liabilities measured at amortised cost all fall within Level 2. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

13 DERIVATIVES AT FAIR VALUE

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is \$588,607,000 (2019: \$126,188,000). The value of derivative assets designated as fair value hedge relationships is \$2,814,000 (2019: derivative liability of \$13,670,000). The total amount of the change in fair value estimated in the profit or loss during the period was \$nil (2019: \$nil) in respect of certain ineffective cashflow hedges and a \$1,114,000 loss (2019: \$350,000) in respect of certain ineffective fair values hedges.

	Group Notional Contract US \$'000	Group fair values		Company Notional Contract US \$'000	Group fair values	
		Assets US \$'000	Liabilities US \$'000		Assets US \$'000	Liabilities US \$'000
As at 31 March 2020						
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	2,814	-	500,000	2,814	-
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	4,346,564	10	(588,616)	4,346,564	10	(588,616)
	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>
Total	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>
As at 31 March 2019						
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	-	(13,670)	500,000	-	(13,670)
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	3,815,823	10,048	(136,236)	3,815,823	10,048	(136,236)
	<u>4,315,823</u>	<u>10,048</u>	<u>(149,906)</u>	<u>4,315,823</u>	<u>10,048</u>	<u>(149,906)</u>
Total	<u>4,315,823</u>	<u>10,048</u>	<u>(149,906)</u>	<u>4,315,823</u>	<u>10,048</u>	<u>(149,906)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 DERIVATIVES AT FAIR VALUE (CONTINUED)

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Summary				
Assets due within one year	10	390	10	390
Assets due after one year	2,814	9,658	2,814	9,658
Liabilities due within one year	(516)	-	(516)	-
Liabilities due after one year	(588,100)	(149,906)	(588,100)	(149,906)
Total	(585,792)	(139,858)	(585,792)	(139,858)

14 HEDGE ACCOUNTING

The Group and Company uses interest rate swaps to hedge the interest rate risks arising from receipt of variable interest receivables on leases.

The fair values of derivatives designated as cash flow hedges are as follows:

Group

As at 31 March 2020	Notional contract amount US \$'000	Group fair values	
		Assets US \$'000	Liabilities US \$'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)
As at 31 March 2019			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,815,823	10,048	(136,236)
	3,815,823	10,048	(136,236)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

	Less than 1 year US \$'000	In the 2 nd year US \$'000	3 to 5 years US \$'000	Over 5 years US \$'000
31 March 2020				
Cash inflows	104,399	85,013	258,617	394,297
Cash outflows	(160,716)	(170,725)	(490,861)	(627,911)

During the financial year ended 31 March 2020, \$461,618,000 (2019: \$152,558,000) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2019: \$nil).

Company

As at 31 March 2020	Notional contract amount US \$'000	Fair values	
		Assets US \$'000	Liabilities US \$'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

14 HEDGE ACCOUNTING (CONTINUED)

As at 31 March 2019	Notional contract amount US \$'000	Fair values	
		Assets US \$'000	Liabilities US \$'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,815,823	10,048	(136,236)
	<u>3,815,823</u>	<u>10,048</u>	<u>(136,236)</u>

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

31 March 2020	Less than 1 year US \$'000	In the 2 nd year US \$'000	3 to 5 years US \$'000	Over 5 years US \$'000
Cash inflows	104,399	85,013	258,617	394,297
Cash outflows	(160,716)	(170,725)	(490,861)	(627,911)

During the financial year ended 31 March 2020, \$461,618,000 (2019: \$152,558,000) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2019: \$nil).

	Group Year ended 31 March 2020 US \$'000	Group Year ended 31 March 2019 US \$'000	Company Year ended 31 March 2020 US \$'000	Company Year ended 31 March 2019 US \$'000
Analysis of effective portion of changes in fair value of cash flow hedges				
Derivatives in place for the full year	(429,152)	(7,592)	(429,152)	(7,592)
Derivatives matured during the year	409	(15,248)	409	(14,023)
Derivatives entered into during the year	(32,875)	(130,942)	(32,875)	(130,942)
	<u>(461,618)</u>	<u>(153,782)</u>	<u>(461,618)</u>	<u>(152,557)</u>
Effective portion of changes in fair value of cash flow hedges				
Tax effect	57,702	19,070	57,702	19,070
	<u>(403,916)</u>	<u>(134,712)</u>	<u>(403,916)</u>	<u>(133,487)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 TRADE AND OTHER RECEIVABLES

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Trade debtors - net	73,356	24,765	73,338	24,765
Amounts due from parent group undertakings	26,255	24,822	33,560	100,920
Prepayments	13,442	19,435	8,564	18,871
Other debtors	47,233	26,876	47,489	24,995
	<u>160,286</u>	<u>95,898</u>	<u>162,951</u>	<u>169,551</u>
Age analysis of net trade debtors				
Less than one month	45,146	12,038	45,128	12,038
One to two months	10,599	6,522	10,599	6,522
More than two months	17,611	6,205	17,611	6,205
	<u>73,356</u>	<u>24,765</u>	<u>73,338</u>	<u>24,765</u>

Amounts due from parent group undertakings in the prior year in respect of the Company include balances receivable from structured entities which have been utilised as PDP finance vehicles (note 11).

15 CASH AND CASH EQUIVALENTS

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Bank account	5,363	3,980	5,009	3,886
Bank account with parent group undertakings	5,235	8,520	5,235	8,392
Short-term deposits with parent group undertakings	1,231,758	513,010	1,231,757	513,010
	<u>1,242,356</u>	<u>525,510</u>	<u>1,242,001</u>	<u>525,288</u>
Restricted cash	(601,800)	(157,000)	(601,800)	(157,000)
Cash and cash equivalents net of restricted cash	<u>640,556</u>	<u>368,510</u>	<u>640,201</u>	<u>368,288</u>

Included in the table above is restricted cash relating to customer security deposits and a collateral call account for derivatives.

17 LEASE INCENTIVE ASSETS

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Lease incentive assets	50,965	72,791	50,965	72,791
Amortised during the year	(16,326)	(17,148)	(16,326)	(17,148)
Additions of lease incentive assets	11,413	9,198	11,413	9,198
Release of lease incentive assets on disposal of aircraft	(12,776)	(6,707)	(12,776)	(6,707)
Transfer to assets held for sale	-	(7,169)	-	(7,169)
	<u>33,276</u>	<u>50,965</u>	<u>33,276</u>	<u>50,965</u>
Current lease incentive assets (amortising within 12 months)	9,494	10,376	9,494	10,376
Non-current lease incentive assets (amortising after 12 months)	23,782	40,589	23,782	40,589
	<u>33,276</u>	<u>50,965</u>	<u>33,276</u>	<u>50,965</u>

The lease incentive assets are amortised over the respective lease terms and recorded as a reduction of lease income (note 2).

18 ASSETS AND LIABILITIES HELD FOR SALE

The aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Assets held for sale				
Property, plant and equipment - aircraft	173,677	127,101	173,677	127,101
Lease incentive assets	-	7,169	-	7,169
	<u>173,677</u>	<u>134,270</u>	<u>173,677</u>	<u>134,270</u>
Liabilities associated with assets held for sale				
Obligations under finance leases	4,441	-	4,441	-
Security deposits	1,328	675	1,328	675
Maintenance reserve	8,751	13,669	8,751	13,669
Lessor contributions	2,667	11,524	2,667	11,524
	<u>17,187</u>	<u>25,868</u>	<u>17,187</u>	<u>25,868</u>
	<u>156,490</u>	<u>108,402</u>	<u>156,490</u>	<u>108,402</u>

At 31 March 2020, the Group and Company classified 5 aircraft and 1 engine (31 March 2019: 5 aircraft) as held-for-sale as the Group and Company had agreements for the sale of these items which met the requirement to be classified as held-for-sale. The Group and Company will continue to recognise lease rental income on all aircraft in these portfolios, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount. A write-down in fair value of one of the aircraft classified in this note was recognised in the current period (\$991,000) and is included in the overall profit on disposal of property, plant and equipment (note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER PAYABLES

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Security deposits	133,355	123,080	133,355	123,080
Maintenance reserves	454,621	352,991	454,621	352,991
Lessor contributions	56,706	74,579	56,706	74,579
Prepaid lease rentals and fee income received	83,606	88,994	83,414	88,779
Trade creditors	8,317	9,743	7,980	9,503
Accrued interest - third party undertakings	47,198	47,900	26,996	28,762
Amounts due to parent group undertakings	114,114	130,371	195,550	158,930
Other creditors	104,040	124,679	101,574	123,373
	<u>1,001,957</u>	<u>952,337</u>	<u>1,060,196</u>	<u>959,997</u>
Analysed as:				
Non-current trade and other payables (payable after 12 months)	613,518	503,908	612,892	511,284
Current trade and other payables (payable within 12 months)	388,439	448,429	447,304	448,713
	<u>1,001,957</u>	<u>952,337</u>	<u>1,060,196</u>	<u>959,997</u>
Analysis of Group trade and other payables:				
As at 31 March 2020		Due < 12 months US \$'000	Due > 12 months US \$'000	Total US \$'000
Security deposits		1,227	132,128	133,355
Maintenance reserve		53,464	401,157	454,621
Lessor contributions		12,346	44,360	56,706
Prepaid lease rentals and fee income received		83,606	-	83,606
Trade creditors		8,317	-	8,317
Accrued interest - third party undertakings		47,198	-	47,198
Amounts due to parent group undertakings		112,118	1,996	114,114
Other creditors		70,163	33,877	104,040
		<u>388,439</u>	<u>613,518</u>	<u>1,001,957</u>
As at 31 March 2019		Due < 12 months US \$'000	Due > 12 months US \$'000	Total US \$'000
Security deposits		2,670	120,410	123,080
Maintenance reserve		58,267	294,724	352,991
Lessor contributions		22,525	52,054	74,579
Prepaid lease rentals and fee income received		88,994	-	88,994
Trade creditors		9,743	-	9,743
Accrued interest - third party undertakings		47,900	-	47,900
Amounts due to parent group undertakings		118,619	11,752	130,371
Other creditors		99,711	24,968	124,679
		<u>448,429</u>	<u>503,908</u>	<u>952,337</u>

Security deposits fall due at the end of each respective lease, while maintenance reserves, lessor contributions and amounts due to parent group undertakings which relate to operating leases fall due during the remaining term of each respective lease based on the timing of expected maintenance events.

Amounts due to parent group undertakings include cash balances held at period-end on behalf of affiliate group companies in accordance with existing cash pooling agreements.

20 OBLIGATIONS UNDER FINANCE LEASES

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Amounts payable under finance leases				
Minimum lease payments:				
Within one year	3,540	15,333	3,540	15,333
In the second to fifth years inclusive	5,938	23,818	5,938	23,818
After five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,478	39,151	9,478	39,151
Less: future finance charges	(865)	(3,170)	(865)	(3,170)
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	8,613	35,981	8,613	35,981
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of minimum lease payments:				
Within one year	3,052	13,596	3,052	13,596
In the second to fifth years inclusive	5,561	22,385	5,561	22,385
After five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,613	35,981	8,613	35,981
	<hr/>	<hr/>	<hr/>	<hr/>

Terms, conditions and analysis of Group obligations under finance leases:

As at 31 March 2020	Average interest rate %	Year of maturity	Due < 12 months US \$'000	Due < 12 months US \$'000	Total US \$'000
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	3,052	5,561	8,613
			<hr/>	<hr/>	<hr/>
			3,052	5,561	8,613
			<hr/>	<hr/>	<hr/>
As at 31 March 2019					
Secured - due to third party undertakings					
Fixed rate obligations	4.83	2021	10,658	13,773	24,431
			<hr/>	<hr/>	<hr/>
			10,658	13,773	24,431
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	2,938	8,612	11,550
			<hr/>	<hr/>	<hr/>
			13,596	22,385	35,981
			<hr/>	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 BORROWINGS

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Loan amounts due to third party undertakings	2,798,278	2,599,368	2,398,278	2,399,368
Loan amounts due to parent group undertakings	4,216,473	3,752,300	4,216,474	3,752,295
Loan amounts due to subsidiaries	-	-	2,396,503	1,729,391
Debt securities issued in qualifying hedging relationships	502,777	484,336	-	-
Other debt securities issued	1,493,726	995,063	-	-
	<u>9,011,254</u>	<u>7,831,067</u>	<u>9,011,255</u>	<u>7,881,054</u>
The borrowings are repayable as follows:				
On demand or within one year	490,017	661,364	490,018	711,363
In the second year	1,297,790	477,541	1,297,790	477,541
In the third to fifth year inclusive	3,258,929	3,498,161	3,258,929	3,498,153
After five years	3,964,518	3,194,001	3,964,518	3,193,997
	<u>9,011,254</u>	<u>7,831,067</u>	<u>9,011,255</u>	<u>7,881,054</u>
Less: Amounts due for settlement within 12 months	(490,017)	(661,364)	(490,018)	(711,363)
Amounts due for settlement after 12 months	<u>8,521,237</u>	<u>7,169,703</u>	<u>8,521,237</u>	<u>7,169,691</u>

On 19 July 2016, the Group closed the sale of \$500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited, and the hedged interest rate risk measured at fair value through profit or loss. These debt securities were designated into a qualifying hedge relationship at inception and the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument. The debt securities are fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness loss of \$1,114,000 (note 7; year ended 31 March 2019: \$350,000) recognised in the Statement of comprehensive income reflects a gain from hedging instruments related to debt securities of \$16,483,000 (year ended 31 March 2019: \$10,256,000) and a loss from these hedged debt securities of \$17,597,000 (year ended 31 March 2019: \$10,606,000).

The Group closed the sale of \$500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of \$500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of \$500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

All borrowings are unsecured, interest-bearing at market related interest rates determined by each facility's respective term, collateral and counterparty.

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was \$67,464,000 (year ended 31 March 2019: \$48,585,000; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

21 BORROWINGS (CONTINUED)

Reconciliation of cash and non-cash movements of Group borrowings:

	As at 1 April 2019	Cash flow in the period	Non-cash changes		As at 31 March 2020
			Fair value changes	Amortisation of issuing costs	
Floating rate borrowings					
Loan amounts due to third party undertakings	2,500,000	-	-	-	2,500,000
Loan amount due to parent group undertakings	1,647,894	572,768	-	-	2,220,662
	<u>4,147,894</u>	<u>572,768</u>	<u>-</u>	<u>-</u>	<u>4,720,662</u>
Fixed rate borrowings					
Loan amount due to parent group undertakings	2,104,406	(108,595)	-	-	1,995,811
Loan amounts due to third party undertakings	99,368	198,910	-	-	298,278
Debt securities issued in qualifying hedging relationships	484,336	-	17,597	844	502,777
Other debt securities issued	995,063	496,685	-	1,978	1,493,726
	<u>7,831,067</u>	<u>1,159,768</u>	<u>17,597</u>	<u>2,822</u>	<u>9,011,254</u>

Terms, conditions and analysis of Group borrowings before impact of derivatives:

As at 31 March 2020	Average interest %	Year of maturity	Due < 12 months US \$'000	Due < 12 months US \$'000	Total US \$'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2.89	2020-2029	320,000	2,180,000	2,500,000
Loan amount due to parent group undertakings	4.16	2023-2033	53,712	2,166,950	2,220,662
			<u>373,712</u>	<u>4,346,950</u>	<u>4,720,662</u>
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.65	2021-2034	116,305	1,879,506	1,995,811
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,278	298,278
Debt securities issued in qualifying hedging relationships	2.65	2021	-	502,777	502,777
Other debt securities issued	3.56	2022-2024	-	1,493,726	1,493,726
			<u>490,017</u>	<u>8,521,237</u>	<u>9,011,254</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reconciliation of cash and non-cash movements of Group borrowings:

As at 31 March 2019	Average interest %	Year of maturity	Due < 12 months US \$'000	Due < 12 months US \$'000	Total US \$'000
Floating rate borrowings					
Loan amounts due to third party undertakings	3.74	2020-2027	300,000	2,200,000	2,500,000
Loan amount due to parent group undertakings	5.38	2023-2033	41,907	1,605,987	1,647,894
			<u>341,907</u>	<u>3,805,987</u>	<u>4,147,894</u>
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.50	2019-2028	319,457	1,784,949	2,104,406
Loan amounts due to third party undertakings	3.97	2025	-	99,368	99,368
Debt securities issued in qualifying hedging relationships	2.65	2021	-	484,336	484,336
Other debt securities issued	3.56	2022-2023	-	995,063	995,063
			<u>661,364</u>	<u>7,169,703</u>	<u>7,831,067</u>

22 FINANCIAL RISK MANAGEMENT

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the Transportation Business Planning Department ("TBPD") on behalf of the Consortium, develops and monitors the Group and Company's risk management policies which are established to identify and analyse the risks faced by the Group and Company, which include:

a Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and Company seek to minimise cash flow currency risk by ensuring its leases and associated financing are in the same currency, or entering into currency swaps or forwards over the life of the lease. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. The Group and Company have no currency swaps in place at year-end as the remaining contracts matured during the current year.

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13.

The carrying amounts of other currency denominated monetary assets and liabilities are as follows:

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Euro assets	9,907	13,936	9,422	13,637
Sterling assets	33	92	33	92
Japanese yen assets	299	713	299	713
Euro liabilities	(14,611)	(15,089)	(14,048)	(10,562)
Sterling liabilities	(647)	(68)	(647)	(68)
Japanese yen liabilities	(271)	(291)	(271)	(291)

At 31 March 2020, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Group for the year would have been \$336,948 lower/higher, and for the Company would have been \$265,144 lower/higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)**b Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimise cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Financial assets				
— variable rate	601,800	157,000	601,800	157,000
— fixed rate	629,957	356,010	629,957	356,010
— non-interest bearing	173,709	118,446	176,019	191,877
Total Financial Assets	1,405,466	631,456	1,407,776	704,887
Financial liabilities				
— variable rate	5,020,662	4,447,894	5,020,662	4,497,882
— fixed rate	4,303,646	3,719,154	4,303,647	3,719,153
— non-interest bearing	1,603,319	1,128,111	1,661,558	1,135,771
Total Financial Liabilities	10,927,627	9,295,159	10,985,867	9,352,806

The Group and Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 March 2020, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been \$1,899,000 lower/higher; other components of equity would have been \$30,319,000 lower/ higher as a result of a decrease/increase in the fair value of cash flow hedge reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

c Liquidity Risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2020, the Group had put in place \$6.3 billion of available capacity through a combination of undrawn shareholder funding (\$3.2 billion), third party availability (\$2.4 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Group Carrying value 31 March 2020 US \$'000	Group Contracted cashflows 31 March 2020 US \$'000	Company Carrying value 31 March 2019 US \$'000	Company Contracted cashflows 31 March 2019 US \$'000
Liabilities associated with assets held for sale	17,187	17,187	25,868	25,868
Trade and other payables	1,001,957	1,001,957	952,337	952,337
Obligations under finance leases	8,613	9,472	35,981	39,151
Borrowings	9,011,254	10,533,157	7,831,067	9,487,821
Subordinated liabilities	300,000	544,851	300,000	622,502
Interest rate swaps	588,616	1,450,213	149,906	1,481,344
	<u>10,927,627</u>	<u>13,556,837</u>	<u>9,295,159</u>	<u>12,609,023</u>
	Group Less than 1 year US \$'000	Group 1 to 2 years US \$'000	Group 3 to 5 years US \$'000	Group Over 5 years US \$'000
31 March 2020				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(388,442)	(91,517)	(285,040)	(236,958)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(777,490)	(1,527,423)	(3,786,528)	(4,441,716)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
	<u>(1,202,778)</u>	<u>(1,635,645)</u>	<u>(4,115,598)</u>	<u>(5,152,603)</u>
Total non-derivative financial instruments outflows				
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(56,317)	(85,712)	(232,245)	(233,613)
	<u>(56,317)</u>	<u>(85,712)</u>	<u>(232,245)</u>	<u>(233,613)</u>
Total Outflows	<u>(1,259,095)</u>	<u>(1,721,357)</u>	<u>(4,347,843)</u>	<u>(5,386,216)</u>

22 FINANCIAL RISK MANAGEMENT (CONTINUED)**c Liquidity Risk (continued)**

	Group Less than 1 year US \$'000	Group 1 to 2 years US \$'000	Group 3 to 5 years US \$'000	Group Over 5 years US \$'000
31 March 2019				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(25,868)	-	-	-
Trade and other payables	(448,429)	(36,668)	(224,133)	(243,107)
Obligations under finance leases	(15,333)	(16,209)	(7,609)	-
Borrowings	(967,538)	(750,841)	(4,091,512)	(3,677,930)
Subordinated liabilities	(20,645)	(19,406)	(56,699)	(525,752)
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-derivative financial instruments outflows	(1,477,813)	(823,124)	(4,379,953)	(4,446,789)
Derivative financial instruments (gross)				
<i>Interest Rate Swaps</i>				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(9,997)	(20,063)	(64,292)	(43,461)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Outflows	(1,487,810)	(843,187)	(4,444,245)	(4,490,250)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

	Company Carrying value 31 March 2020 US \$'000	Company Contracted cashflows 31 March 2020 US \$'000	Company Carrying value 31 March 2019 US \$'000	Company Contracted cashflows 31 March 2019 US \$'000
Liabilities associated with assets held for sale	17,187	17,187	25,868	25,868
Trade and other payables	1,060,196	1,060,196	959,997	959,997
Obligations under finance leases	8,613	9,472	35,981	39,151
Borrowings	9,011,254	10,300,561	7,881,054	9,537,808
Subordinated liabilities	300,000	544,851	300,000	622,502
Interest rate swaps	588,616	1,450,213	149,906	1,481,344
	<hr/>	<hr/>	<hr/>	<hr/>
	10,985,867	13,382,480	9,352,806	12,666,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Company Less than 1 year US \$'000	Company 1 to 2 years US \$'000	Company 3 to 5 years US \$'000	Company Over 5 years US \$'000
31 March 2020				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(447,304)	(91,517)	(285,040)	(236,335)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(773,671)	(1,527,423)	(3,786,528)	(4,212,939)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-derivative Financial Instruments Outflows	(1,257,821)	(1,635,645)	(4,115,598)	(4,923,203)
Derivative financial instruments (gross)				
<i>Interest Rate Swaps</i>				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(56,317)	(85,712)	(232,245)	(233,613)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Outflows	(1,314,138)	(1,721,357)	(4,347,843)	(5,156,816)
	<hr/>	<hr/>	<hr/>	<hr/>
	Company Less than 1 year US \$'000	Company 1 to 2 years US \$'000	Company 3 to 5 years US \$'000	Company Over 5 years US \$'000
31 March 2019				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(25,868)	-	-	-
Trade and other payables	(448,713)	(36,668)	(224,133)	(250,483)
Obligations under finance leases	(15,333)	(16,209)	(7,609)	-
Borrowings	(1,017,525)	(750,841)	(4,091,512)	(3,677,930)
Subordinated liabilities	(20,645)	(19,406)	(56,699)	(525,752)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-derivative Financial Instruments Outflows	(1,528,084)	(823,124)	(4,379,953)	(4,454,165)
Derivative financial instruments (gross)				
<i>Interest Rate Swaps</i>				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(9,997)	(20,063)	(64,292)	(43,461)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Outflows	(1,538,081)	(843,187)	(4,444,245)	(4,497,626)
	<hr/>	<hr/>	<hr/>	<hr/>

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)**d Credit Risk**

Credit risk is the risk arising from the possibility that the Group and Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed with oversight from the Aircraft Credit Department ("ACCD") to enable the Group and Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a portfolio basis. The key principles of credit risk management set out in the Framework include:

- Approval of credit exposure must be granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.
- Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.
- All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.
- Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimise the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialised problem management or recovery unit.
- Portfolio analysis and reporting must be used to identify and manage credit risk concentrations and credit risk quality.

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables (\$147 million of which \$73 million relate to lease receivables) resulting from its leasing activities and cash and cash equivalents (bank accounts totalling \$1.24 billion; including \$1.23 billion with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group did not recognise an impairment allowance as the potential allowance was deemed to be immaterial.

At 31 March 2020, the Group's significant cash and deposit counterparties were:

	US \$'000
SMBC (credit rating A (S&P))	1,236,993
Citibank (Credit rating A+ (S&P))	5,363
	<hr/>
	1,242,356

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2020, the Group was exposed to trade debtors of \$85.54 million (2019: \$28.7 million) and held a provision for expected credit losses against these for \$12.19 million (2019: \$3.96 million). A number of leases were restructured during the year ended 31 March 2017, which resulted in a provision for deferred rentals at 31 March 2020 of \$5.04 million (2019: \$9.05 million). At 31 March 2020 the Group held letters of credit of \$451.7 million (2019: \$488.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables and gross of collateral held.

The table below provides an analysis of exposure to credit risk and ECLs for trade receivables as at:

	ECL provision %	Group & Company 31 March 2020		Group & Company 31 March 2019	
		Gross carrying amount US \$'000	Impairment loss US \$'000	Gross carrying amount US \$'000	Impairment loss US \$'000
Category 1	0.0%	6,039	-	1,936	-
Category 2	0.1%	24,417	-	4,230	-
Category 3	2.0%	11,673	-	1,299	-
Category 4	33% - 100%	43,414	12,187	21,257	3,957
		<u>85,543</u>	<u>12,187</u>	<u>28,722</u>	<u>3,957</u>

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

Impairment Losses	Group US \$'000	Company US \$'000
The movement in the provision for expected credit losses in respect of lease receivables is as follows:		
Balance at 1 April 2018	-	-
Credit impairment charge on trade debtors	3,957	3,957
Balance at 31 March 2019	3,957	3,957
Credit impairment charge on trade debtors	8,230	8,230
Balance at 31 March 2020	<u>12,187</u>	<u>12,187</u>

e Asset Value Risk

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. As a result of the ongoing Covid-19 outbreak, there is a heightened risk that events may impact on the underlying value of property, plant and equipment, and specifically operating lease assets, held by the Group and Company.

Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of estimated of cash flows and residual values. A decrease in estimated future cash flows or residual values due to the Covid-19 outbreak may result in additional impairment of related assets.

f Capital Management

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the Statement of Financial Position.

23 DEFERRED TAX

	Group US \$'000	Group US \$'000
Movements during the year:		
At 1 April 2018	316,280	306,158
Charge to income from continuing operations (note 8)	35,460	45,582
Charge to other comprehensive income	(19,070)	(19,070)
	<hr/>	<hr/>
At 31 March 2019	332,670	332,670
Adjustment on initial application of IFRS16	(10)	(7)
	<hr/>	<hr/>
Adjusted balance at 1 April 2019	332,660	332,663
Charge to income from continuing operations (note 8)	45,061	45,066
Charge to other comprehensive income	(57,752)	(57,752)
	<hr/>	<hr/>
At 31 March 2020	<hr/> <u>319,969</u>	<hr/> <u>319,977</u>

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Deferred tax assets	74,061	17,619	74,061	17,619
Deferred tax liabilities	(394,030)	(350,289)	(394,038)	(350,289)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(319,969)</u>	<u>(332,670)</u>	<u>(319,977)</u>	<u>(332,670)</u>

Full provision has been made for the potential amount of deferred taxation shown below:

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(394,029)	(348,977)	(394,037)	(348,977)
Fair value adjustments on financial instruments - deferred tax asset	74,061	17,619	74,061	17,619
Fair value adjustments on financial instruments - deferred tax liability	(1)	(1,312)	(1)	(1,312)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(319,969)</u>	<u>(332,670)</u>	<u>(319,977)</u>	<u>(332,670)</u>

The Group has estimated tax losses of \$1,912 million (31 March 2019: \$1,938 million) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 SUBORDINATED LIABILITIES

	Average interest rate %	Year of maturity	31 March 2020 US \$'000	31 March 2019 US \$'000
\$300 million floating rate loan due to parent group undertakings	5.91	2036	300,000	300,000
At 31 March 2020			<u>300,000</u>	<u>300,000</u>

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan was recently extended to February 2036 and can be extended further with the agreement of both parties.

25 SHARE CAPITAL

	31 March 2020 US \$	31 March 2019 US \$
Authorised:		
Ordinary shares of \$1 each	300,000,000	300,000,000
Preference shares of \$1 each	700,000,000	700,000,000
Preference shares of \$1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, called up and fully paid:		
Ordinary shares of \$1 each	187,512,800	187,512,800
Preference shares of \$1 each	700,000,000	700,000,000
Preference shares of \$1 each	<u>887,512,800</u>	<u>887,512,800</u>

The Company's ordinary shares have voting rights attached but carry no right to fixed income, while its preference shares have no voting rights attached and may be paid a fixed non-cumulative preferential dividend of 7.5% of nominal value at the Company's discretion in any financial year.

	31 March 2020 Number of shares	31 March 2019 Number of shares
Authorised:		
Ordinary shares of \$1 each	300,000,000	300,000,000
Preference shares of \$1 each	700,000,000	700,000,000
Preference shares of \$1 each	<u>1,000,000,000</u>	<u>700,000,000</u>
Issued, called up and fully paid:		
Ordinary shares of \$1 each	187,512,800	187,512,800
Preference shares of \$1 each	700,000,000	700,000,000
Preference shares of \$1 each	<u>887,512,800</u>	<u>887,512,800</u>

In November 2018, the Company increased its authorised share capital from 245 million ordinary voting shares which carry no right to fixed income, to 300 million ordinary voting shares which carry no right to fixed income and 700 million non-voting 7.5% non-cumulative preference shares.

At the same time, and as part of the an overall restructuring of shareholding in the Company, the Company redeemed the ordinary shareholding of Sumitomo Corporation ("SC") from its distributable reserves and issued new ordinary shares at a premium to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") in such proportions that the shareholding of SMFL and SMBC would be re-balanced to 68% and 32% respectively, resulting in a net increase of 30 issued ordinary shares. In addition, 700 million preference shares were issued to SMFL and SMBC pro rata to their respective shareholdings in the Company.

26 OTHER COMPONENTS OF EQUITY

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	(518,418)	(114,152)	(518,418)	(114,152)
Total other reserves	(47,863)	356,403	(49,830)	354,436

The Company issued 18,751,307 new ordinary shares of \$1 each at a premium of \$12.9245 per share to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") as part of the shareholder restructuring in November 2018 disclosed in note 25.

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of \$207,486,000 in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c of the Group's Consolidated Financial Statements for the year ended 31 March 2018, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by \$2.633m at 31 March 2013, with a related increase in deferred tax liabilities of \$0.658m. The difference, a net amount of \$1.967m being a transaction with shareholder, was reflected in the other reserve.

The cash flow hedge reserve reflects changes in the mark-to-market value of cash flow hedge accounted derivatives, driven by market rates, and the amortisation of de-designated cash flow hedges.

27 OPERATING LEASE ARRANGEMENTS AS LESSOR

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

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Within one year	1,118,485	1,241,364	1,118,485	1,241,364
In the second year	1,259,476	1,381,891	1,259,476	1,381,891
In the third year	1,260,275	1,385,552	1,260,275	1,385,552
In the fourth year	1,161,782	1,362,154	1,161,782	1,362,154
In the fifth year	1,068,974	1,174,368	1,068,974	1,174,368
After five years	4,844,995	5,261,040	4,844,995	5,261,040
	10,713,987	11,806,369	10,713,987	11,806,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 RELATED PARTIES

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as documented in the accounting policy note 1c. A listing of the Company's subsidiaries is included in note 11. Transactions to and from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IAS 27, Consolidated and Separate Financial Statements.

The Group and Company's ultimate parent companies are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corporation (34%). The table below provides a list of any outstanding balances at year end and any transactions entered into during the financial year with the parent companies and its subsidiaries. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	1,971	3,101	1,971	3,101
Interest expense	782	1,422	782	1,422
Operating expenses	3,604	3,573	3,604	3,573
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Borrowings	15,172	16,945	15,172	16,945
Other creditors	143	307	143	307
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,489	2,127	2,184	1,809
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Sundry debtors	127	137	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
JRI America, Inc.				
Balances at period end:				
Other creditors	-	1,789	-	1,789
	<hr/>	<hr/>	<hr/>	<hr/>
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	17,916	10,334	17,916	10,334
Fee income	4,426	3,496	4,426	3,496
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Amounts due to group undertakings	39,769	74,093	39,769	74,093
	<hr/>	<hr/>	<hr/>	<hr/>
SMBC Capital Markets Inc.				
Transactions during the period:				
Fee income	5	5	5	5
Gain / (loss) on derivative fair value	16,483	(10,256)	16,483	(10,256)
Interest expense	13,187	4,369	13,187	4,369
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Cash	601,800	157,000	601,800	157,000
Derivative Financial Instruments	591,949	140,461	591,949	140,461
	<hr/>	<hr/>	<hr/>	<hr/>

28 RELATED PARTIES (CONTINUED)

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
SMBC Trust Bank				
Transactions during the period:				
Interest expense	96,542	74,714	96,542	74,714
Balances at period end:				
Borrowings	2,296,019	1,640,984	2,296,019	1,640,984
Amounts due to group undertakings	10,300	10,428	10,300	10,428
SMBC Europe Limited				
Transactions during the period:				
Fee income	1,895	1,621	1,895	1,621
Interest income	727	2,357	727	2,357
Operating expense	(654)	(885)	(654)	(885)
Balances at period end:				
Cash	1,181	4,351	1,180	4,222
Sundry (Creditors) / Debtors	(546)	463	(546)	463
SMBC (Japan)				
Transactions during the period:				
Operating expenses	16,512	18,313	16,512	18,313
Balances at period end:				
Amounts due to group undertakings	7,246	4,468	7,246	4,468
SMBC (New York)				
Transactions during the period:				
Interest expense	111,992	119,678	111,992	119,678
Balances at period end:				
Borrowings	2,205,283	2,394,366	2,205,283	2,394,366
Cash	634,011	360,179	634,011	360,179
Amounts due to group undertakings	6,135	8,593	6,135	8,593
SMBC (Paris)				
Transactions during the period:				
Interest expense	649	824	649	824
Balances at period end:				
Obligations under Finance Leases	3,052	2,938	3,052	2,938
Non-current liabilities	5,620	8,690	5,620	8,690
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	530	1,186	530	1,186
Balances at period end:				
Other Creditors	122	330	122	330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Group 31 March 2020 US \$'000	Group 31 March 2019 US \$'000	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
SMFL (Hong Kong) Limited.				
Transactions during the period:				
Operating expenses	57	1,571	57	1,571
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	1,111	1,261	1,111	1,261
Balances at period end:				
Other Creditors	310	400	310	400
SMBC Aviation Capital Japan Co., Ltd.				
Transactions during the period:				
Fee income	2,025	2,027	2,025	2,027
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	539	-	539	-
Balances at period end:				
Other Creditors	143	-	143	-
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	3,722	-	3,722	-
Balances at period end:				
Other Creditors	310	-	310	-
SMBC Bank EU AG				
Transactions during the period:				
Operating expenses	134	-	134	-

28 RELATED PARTIES (CONTINUED)

	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Transactions with subsidiaries		
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Dividend income	-	2,355
Balances at period end:		
Amounts due from group undertakings	0	15
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee income	-	396
Fee expense	2,649	4,848
Interest expense	7,243	8,369
Purchases of property, plant and equipment	-	20,466
Balances at period end:		
Amounts due to group undertakings	259,043	258,390
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	794	730
Balances at period end:		
Amounts due (to) / from group undertakings	(30)	5
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	4,090	3,877
Balances at period end:		
Amounts due from group undertakings	71	142
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	345	-
Fee expense	393	-
Balances at period end:		
Amounts due to group undertakings	196,426	-
SMBC Aviation Capital Aircraft Holdings B.V. (liquidated)		
Transactions during the period:		
Interest expense	-	4,910
Fee income	-	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Valderrama Aviation Limited		
Transactions during the period:		
Interest income	2,209	403
	<hr/>	<hr/>
Balances at period end:		
Amounts due from group undertakings	-	73,360
	<hr/>	<hr/>
Soller Aviation Limited		
Transactions during the period:		
Interest income	-	303
	<hr/>	<hr/>
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	26	39
Interest expense	68,814	44,107
	<hr/>	<hr/>
Balances at period end:		
Amounts due to group undertakings	2,011,374	1,503,627
	<hr/>	<hr/>

The Group closed the sale of \$500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of \$500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of \$500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of \$500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 21.

The amounts outstanding are unsecured and will be settled in cash. No other guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In addition, the Group has also engaged with The Community Foundation for Ireland, a registered charity, to assist with specific corporate social responsibility projects. While The Community Foundation for Ireland is disclosed as a related party due to an existing relationship between its Board of Trustees and the Company's Board of Directors, all services will be provided to the Group on terms equivalent to those that prevail in arm's length transactions for the duration of the projects.

Key management personnel include directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management is shown below:

	Company 31 March 2020 US \$'000	Company 31 March 2019 US \$'000
Salaries and other short-term employee benefits	10,390	10,528
Post-employment benefits	417	423
Other long-term benefits	9,780	11,654
	<hr/>	<hr/>
Total	20,587	22,605
	<hr/>	<hr/>

29 CAPITAL COMMITMENTS

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consists of 110 A320neo aircraft (of which 25 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consists of 90 Boeing 737 MAX 8 aircraft. In addition to these direct orders, the Group also placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling \$1.2 billion (31 March 2019: \$3.1 billion).

The combined remaining purchase commitment for orders total \$13.2 billion and delivery dates are currently scheduled between 2020 and 2025, although the timing of Boeing 737 MAX 8 aircraft deliveries will be determined by the manufacturer's ongoing return to service updates. These commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

30 CONTINGENT LIABILITIES

The Group and Company had no contingent liability at 31 March 2020 (31 March 2019: \$nil).

31 SUBSEQUENT EVENTS

Due to the spread of Covid-19 around the world in 2020 and the subsequent measures taken by various countries, airline financial performance is expected to be adversely impacted. There is significant uncertainty around the breadth and duration of business disruptions related to Covid-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations. At the date of this report, there is no material impact on the financial statements, although the Group has received a number of requests from lessees which they are continuing to assess.

Also, on 3 April 2020, Mr. S. Hayashida resigned as Director. On the same day, Mr. T. Tanaka was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2020, which require adjustment to or disclosure in the Consolidated Financial Statements.

32 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 7 May 2020.

ACRONYMS AND ABBREVIATIONS

ACCD	Aircraft Credit Department
ceo	Current engine option
CGU	Cash generating unit
Companies Act/ The Act	Companies Act 2014
Company	SMBC Aviation Capital Limited
Consortium	SMFG and SC
CSR	Corporate Social Responsibility
ECL	Expected credit loss
EU	European Union
Financial Statements	The Group and Company financial statements
Group	SMBC Aviation Capital Limited and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
ISA	International Standard on Auditing
IT	Information technology
JOLCO	Japanese operating lease with call option
Managed entities	SMBC Aviation Capital (UK) Limited & subsidiary
MSN	Manufacturers Serial Number
neo	New engine option
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
ROU	Right of use
S&P	Standard & Poor's
SC	Sumitomo Corporation
SMBC	Sumitomo Mitsui Banking Corporation
SMFG	Sumitomo Mitsui Financial Group
SMFL	Sumitomo Mitsui Finance and Leasing Company, Ltd.
Structured entity	PDP financing company
TBPD	Transportation Business Planning Department
UEL	Useful economic life

